

INSPECTOR GENERAL DESKBOOK

VOLUME 4

*Office of Inspector General
Department of The Treasury*

Inspector General Deskbook

Volume 4

TABLE OF CONTENTS

Section 1 – References and Standards

General Accounting Office (GAO):

Government Auditing Standard (Yellow Book)

Standards for Control in the Federal Government (1999)

Report to the Chairman, Committee on Government Reform, House of Representatives, *Inspectors General: Comparison of Ways Law Enforcement Authority is Granted*, GAO-02-437 (May, 2002)

Testimony Before the Subcommittees on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives, *Inspectors General: Enhancing Federal Accountability, Statement of David M. Walker Comptroller General of the United States*, GAO-04-117T (October, 2003)

President’s Council on Integrity and Efficiency (PCIE):

Quality Standards for Federal Offices of Inspector General (Silver Book)

PCIE Investigative Standards (Blue Book)

Quality Standards for Inspections, PCIE (1993)

Quality Standards for Investigations, PCIE/ECIE (1997)

Section 2 – Additional Materials Relating to OIG

CRS Report for Congress, *Statutory Offices of Inspector General: A 20th Anniversary Review* (1998)

Power Point Presentation on IG Act

GAO

Report to the Chairman,
Committee on Government Reform,
House of Representatives

May 2002

INSPECTORS GENERAL

Comparison of Ways Law Enforcement Authority Is Granted



Contents

Letter		1
	Results in Brief	2
	Background	4
	Scope and Methodology	6
	Statutory and Deputized IGs' Law Enforcement Authority is Similar, but Differences Exist in Oversight Requirements	7
	Views of Deputized IGs and Other Federal Officials on Both Methods	9
	No Significant Cost or Savings Would Result from Switching Deputized IGs to Statutory Authority	10
	Conclusions	11
	Agency Comments	11
Appendix I	IG Offices That Have Made Annual Deputation Requests and Received Law Enforcement Authority	15
	Departments	15
	Agencies	15
Appendix II	Data Collection Instrument of Presidentially Appointed Deputized IG Offices	16
Appendix III	Comments from the President's Council on Integrity and Efficiency	23
Appendix IV	Comments from the Department of Justice	26
Table		
	Table 1: Deputized IGs' Law Enforcement Results Reported to DOJ from 1998 through 2000	8

Abbreviations

CBO	Congressional Budget Office
DOD	Department of Defense
DOJ	Department of Justice
FBI	Federal Bureau of Investigation
GSA	General Services Administration
HHS	Department of Health and Human Services
IG	Inspectors General
MOU	memorandum of understanding
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PCIE	President's Council on Integrity and Efficiency
TIGTA	Treasury Inspector General for Tax Administration
USDA	U.S. Department of Agriculture
USMS	U.S. Marshals Service



United States General Accounting Office
Washington, DC 20548

May 22, 2002

The Honorable Dan Burton
Chairman, Committee on Government Reform
House of Representatives

Dear Mr. Chairman:

As a part of their responsibilities federal inspectors general (IGs) offices conduct criminal investigations of fraud, waste, and abuse in federal departments and programs. IG criminal investigators exercise law enforcement authority to make warrantless arrests, obtain and execute warrants, and carry firearms. Because IGs generally do not possess permanent statutory law enforcement authority, most presidentially appointed IGs have to request temporary deputation from the Department of Justice (DOJ).¹ However, three presidentially appointed IGs²—U.S. Department of Agriculture (USDA), Department of Defense (DOD), and Treasury Inspector General for Tax Administration (TIGTA)—possess permanent statutory law enforcement authority and do not need to obtain DOJ's approval.

This report responds to your request that we identify the similarities and differences between providing statutory authority and deputation to presidentially appointed IGs. Specifically, you asked us to

- compare the statutory authority and deputation in terms of the scope of law enforcement authority granted to the IG criminal investigators, amount of supervision and training of criminal investigators, and the extent of oversight required;

¹Deputation is the process through which some criminal investigators derive their law enforcement authority. DOJ's U.S. Marshals Service is authorized to deputize selected persons to perform the functions of a deputy U.S. Marshal whenever considered appropriate.

²These three presidentially appointed IGs have what has been referred to as full statutory law enforcement authority, giving their investigators the ability to, in general, make certain arrests, carry firearms, and execute search warrants. For this report, references to "statutory authority" are used to refer to certain common characteristics of these three presidentially appointed IGs identified to us as having statutory law enforcement authority comparable to the law enforcement authority granted to the deputized IGs.

-
- obtain the views of (1) IGs using deputation (deputized IGs) regarding whether statutory authority would improve their investigative practices or impact their current jurisdictions; and (2) other federal officials, including DOJ and the Office of Management and Budget (OMB), regarding statutory authority and deputation;
 - estimate the cost implications if legislation were enacted to grant statutory authority to those IGs who do not possess such law enforcement authority.

To address these areas, we interviewed officials from various federal departments and agencies, including USDA, DOD, and DOJ, the FBI, and the U.S. Marshals Service (USMS), TIGTA, and Department of Health and Human Services (HHS); Congressional Budget Office (CBO), General Services Administration (GSA), OMB, and Office of Personnel Management (OPM). We compared and analyzed information to determine similarities and differences associated with statutory authority and deputation. To obtain the views about specific aspects of law enforcement authority, we surveyed and received responses from all 23 deputized IGs. We reviewed CBO's cost analysis to determine the costs involved in switching from deputation to statutory authority.

Results in Brief

We found that IG criminal investigators who are deputized do not significantly differ in terms of their scope of law enforcement authority, supervision, and training from their counterparts who have statutory law enforcement authority. We also found that deputized IGs receive additional oversight over their law enforcement authority. For example, deputized IGs must renew their law enforcement authority every 3 years and involve the FBI when initiating certain criminal investigations and other sensitive investigations.³

In responding to our questionnaire, 15 of the 23 deputized IGs reported that having statutory authority would improve their criminal investigative practices to at least some extent and 9 of these reported that statutory authority would improve their investigative practices to a great or very great extent. Three deputized IGs said it would enhance their recognition as fully authorized officers in the law enforcement community. DOJ said it is currently considering its position on ways to provide law enforcement

³As of January 2001, deputized IGs renewed their law enforcement authority for a 3-year period, rather than annually.

authority to deputized IGs. OMB deferred the matter for DOJ's consideration.

Deputized IGs and other federal agencies including the CBO stated that granting statutory law enforcement authority to IGs who are currently deputized would have no significant effect on federal costs since it would involve replacing one system of review and oversight with another.

We requested comments on a draft of this report from the President's Council on Integrity & Efficiency⁴ (PCIE) and DOJ. The PCIE disagreed with our report message. The PCIE generally disagreed with the methodology we used for our work and with some of the conclusions they believe the report was making in regard to the impacts of using one form of law enforcement authority over another.

The PCIE questioned our methodology, which compared temporary deputation with permanent statutory law enforcement authority. They stated that we should have compared deputized IGs to the provisions in the legislation (S. 3144) proposed in the last Congress rather than provisions that authorize the three IGs who have statutory law enforcement authority—DOD, USDA, and TIGTA. The PCIE stated that the bill (S. 3144) was the only bona fide standard to compare against because it reflected the actual statutory authority that the deputized IGs were seeking. We compared deputation with the provisions of statutes that grant law enforcement authority to IGs in DOD, USDA, and TIGTA because these are the ways that IGs currently receive law enforcement authority. Importantly, the bill that the IGs referred to did not pass, and because provisions in any future legislation are subject to change, we did not believe it was appropriate to use provisions of S. 3144 in the comparison.

The PCIE stated that they disagree with the draft report's conclusion that unless significant cost savings can be associated with permanent statutory law enforcement authority, the current temporary deputation system should be retained. Our report does not state or imply such a conclusion. It accurately summarizes the information the IGs and other federal agencies, such as CBO, told us would be the cost impact of switching from

⁴The council is an interagency council comprised principally of presidentially appointed and Senate-confirmed IGs, which currently operates under Executive Order No. 12805 to coordinate and enhance the work of the IGs.

deputation to statutory law enforcement authority. The PCIE also stated that the report incorrectly concluded that the deputation process offers greater oversight and better professional standards than permanent statutory law enforcement authority. The report reaches no such conclusion. The report states that the current deputation process involved increased oversight, such as requiring deputized IGs to renew their law enforcement authority every 3 years with DOJ. The report does not conclude that one process is better than the other. The PCIE also stated that the deputation renewal process caused an administrative burden for USMS. Our work did not support such a conclusion. The USMS told us that the deputation process has improved and that renewing deputized IG's law enforcement authority was the easiest task of their deputation workload.

DOJ neither agreed nor disagreed with our draft report. DOJ requested that our report state that DOJ has not yet taken a position on providing law enforcement authority through either statute or deputation and that the issue is under review within the Administration. Officials from PCIE and DOJ also provided technical comments that we incorporated into the report as appropriate.

Background

The Inspector General Act of 1978, as amended, among other things, identified specific federal departments and agencies that are required to have IGs appointed by the president, by and with the advice and consent of the Senate.⁵ The act also requires each such IG to appoint an assistant inspector general for investigations to supervise the performance of investigative activities, including criminal investigations, relating to their agencies' programs and operations.

Although presidentially appointed IGs have the authority to conduct criminal investigations, the IGs have not been granted across-the-board statutory law enforcement authority.⁶ However, as the role of the presidentially appointed IGs in active investigations of criminal activity expanded, so too did their requests for deputation seeking the authority to make warrantless arrests, obtain and execute warrants, and carry firearms

⁵Inspector General Act of 1978 (Public Law 95-452), as amended, (codified at 5 U.S.C. App. 3).

⁶IGs do, however, have the across-the-board power to, for example, issue subpoenas for the production of information and documents, among other things, in the performance of their investigations.

to reduce requests for assistance from other law enforcement personnel in dangerous situations. Subsequently, 23 presidentially appointed IGs' criminal investigators received law enforcement authority through case-by-case deputation granted by the USMS. Under this process, the presidentially appointed IGs applied for deputation for each criminal investigator in each case where the need was anticipated. Upon completion of the case, the deputation and its accompanying law enforcement authority expired, and the process would start over again.

In 1995, in an effort to reduce paperwork and excessive delays, certain presidentially appointed IGs began receiving 1-year deputation law enforcement authority for criminal investigators.⁷ Appendix I provides a list of the 23 deputized IGs who requested and received annual deputation. As of January 2001, these deputized IGs renew their law enforcement authority for a 3-year period, rather than annually. This process includes (1) requesting temporary law enforcement authority and obtaining approval from DOJ, (2) submitting a formal deputation application to DOJ, and (3) taking an oath. Deputized IGs' criminal investigators must also adhere to the terms and conditions disclosed in a DOJ memorandum of understanding (MOU). The MOU is designed to provide DOJ guidance and oversight of IG criminal investigator training and conduct of criminal investigations.

Although not passed, proposed legislation (S. 3144) was introduced during the 106th Congress, which would have, among other things, provided criminal investigators in specified IG offices (see appendix I) with certain statutory law enforcement authorities. Under this bill, deputized IGs would (1) no longer be required to renew their law enforcement authority through the USMS; and (2) obtain a statutory basis for carrying firearms, making certain types of warrantless arrests, and executing warrants.

In addition, the bill contained provisions for oversight over the IGs. The bill, for example, provided for "peer reviews" of IGs by other IGs.⁸ (The results of such reviews would have been forwarded to the applicable IG

⁷The departments of Labor, Housing and Urban Development, State, and Transportation; Veterans Affairs, Social Security Administration, and the Small Business Administration were originally selected for the deputation pilot program.

⁸Although the bill was not enacted into law, the PCIE Investigations Committee prepared a draft *Guide for Conducting Qualitative Assessment Reviews for the Investigative Operations of the IGs* and is conducting a nine-month pilot field-test to finalize the guide. The pilot test is scheduled to end on April 30, 2002.

and the Attorney General) and required DOJ's continued oversight of IGs' activities, such as involving the FBI when initiating certain criminal investigations. In addition, the Attorney General would have the authority, under certain conditions, to rescind or suspend such law enforcement authority of these IGs.

Scope and Methodology

To compare the similarities and differences between providing statutory authority and deputation, we examined MOUs, federal statutes, operating manuals, and other pertinent documents between the two groups of IGs. We also interviewed officials involved with the deputation program and/or related efforts to obtain statutory authority for the deputized IGs. This included officials in Washington, D.C., from the USMS, FBI, DOJ's Criminal Division, OMB, and selected presidentially appointed IGs with deputation—HHS, GSA, DOJ IG, OPM, and the PCIE. In addition, we identified and interviewed three presidentially appointed IGs—USDA, DOD, TIGTA⁹—having statutory authority comparable to the law enforcement authority granted to deputized IGs. We obtained perspectives and relevant documents related to their use of law enforcement authority. We compared the scope of law enforcement authority, supervision, and training of IG criminal investigators for both methods.

To obtain views of deputized IGs on whether statutory authority would improve their investigative practices or impact their current jurisdictions, we surveyed and received responses from all 23 deputized IGs (see app. II for the questionnaire).¹⁰

To identify the cost and any savings that might result by switching from deputation to statutory authority, we reviewed congressional hearing documents and the CBO cost analysis associated with a recent legislative proposal. In addition, we interviewed officials from DOJ, OMB, CBO, and selected IGs to obtain applicable cost and savings information.

⁹Statutory law enforcement authority is exercised by these IGs either through specific statutory grants to the IGs or delegations by the agency head. To illustrate, USDA IG was granted statutory law enforcement authority in 1981 (P.L. 97-98) and TIGTA IG was granted statutory law enforcement authority in 1998 (P.L. 105-206). DOD IG was granted certain statutory law enforcement authorities in 1997 (P.L. 105-85) but has the authority to carry firearms under delegation from the Secretary of Defense (10 U.S.C. 1585).

¹⁰Prior to distributing the survey questionnaire, we pretested it with the deputized IGs from HHS and GSA and made revisions accordingly.

We performed our work from May 2001 through May 2002 in accordance with generally accepted government auditing standards.

Statutory and Deputized IGs' Law Enforcement Authority is Similar, but Differences Exist in Oversight Requirements

Regardless of the origin of law enforcement authority—either through statutory authority or deputation, IGs' scope of law enforcement authority, supervision, and training are similar. However, differences exist in the level of DOJ's oversight given to the deputized IGs by DOJ.

Similarities

Whether under statute or deputation, IGs' law enforcement authority is similar. Our comparative analysis revealed that IGs have comparable duties, practices, and standards regarding their (1) scope of law enforcement authority to make warrantless arrests, obtain and execute warrants, and carry firearms; (2) supervision of criminal investigators, which generally provides for day-to-day oversight by an agency official such as a special agent-in-charge; and (3) training standards. For example, IG criminal investigators with statutory authority and IG criminal investigators with deputation train together at the Federal Law Enforcement Training Center located in Glynco, Georgia. The facility provides both groups the same basic training curriculum in matters such as firearms, search and seizure, and arrest procedures as well as criminal investigator-specialized training.

Differences

We found differences in the level of DOJ oversight for IGs who are deputized by DOJ. Deputized IGs must renew their law enforcement authority every 3 years, while IGs with statutory authority do not have this requirement. DOJ established a process for granting and renewing deputation that allows its deputy attorney general, Criminal Division, FBI, and the USMS to review certain aspects of deputized IGs activities. The purpose of this process is to determine whether deputized IGs continue to meet standards for (1) keeping firearms skills current, (2) providing adequate training, and (3) coordinating with federal prosecutors and other federal law enforcement agencies.

As part of DOJ's deputation process, deputized IGs are required to report to DOJ annually on the results they achieved, as a condition for renewing their deputation. Table 1 summarizes the results achieved with deputation from 1998 through 2000 that we identified from deputized IG responses to our survey.¹¹

Table 1: Deputized IGs' Law Enforcement Results Reported to DOJ from 1998 through 2000

Types of activity^a	Total
Arrests	4,762
Searches	1,298
Protection of witness	576
Dangerous surveillance of investigative subjects	11,445
Temporary custody of federal prisoners (outside controlled environment)	1,086
Dangerous interviews	16,389
Support for undercover operations	4,561
Restraining orders	73
Dangerous subpoena service	3,791
Assisting in electronic surveillance	8,502

^aThe results exclude two deputized IGs, because the data were not provided by types of activity.

Both DOJ and FBI officials told us that the reporting requirement is being re-evaluated, and DOJ said that it is outdated and no longer used as a condition for renewing deputized IGs' law enforcement authority. Furthermore, DOJ said that no deputized IG has been denied its deputation renewal request.

In addition, deputized IGs are required to notify the FBI when initiating certain criminal investigations as well as work jointly with the FBI on certain other sensitive investigations.¹² The three presidentially appointed IGs with statutory authority do not have a specific statutory requirement to coordinate their investigations with the FBI. DOJ requires deputized IGs

¹¹The 3-year period (1998 through 2000) for which we requested information might not have been applicable to each deputized IG based on the MOU date they entered USMS's deputation program. Also, DOJ's IG did not provide us with reporting results, citing that it submits the agency's annual reports directly to the deputy attorney general rather than to the Criminal Division.

¹²Deputized IGs must further consult with federal prosecutors before proceeding with an investigation to ensure that an allegation, if proven, would be prosecuted.

and the FBI to provide each other written notification involving areas of concurrent jurisdiction. The FBI has jurisdiction in all matters involving fraud against the federal government and jointly shares this jurisdiction with the deputized IGs in matters of fraud against each IG's agency. DOJ also requires the FBI or another federal law enforcement agency to assist the deputized IGs when conducting specific types of sensitive investigations, such as court-ordered electronic surveillance.¹⁸

According to the FBI, the purpose of these requirements is to provide oversight in order to (1) place limits on the authority of the deputized IGs' criminal investigators, and (2) help ensure compliance with applicable DOJ guidelines, and (3) address law enforcement coordination procedures for deputized IGs when conducting their criminal investigations.

Views of Deputized IGs and Other Federal Officials on Both Methods

As requested, we obtained views of deputized IGs and other federal officials on certain matters related to statutory authority and deputation. We found that deputized IGs prefer statutory authority to deputation and most believed statutory authority would improve their investigative practices at least to some extent. Most deputized IGs also reported that statutory authority would have little impact on their current statutory jurisdictions. Other federal officials generally believed that the current deputation process has improved. DOJ has not yet settled on its position on providing law enforcement authority to deputized IGs under either method. OMB deferred the matter for DOJ's consideration.

Deputized IGs' Views on Certain Matters Related to Statutory Authority

Fifteen of the 23 deputized IGs reported that having statutory authority would improve their criminal investigative practices to at least some extent and 9 of these reported that statutory authority would improve their investigative practices to a great or very great extent. Three of these believed that practices would be improved because statutory authority would enhance their investigators status as fully authorized officers in the law enforcement community. Further, 20 of the 23 deputized IGs reported that granting statutory authority would change their current jurisdiction of authority to little or no extent.

¹⁸DOJ defines this category of cases to be any case involving the interception of communications pursuant to 18 U.S.C. Section 2510 et seq., electronic surveillance using closed circuit television in situations where a warrant is required, or any other court-ordered electronic surveillance.

Other Federal Officials' Views on Statutory and Deputation Law Enforcement Authority

In July 2000, DOJ and OMB testified at congressional hearings in favor of a legislative proposal that would have granted statutory authority to specified IG offices. However, the issue is currently under review within the Administration, and DOJ has not yet settled on its position as of May 2002. FBI officials we interviewed said that the deputation process is a much better system of conferring law enforcement authority to the IGs because it provides greater flexibility for DOJ and appropriately places oversight responsibilities at the Attorney General level. The Attorney General has the authority to delegate these responsibilities to Justice entities including DOJ's Criminal Division, FBI and USMS. The Attorney General has delegated this authority to USMS. Although the FBI reported no significant problems of abuse or misconduct from the deputized IGs, they continue to believe that deputation enables DOJ to ensure coordination in matters of concurrent jurisdiction. In responding to our questionnaire, OMB indicated that the issue of whether deputized IGs should be switched from deputation to statutory authority was a matter that DOJ would have to consider.

Officials with DOJ's Criminal Division, FBI, and USMS generally agree that recent improvements, including extending the deputation renewal cycle from 1 to 3 years, will ease the processing burden.

No Significant Cost or Savings Would Result from Switching Deputized IGs to Statutory Authority

Most deputized IGs believed no significant cost or savings would derive from conferring statutory authority to them. Eighteen of the 23 deputized IGs reported that no significant cost would be associated with switching them from deputation to statutory authority. The remaining 5 deputized IGs reported that some savings would be likely by eliminating administrative responsibilities associated with preparing, processing, and reviewing deputation requests and annual reports. USMS officials told us that about 2,000 of the approximately 7,500 deputations they authorize each year are for IG criminal investigators. This number will be cut by one-third in 2004 when renewals will be done every 3 years. However, USMS currently invests less than 4 staff years in its deputation responsibilities, so the overall impact on USMS's deputation process would be minimal. USMS would be able to reduce its workload (reviewing deputation requests) by about 27 percent annually. However, beginning in January 2004, USMS will begin renewing IGs' deputation on a 3-year cycle.

Officials at DOJ concurred that the cost and any savings associated with switching from deputation to statutory authority would be minimal.

In addition, the CBO provided a cost estimate for a proposed bill (S. 3144) during the 106th Congress that would have granted statutory authority to specified IG offices. Because the bill would have codified powers already exercised by deputized IGs, and replaced one system of review and oversight with another, CBO estimated that implementing it would have no significant effect on federal costs. CBO told us that any costs would be less than \$500,000. However, CBO told us they did not consider the potential cost related to peer review. The vice chair of the President's Council on Integrity and Efficiency¹⁴ said at hearings that a legislative proposal to grant permanent statutory law enforcement authority to deputized IGs would have carried with it no additional costs, in part because the deputized IGs' criminal investigators already (1) exercised law enforcement authority through deputation, (2) trained as criminal investigators, and (3) participated in the federal law enforcement retirement system. Officials at OMB and CBO agreed with this cost assessment.

Conclusions

With the exception of DOJ's imposed oversight requirements, we could not identify any other significant differences relating to law enforcement authority between the three IGs with statutory authority and the 23 deputized IGs. To some extent, DOJ has eased its requirements by extending the deputation renewal cycle from 1 to 3 years. In addition, DOJ concedes that its requirement for annual reports from deputized IGs has become outdated, and DOJ is reassessing the need for the requirement. Some deputized IGs believe that their status would be enhanced if they were statutorily authorized.

Agency Comments

We received comments on a draft of this report from the PCIE (which presents the views of the IG community), and DOJ. The PCIE's March 18, 2002, comments and DOJ's March 25, 2002, comments are in appendixes III and IV, respectively. The PCIE disagreed with our report message. DOJ neither agreed nor disagreed with our report. Officials from these organizations also provided technical comments, which were incorporated into the report as appropriate.

¹⁴The vice-chair of the council, accompanied by the chairpersons of the council's Legislation Committee and the Investigation Committee, testified regarding legislative proposals and issues relevant to the operations of the inspectors general, before the Senate Committee on Governmental Affairs, 106th Congress, (2000).

PCIE

The PCIE felt that GAO should have focused on determining which means of providing law enforcement authority to IGs would foster the most effective investigative process. We were not requested to address this issue and therefore it was not within the scope of our work. We did however survey all 23 IGs and obtained their views on providing law enforcement authority (see our survey results on p. 8).

The PCIE disagreed with our methodology comparing presidentially appointed IGs' deputation with statutory law enforcement authority. They stated that we should have compared deputized IGs' law enforcement authority to S. 3144 rather than the statutes that granted law enforcement authority to IGs at DOD, USDA, and TIGTA. The PCIE stated that S. 3144's provisions included, among other things, the statutory law enforcement authority that they are seeking. Because legislative proposals, including proposals from a previous session of Congress, are subject to change, we do not believe it is appropriate to use S. 3144 as the basis of comparison. Moreover, based on our analysis, law enforcement authority—the authority to carry firearms, make certain arrests, and execute warrants—proposed under S. 3144 is essentially the same as granted by statute to IGs at DOD, USDA, and TIGTA. In addition, the PCIE claimed that the deputation renewal process caused an administrative burden on USMS. Our work did not support such a conclusion. The USMS told us that the deputation process has improved and that renewing deputized IGs' law enforcement authority was the easiest task of their deputation workload.

The PCIE stated that the draft report seems to assume that, unless significant cost savings can be associated with permanent statutory law enforcement authority, temporary deputation should be retained. The PCIE said that it is a misperception that a decision on permanent statutory law enforcement authority for all IGs should be driven by cost considerations. We did not conclude or imply that significant cost savings should be a determining factor in deciding whether to switch deputized IGs to permanent statutory law enforcement authority. Rather, deputized IGs and other federal agencies including the CBO said that minimal costs or savings would result from switching from deputation to statutory authority. We were specifically asked by Congress to answer this question.

The PCIE also said that as part of its oversight mechanisms, the proposed bill (S. 3144) would have established a peer review process among deputized IGs. The PCIE said there are no known administrative burdens associated with this approach and its implementation would not increase federal expenditures. While the operational procedures of the peer review are not known, undoubtedly any review system would have some level of

administrative burden and costs. For example, the PCIE's draft peer review guidelines—*“Guide for Conducting Qualitative Assessment Reviews of the Investigative Operations of Offices of Inspector General,”* among other things, recommends reviewing samples of IG criminal investigators' training and basic qualification records as well as closed investigative files to ensure adherence to professional law enforcement standards. According to the PCIE, depending on the size of the IG agency or level of detail of the review, a peer review cycle could take up to 120 days. The staff resources and activities related to scheduling, conducting, and reporting results of 23 IGs' “peer reviews” would incur time and costs.

On May 3, 2002 the PCIE provided further comments on our draft report. The PCIE continued to disagree with our draft report for the basic reasons stated in their earlier comments. Also, the PCIE requested that we defer issuance of the final report until we obtain and incorporate DOJ's current views. The PCIE said it had become aware that DOJ was close to making a decision and was optimistic that this decision will support a grant of statutory law enforcement authority to the deputized IGs. On May 7, 2002, DOJ told us that the matter is still under review within the administration with no estimated date of completion. As a result, we do not feel that it is appropriate to delay the report issuance. The PCIE also provided technical comments, which were incorporated into the report as appropriate.

DOJ

DOJ neither agreed nor disagreed with our draft report. DOJ requested that our report state that DOJ has not settled on a position on providing law enforcement authority through either statute or deputation and that the issue is under review within the Administration. We incorporated DOJ's suggestion into the report.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies of this report to the acting assistant attorney general for administration; director, Office of Management and Budget; director, Congressional Budget Office; and the vice chairman, President's Council on Integrity and Efficiency. We will also make copies available to others upon request. This report will also be available on GAO's home page at <http://www.gao.gov>.

If you or your staff have any questions about this report, please call me or Weldon McPhail at (202) 512-8777. Other key contributors to this report

were Clarence Tull, Veronica Mayhand, Lou V.B. Smith, David Alexander,
and Geoffrey Hamilton.

Sincerely yours,

A handwritten signature in black ink that reads "Paul L. Jones". The signature is written in a cursive style with a long, sweeping underline.

Paul L. Jones
Director, Justice Issues

Appendix I: IG Offices That Have Made Annual Deputation Requests and Received Law Enforcement Authority

This appendix lists the 23 presidentially appointed inspectors general (IGs) who have been granted deputation through calendar year 2000 for their respective criminal investigators by the Department of Justice.

Departments

Department of Commerce
Department of Education
Department of Energy
Department of Health and Human Services
Department of Housing and Urban Development
Department of Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs

Agencies

Agency for International Development
Environmental Protection Agency
Federal Deposit Insurance Corporation
Federal Emergency Management Agency
General Services Administration
National Aeronautics and Space Administration
Nuclear Regulatory Commission
Office of Personnel Management
Railroad Retirement Board
Small Business Administration
Social Security Administration

Appendix II: Data Collection Instrument of Presidentially Appointed Deputized IG Offices

Data Collection Instrument of Presidentialy Appointed Deputized IG Offices

United States General Accounting Office



Survey of Inspectors General Law Enforcement Authority

Introduction

The Chairman of the House Committee on Government Reform has asked the U.S. General Accounting Office (GAO) to examine the differences between providing law enforcement authority to the Presidentialy-appointed Inspectors General (IGs) through statute or blanket deputation. As part of this engagement, we are surveying each of the 23 presidentially appointed IG Offices about related issues, including the annual reports submitted by the IGs that are required by the Memorandum of Understanding (MOU) with the Department of DOJ (DOJ), the numbers of deputation applications, oversight of IG criminal investigators, and views about granting statutory law enforcement authority to IGs.

The person in your office who is most knowledgeable about these issues should complete this questionnaire. Answers to these questions will provide GAO with important information for our assessment of the differences between conferring law enforcement through statute or blanket deputation.

We urge you to complete this questionnaire and return it by August 17, 2001. Your office's participation is important! If you have any questions, please contact Ms. Veronica Mayhand at (404) 679-1869. Send the completed questionnaire to the following address:

U.S. General Accounting Office
Ms. Veronica Mayhand
2635 Century Parkway - Suite 700
Atlanta, Ga. 30345

Thank you very much for your assistance.

Please provide the following information for someone we can contact if follow-up inquiries are needed.

Name: _____
Title: _____
Agency: _____
Telephone: () _____
E-mail: _____

Note: This DCI was modified to capture the views of DOJ and OMB officials on providing law enforcement authority to the deputized IGs.

**Appendix II: Data Collection Instrument of
Presidentially Appointed Deputized IG
Offices**

Annual Reports

1. On what date did your office obtain its blanket law enforcement authority?

_____ / _____ **January 1990 to September 1999**
(Month) (Year)

2. Since your office first received its law enforcement authority, has your office submitted an annual report each year on your law enforcement activities to DOJ?

- 1 Yes ➔ (Skip to Question 6.) **18**
2 No **3**
1 – Unknown
1 – Not applicable

3. If no, for how many years did your office not submit an annual report to DOJ? (Mark one.)

- 1 1 year **3**
2 2 years **0**
3 3 years **0**
4 4 years or more **0**

4. For each of the years in which your office did not submit an annual report, was your office granted a waiver or an extension by DOJ?

- 1 Yes **2**
2 No ➔ (Skip to Question 6.) **1**

5. If yes, please identify the applicable year(s) and briefly explain the circumstances under which your office was granted a waiver or extension.

6. For any of the annual reports your office has submitted, were any investigative activities, prosecutorial activities, or other elements exempted?

- 1 Yes **1**
2 No ➔ (Skip to Question 9.) **21**
1 – Not applicable

**Appendix II: Data Collection Instrument of
Presidentially Appointed Deputized IG
Offices**

7. Which reporting elements have been exempted from any of your office's annual reports?
(Mark all that apply.)

- | | |
|---|---|
| 1 <input type="checkbox"/> Investigative activities | 1 |
| 2 <input type="checkbox"/> Prosecutorial activities | 1 |
| 3 <input type="checkbox"/> Other reporting elements, (Please specify) | 1 |

8. Please briefly explain why reporting elements have been exempted from annual reports.

9. Given the current information requirements for annual reports, do you think that the types of information reported annually to DOJ should be changed?

- | | |
|--|--------------------|
| 1 <input type="checkbox"/> Yes | 9 |
| 2 <input type="checkbox"/> No ➔ (Skip to Question 11.) | 13 |
| | 1 – Not applicable |

10. What different or additional types of information should be reported annually to DOJ?
(Please provide examples.)

11. Please send copies of any annual reports submitted for calendar years 1998, 1999, and 2000.

U.S. Marshal Service Investigator Applications

12. For the 3-year renewal extension of the MOU that began January 31, 2001, how many individuals did your office submit for deputation to the U.S. Marshals Service?

_____ (Total number) 9 to 243

**Appendix II: Data Collection Instrument of
Presidentially Appointed Deputized IG
Offices**

Oversight of Criminal Investigators

13. Under blanket deputation, does the U.S. Marshals Service provide any type of oversight over your office's criminal investigators' activities?

- 1 Yes 3
2 No ➔ (Skip to Question 15.) 19
1 – Not applicable

14. If yes, please briefly describe the oversight provided by the U.S. Marshal's Service.

15. Under blanket deputation, do any other entities outside your office provide any type of oversight over your office's criminal investigators' activities?

- 1 Yes 10
2 No ➔ (Skip to Question 18.) 12
1 – Not applicable

16. What other entity (ies) provide(s) this oversight?

17. Please briefly describe the oversight provided by the other entity (ies) as defined in question 16.

18. Who in your office is responsible for overseeing criminal investigators' activities?

**Appendix II: Data Collection Instrument of
Presidentially Appointed Deputized IG
Offices**

19. What specific measures are taken in your office to oversee criminal investigators' activities?

20. In terms of each of the following areas, please briefly indicate how, if at all, you believe the granting statutory law enforcement authority to your office's criminal investigators would affect their ability to exercise law enforcement authority?

Clarity:

Certainty:

Consistency between IG offices:

Oversight and accountability:

Continuity:

Other areas:

Appendix II: Data Collection Instrument of
Presidentially Appointed Deputized IG
Offices

Views

21. In your opinion, to what extent, if at all, would granting statutory law enforcement authority to your office's criminal investigators improve their investigative practices? (*Mark one answer.*)

- | | |
|---|---|
| 1 <input type="checkbox"/> To a very great extent | 8 |
| 2 <input type="checkbox"/> To a great extent | 1 |
| 3 <input type="checkbox"/> To a moderate extent | 2 |
| 4 <input type="checkbox"/> To some extent | 4 |
| 5 <input type="checkbox"/> To little or no extent | 8 |

22. Please explain your response to question 21 concerning the extent to which statutory law enforcement authority would improve your office's criminal investigators' investigative practices.

23. In your opinion, to what extent, if at all, would granting statutory law enforcement authority to your office's criminal investigators change their current jurisdiction of authority? (*Mark one answer.*)

- | | |
|---|----|
| 1 <input type="checkbox"/> To a very great extent | 2 |
| 2 <input type="checkbox"/> To a great extent | 0 |
| 3 <input type="checkbox"/> To a moderate extent | 1 |
| 4 <input type="checkbox"/> To some extent | 0 |
| 5 <input type="checkbox"/> To little or no extent | 20 |

24. Please explain your response to question 23 concerning the extent to which statutory law enforcement authority would change your office's criminal investigators' current jurisdiction of authority.

**Appendix II: Data Collection Instrument of
Presidentially Appointed Deputized IG
Offices**

25. What costs, if any, would be associated with granting statutory law enforcement authority to your office's criminal investigators?

Other Comments

26. Please provide any additional comments about the provision of law enforcement through statute or blanket deputation your office might have in the space below.

Thank you for your assistance!

Appendix III: Comments from the President's Council on Integrity and Efficiency



PRESIDENT'S COUNCIL on INTEGRITY & EFFICIENCY

March 18, 2002

The Honorable David M. Walker
Comptroller General of the United States
441 G Street, NW
Room 7100
Washington, DC 20548

Dear Mr. Walker:

This letter provides the *Inspector General (IG) community's* response to General Accounting Office's (GAO) study of issues related to permanent statutory law enforcement authority and the current temporary blanket deputation authority for the *Offices of Inspector General (OIGs)*. In developing this reply, we relied upon an undated draft "Statement of Facts" that was furnished to the PCIE Chair on approximately March 8, 2002. The actual draft report (GAO-02-437, "Inspectors General: Comparison of Ways Law Enforcement Authority Is Granted") was reviewed in our office this morning. However, we are committed to meeting the originally-stated response date of March 18, 2002, and have concluded that the second draft report reflects only minimal differences that do not alter our views on the underlying issues.

As you may readily appreciate, these matters are of paramount importance to the *OIGs*, and our entire membership has reacted strongly to the study. Our detailed comments—representing input from *throughout the IG community*—are in the document enclosed with this letter. It is structured to parallel the draft "statement of facts," but its comments are fully and equally applicable to the draft report.

While the enclosure disputes nearly every aspect of the draft, the *OIGs'* concerns appear to center on a relatively few conceptual issues affecting the conduct of the study and the development of its conclusions. I am highlighting these issues briefly, in the hope that we can bring these crucial issues more clearly into focus.

First, we believe it is a misperception that a decision on permanent law enforcement authority for all *OIGs* should be driven by cost considerations. *Deputation is an* inherently time- and labor-intensive ongoing process for both the Department of Justice (DOJ) and the *OIGs*. It is possible to conclude that replacing it with statutory authority could save some small amount of funds. The GAO draft seems to assume that, unless significant cost savings can be associated with permanent statutory law enforcement authority, the current temporary blanket deputation system should be retained. However, the *financial outcomes*—whatever they may be—will simply not have a budgetary impact

MAR 18 2002

The Honorable David M. Walker

2

great enough to decide the issue either way. In our estimation, GAO should focus on determining which means of providing law enforcement authority to OIGs would foster the most effective investigative programs. If approached in this light, it is clear that statutory law enforcement authority is far more effective—for many reasons—and can be achieved at no cost, while perhaps generating savings through operating efficiencies.

Second, the methodology that GAO's analysts employed to compare the OIGs law enforcement authority under the temporary blanket deputation system with a permanent statutory system was flawed. The study uses the provisions of the current law enforcement authorities for OIGs in three specific agencies (Departments of Agriculture and Defense, and Treasury IG for Tax Administration) as its standard of comparison on the statutory side. In fact, the IG community is not seeking to obtain law enforcement authority under these provisions. The bill, S. 3144, 106th Congress (2000), which the draft mentions only in passing, reflects the actual statutory authority that we are seeking. We believe its provisions are the only bona fide standard to compare against the deputation system.

Every analytical conclusion in the draft was marred to some extent by this erroneous methodology. However, its worst effect was to generate the conclusion that the temporary blanket deputation system offers greater oversight and better professional standards than permanent statutory law enforcement authority. In fact, S. 3144 contained provisions for substantially more oversight by DOJ than the deputation system provides. As part of its oversight mechanisms, it would have established a peer review process among OIG investigative offices, a feature unique in federal law enforcement. OIGs have operated audit peer reviews under the IG Act for many years, and we believe they would serve an equally valuable oversight role in the investigative setting.

Among the other corollaries of the draft's methodological deficiencies is the implication that OIGs may favor statutory law enforcement authority as a means to free themselves from onerous oversight burdens. This is simply not the case. The bill, S. 3144, in which the covered IGs concurred, would retain, at a minimum, the current operational and training provisions of the MOUs. To these would be added peer review (discussed above) and any additional guidelines the Attorney General, in consultation with the FBI, opts to promulgate.

The inaccurate standards of comparison also tended to mask the inherent shortcomings of the deputation process. OIGs are keenly aware of them because of our reliance on deputation as the source of vital investigative authorities. In this context, situations such as the near loss of deputation by almost 2800 OIG special agents governmentwide in January 2001 because of the U.S. Marshals Service's administrative burdens represent serious, uncontrollable problems. Further, the vagaries of deputation as a means of receiving law enforcement authority are not limited to processes of the Marshals Service. For example, the 1995 deputation request of the Railroad Retirement Board (RRB)/OIG, was effectively denied by the refusal of two of the RRB's Board members to endorse it. The OIG was forced to continue obtaining deputation authority from DOJ under the very inefficient case by case basis. Despite the needs of its active and productive

The Honorable David M. Walker

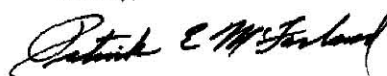
3

investigations program, the RRB/OIG did not receive blanket deputation authority until 1999, when the new RRB Chair gave the endorsement required by DOJ.

Finally, the draft indicates that the Office of Management and Budget deferred an official determination of this issue to DOJ. However, the draft does not present DOJ's position, instead describing the observations of unnamed FBI, Marshals Service, and Criminal Division officials who cannot speak for their agencies. Given that DOJ's views would be afforded great, if not dispositive weight, and that DOJ testified in favor of S. 3144 in July 2000, we believe that GAO should not forward its report to Congress until it can obtain an authoritative indication of DOJ's views.

Thank you for soliciting our concerns about this issue. We urge GAO to conduct further analysis using the appropriate statutory provisions and to reexamine its conclusions before finalizing this draft. If there are any questions, or if further information is needed, please do not hesitate to contact me.

Sincerely,



Patrick E. McFarland
Chair, Investigations Committee

Enclosures

cc: Paul L. Jones
Director, Justice Issues

Appendix IV: Comments from the Department of Justice



U.S. Department of Justice

Washington, D.C. 20530

MAR 25 2002

Mr. Paul Jones
Director
Justice Issues
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Jones:

This responds to your letter, dated March 15, 2002, which transmitted the General Accounting Office (GAO) draft report entitled, "INSPECTORS GENERAL: Comparison of Ways Law Enforcement Authority is Granted," to me with a request for comments by March 25, 2001. We appreciate your request for our views on the draft. We note that the draft indicates that we declined to render an official opinion during the review on the issue of law enforcement authority for Inspectors General. In fact, the issue is currently under review and the Administration has not yet settled on a position. Accordingly, we request that, in lieu of reporting that we have declined to provide a position, your report indicate that the issue is under review within the Administration at this time.

If you have any questions regarding these comments, please do not hesitate to contact Vickie L. Sloan, Director, Audit Liaison Office, Justice Management Division.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert F. Diegelman".

Robert F. Diegelman
Acting Assistant Attorney General
for Administration

GAO's Mission

The General Accounting Office, the investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to daily E-mail alert for newly released products" under the GAO Reports heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
 TDD: (202) 512-2537
 Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, managing director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548

GAO

Report to the Chairman, Committee on
Government Reform, House of
Representatives

August 2002

INSPECTORS
GENERAL

Office Consolidation
and Related Issues



Contents

Letter		1
	Results in Brief	3
	Background	5
	Objectives, Scope, and Methodology	9
	Independence	12
	Consolidation and IG Quality of Work	16
	Consolidation and the Potential Impact on IG Resources	32
	Strengthening the PCIE and ECIE	44
	Agency Budgets are Not the Sole Criteria for Establishing IGs	48
	Survey Conclusions and GAO Views Regarding Conversion and Consolidation	50
	Approaches to IG Conversion and Consolidation	55
	Matters for Congressional Consideration	56
	Agency Comments and Our Response	57

Appendixes

Appendix I:	Summary of IG Survey Responses Regarding Conversion and Consolidation	63
Appendix II:	Potential IG Consolidations and Related Agency Missions	64
Appendix III:	Designated Federal Entity Inspectors General: Fiscal Year 2000 Budgets and Full-time Equivalents (FTEs)	66
Appendix IV:	Inspectors General Appointed by the President: Fiscal Year 2000 Budgets and Full-time Equivalents (FTEs)	67
Appendix V:	Presidential IGs with Five Comparable DFE IGs: Fiscal Year 2000 Budgets	68
Appendix VI:	Designated Federal Entities: Fiscal Year 2000 Budgets with \$134 Million Threshold	70
Appendix VII:	Comments from the President's Council on Integrity and Efficiency	72
Appendix VIII:	Comments from the Executive Council on Integrity and Efficiency	74

Tables

Table 1:	Twenty-eight Key Elements Related to IG Independence, Quality of Work, and Use of Resources	2
----------	---	---

Figures

Figure 1:	Distribution of Fiscal Year 2000 IG Budgets and Offices	6
-----------	---	---

Figure 2: Distribution of IGs with Comparable Fiscal Year 2000 Budgets and Offices	7
Figure 3: Potential Effect of Conversion on IG Independence	13
Figure 4: Potential Effect of Consolidation on Actual IG Independence	15
Figure 5: Potential Effect of Consolidation on the Appearance of IG Independence	16
Figure 6: Potential Effect of Consolidation on the Ability of IGs to Issue Hard-hitting Reports	18
Figure 7: Potential Effect of Consolidation on the IGs' Ability to Use Audit Resources to Review Issues That Cross All DFE Agencies	19
Figure 8: Potential Effect of Consolidation on the Attention That DFE Agencies and the Congress Give to IG Recommendations	20
Figure 9: Potential Effect of Consolidation on the Ability of DFE IGs to Address Issues of Higher Risk and Priority	21
Figure 10: Potential Effect of Consolidation on the Ability to Uniformly Measure DFE Agency Performance	22
Figure 11: Potential Effect of Consolidation on Day-to-Day Contact with Senior DFE Officials	24
Figure 12: Potential Effect of Consolidation on Communication between the IGs and DFE Agency Heads	25
Figure 13: Potential Effect of Consolidation on the Ability of DFE Agency Head to Get the IG's Attention	26
Figure 14: Potential Effect of Consolidation on IG Presence as a Preventative Measure for the DFE Agencies	27
Figure 15: Potential Effect of Consolidation on IG Knowledge of DFE Agency Missions, Operations, and Resource Limitations	28
Figure 16: Potential Effect of Consolidation on IG Knowledge of Priorities and Issues within Each of the DFE Agencies	29
Figure 17: Potential Effect of Consolidation on Oversight Planning	30
Figure 18: Potential Effect of Consolidation on the Timeliness of IG Reports	31
Figure 19: Potential Effect of Consolidation on DFE Agency Audit Coverage	32
Figure 20: Potential Effect of Consolidation on IG Control over Spending for Travel, Training, and Personnel Related to Oversight of DFE Agencies	34

Figure 21: Potential Effect of Consolidation on IG Control over Their Own Budget Requests for Oversight Activity	35
Figure 22: Potential Effect of Consolidation on the IGs' Ability to Absorb Resource Reductions	36
Figure 23: Potential Effect of Consolidation on the Availability of IG Resources for Investigative Coverage	37
Figure 24: Potential Effect of Consolidation on the IGs' Ability to Minimize Duplication of Audit Efforts across the Federal Government	38
Figure 25: Potential Effect of Consolidation on the Quality of Training for IG Audit Work	39
Figure 26: Potential Effect of Consolidation on the IGs' Ability to Share Methods and Programs for Audits and Investigations across the Federal Government	40
Figure 27: Potential Effect of Consolidation on the IGs' Ability to Share Technology Specialists and Expertise	41
Figure 28: Potential Effect of Consolidation on the IGs' Efficient Use of Human Capital Skills and Resources across the Federal Government	42
Figure 29: Potential Effect of Consolidation on the Availability of Adequate IG Resources	43
Figure 30: Potential Effect of Consolidation on the Availability of Resources to Cover DFE Agency Issues	44
Figure 31: How Important Is It to Establish a Statutory PCIE/ECIE Organization for Improving Their Operations?	45
Figure 32: How Important Is It to Provide Designated Funding Sources to the PCIE/ECIE Organization for Improving Their Operations?	46
Figure 33: How Important Is It to Establish Stated Roles and Responsibilities of an Alternative PCIE/ECIE Organization in Order to Improve Operations?	47
Figure 34: Should Dollar Thresholds of Agency Budgets Be the Primary Factor in Determining Which Agencies Have an IG?	49
Figure 35: Are Statutory IGs Needed for Agencies with Budgets Below \$134 Million?	50



United States General Accounting Office
Washington, D.C. 20548

August 15, 2002

The Honorable Dan Burton
Chairman
Committee on Government Reform
House of Representatives

Dear Mr. Chairman:

This report responds to your request that we provide information about how certain changes might affect the federal offices of inspectors general (IG). There are currently 57 IGs subject to the IG Act of 1978, as amended, or similar statutory provisions, with 29 IGs who are appointed by the President and confirmed by the Senate, and 28 IGs who are appointed by their agency heads in designated federal entities (DFE IGs). Among other duties, the IGs are responsible for (1) conducting and supervising audits and investigations; (2) promoting economy, efficiency, and effectiveness; and (3) preventing and detecting fraud and abuse in their agencies' programs and operations.

Specifically, our objectives were to survey the IGs to obtain their views on how independence, quality of work, and use of resources might be affected by (1) converting DFE IGs from appointment by their agency heads to appointment by the President with Senate confirmation (conversion) and (2) consolidating IG offices by moving smaller DFE IG offices into larger Presidential IG offices (consolidation). We also obtained the IGs' views on (1) creating a statutory alternative to the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE)¹ and (2) applying a budget-level threshold to determine which agencies should have IGs as opposed to receiving oversight on a collateral basis from a larger agency's IG. We are also presenting our views on the impact that conversion, consolidation, and potential legislated changes to the PCIE and ECIE could have on IG effectiveness, and a discussion of options to illustrate possible examples of IG conversion and consolidation for consideration by the Congress.

¹ The PCIE is an interagency council comprised principally of the presidentially appointed and Senate-confirmed IGs, which was established by Executive Order No. 12301 in 1981, to coordinate and enhance the work of the IGs. In 1992, Executive Order No. 12805 created the ECIE, which is comprised primarily of statutory IGs appointed by the heads of designated federal entities. The Deputy Director for Management in the Office of Management and Budget serves as the chair of both organizations.

As part of our review, we developed a survey instrument which included 28 key elements related to IG independence, quality of work, and use of resources. (See table 1.)

Table 1: Twenty-eight Key Elements Related to IG Independence, Quality of Work, and Use of Resources

Independence

- | | |
|---|-------------------------------|
| 1. Independence resulting from conversion | 3. Appearance of independence |
| 2. Actual independence | |

Quality of work

- | | |
|---|---|
| 4. Ability to issue hard hitting reports | 11. Ability of DFE head to get the IG's attention |
| 5. Ability to review issues crossing DFEs | 12. Presence of the IG as a prevention measure |
| 6. Attention to IG recommendations | 13. Knowledge of DFE agency missions |
| 7. Ability to audit issues of high risk | 14. Knowledge of DFE agency priorities |
| 8. Ability to uniformly measure performance | 15. Planning for IG oversight |
| 9. Day-to-day contact between IGs and officials | 16. Timeliness of reports |
| 10. Communication between IGs and DFE heads | 17. Oversight coverage of DFE agencies |

Use of IG resources

- | | |
|--|---|
| 18. Control over spending | 24. Ability to share methods |
| 19. Control over budget requests | 25. Ability to share technology specialists |
| 20. Ability to absorb resource reductions | 26. Efficient use of human capital skills |
| 21. Resources available for investigations | 27. Availability of adequate resources |
| 22. Ability to minimize audit duplication | 28. Resources available to cover DFE agency |
| 23. Quality of audit training | |

We obtained the views of the IGs on the potential impact of conversion and consolidation on each of these elements. The survey also asked the IGs about the potential impact of a permanent statutory alternative to the PCIE and the ECIE and the usefulness of a budget threshold to determine where IG offices should be established.

Finally, as discussed with your staff, we are including our views on the impact that conversion, consolidation, and legislated changes to the PCIE and ECIE could have on IG effectiveness and a discussion of options to illustrate possible examples of IG conversion and consolidation for consideration by the Congress.

Results in Brief

Our survey results indicate a clear delineation between the responses of the Presidential IGs and the DFE IGs regarding the potential impact of conversion and consolidation. Overall, the Presidential IGs generally indicated that DFE IG independence, quality, and use of resources could be strengthened by conversion and consolidation. At the same time, the DFE IGs' responses to these same survey questions indicated that there would be either no impact or that these elements could be weakened. (See appendix I). The difference in views between the Presidential and DFE IGs regarding the impact of conversion and consolidation is not surprising given the nature of the questions and issues involved, their various related interests, and the potential impact on the affected offices, especially the DFE IGs.

Specifically, the Presidential IGs indicated that conversion could strengthen DFE IG independence while the DFE IGs in general indicated that there would be no effect on independence. Regarding the impact of consolidation, the Presidential IGs indicated that both the DFE IGs' actual independence and appearance of independence could be strengthened while the DFE IGs generally indicated that there would be no impact.

The Presidential IGs also indicated that several elements affecting the DFE IGs' quality of work could be strengthened through consolidation, including the ability to issue hard-hitting reports when necessary, to audit issues of high risk, to review issues across agencies, to get attention to recommendations made by the IGs, and to plan work. In addition, the Presidential IGs indicated that consolidation could strengthen the DFE IGs' use of resources by increasing control over spending and budget requests, the availability of investigative resources, the ability to minimize duplication of audit efforts, the ability to share methods and technology specialists and to use human capital skills efficiently. At the same time, the DFE IGs generally indicated that there would be either no effect or that these elements would be weakened through consolidation.

The Presidential IGs and DFE IGs generally agreed in their responses that consolidation could result in weaknesses affecting the day-to-day contact

of IGs and DFE agency officials, knowledge of the DFE agency missions and priorities, and the availability of resources to cover DFE agency issues. For other elements in our survey, the Presidential IGs' responses were inconclusive while the DFE IGs indicated potential weaknesses could occur.

The IGs overwhelmingly responded that establishing the PCIE and ECIE through legislation could make these organizations more effective, especially if provided a permanent-funding source along with stated roles and responsibilities. These changes were viewed as increasing the ability of both the PCIE and ECIE to provide coordinating mechanisms for effective governmentwide oversight.

In our survey, most IGs responded that agency budgets should not be the primary factor for determining whether an IG office should be established in a specific agency and that other factors, such as mission and risk, may indicate the need for an IG regardless of the size of an agency's budget. Comments provided by the IGs to our survey suggested that in addition to agency budgets, other factors, such as the amount of federal funds at risk, should be considered when determining how to provide IG oversight.

We believe that certain elements of DFE IG independence and effectiveness could be strengthened through conversion or consolidation. Also, if IG offices were to be consolidated, the potential weaknesses indicated by the DFE IGs' responses, if implemented properly, could be mitigated through targeted and proactive attention to the various areas of risk. For example, the lack of day-to-day contact between IGs and DFE agency officials could be mitigated by having IG staff at the agency, where appropriate, to keep both the IG and the agency head informed and to coordinate necessary meetings between them. We also agree with the combined DFE and Presidential IGs' responses that legislative changes to the PCIE and ECIE could strengthen IG effectiveness. In addition, we believe that legislation could strengthen the planning and coordination of the IGs' efforts with other oversight organizations, such as GAO.

Any specific conversions or consolidations of IG offices should be a process of continuing dialogue among the PCIE, ECIE, affected agencies, and the Congress. Nevertheless, should the Congress choose to pursue the conversion or consolidation of the DFE IGs, there are some options that are illustrative of how this could be accomplished. For example, the relative size of the IG budgets shows that several DFE IGs are comparable to Presidential IGs and on that basis could be considered

for conversion, while other IGs with relatively small budgets could be considered for consolidation with Presidential IGs. Specifically, due to the relative size of their budgets, the U.S. Postal Service (USPS), National Science Foundation (NSF), and Federal Reserve Board (FRB) IGs could be considered as candidates for possible conversion and most of the remaining DFE IGs could be considered for consolidation with Presidential IGs based on some similarity of their agencies' missions. This consolidation would include the Amtrak IG, which has a budget comparable to Presidential IGs but an oversight mission closely related to the work of the Department of Transportation (DOT) IG. The Government Printing Office (GPO) IG also has a budget comparable to Presidential IGs but GPO is a legislative branch agency and the IG would not be considered for conversion or consolidation with a Presidential IG in the executive branch.

In our view, the conversion and consolidation of selected DFE IG offices would serve to further enhance the overall independence, efficiency, and effectiveness of the IG community. Therefore, we are including matters for consideration by the Congress related to amending the IG Act to include specific conversion and consolidation of DFE IGs, as well as establishing an IG council by statute.

Similar to the survey results, the PCIE and ECIE IGs provided a clear divergence of views in making comments on a draft of our report. The PCIE response did not take exception to the information and conclusions presented in our draft report. In contrast, the ECIE IGs raised broad concerns with our report conclusions and methodology. A summary of the PCIE and ECIE IGs' comments with our response are presented on page 57 and their comments are reprinted in their entirety in appendixes VII and VIII.

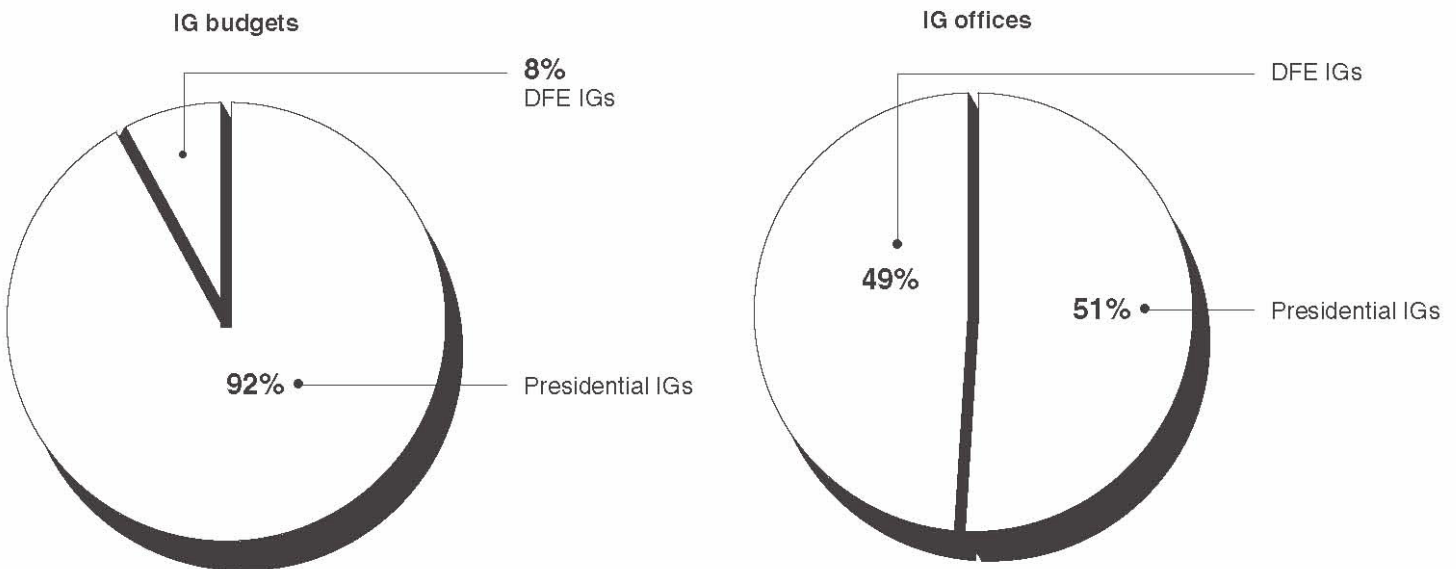
Background

Over two decades ago, the Congress created IGs throughout the federal government as a result of growing reports of serious and widespread internal control breakdowns resulting in dollar losses and reduced effectiveness or efficiency in federal activities. In the intervening years, IGs have reported success in carrying out this mission through billions of dollars in reported savings and cost recoveries and thousands of prosecutions of criminal cases resulting from their work. For example, for fiscal year 2000, IGs reported potential savings to the government of \$9.5 billion; actions to recover \$5.5 billion in fines and restitutions, suspensions or debarments of 7,000 individuals or businesses; and more

than 2,600 civil or personnel actions resulting from their audit and investigative work in that year alone. In total, for fiscal year 2000, the IGs reported a potential return of taxpayer money of approximately \$12 for every \$1 spent.

In fiscal year 2000, the 57 IG offices had total fiscal year budgets of about \$1.3 billion and about 11,000 staff. While all IGs have the same basic mission and responsibilities, the IGs in the DFEs, with three exceptions, have smaller budgets and fewer staff than do the IGs who are appointed by the President. (See appendixes III and IV). Total fiscal year 2000 budgets for the DFE IGs was \$111.1 million, or about 8 percent of the total budgets for all IGs for that year. The Presidential IGs for fiscal year 2000 had \$1.26 billion, or about 92 percent of total IG budgets for that year. (See figure 1.)

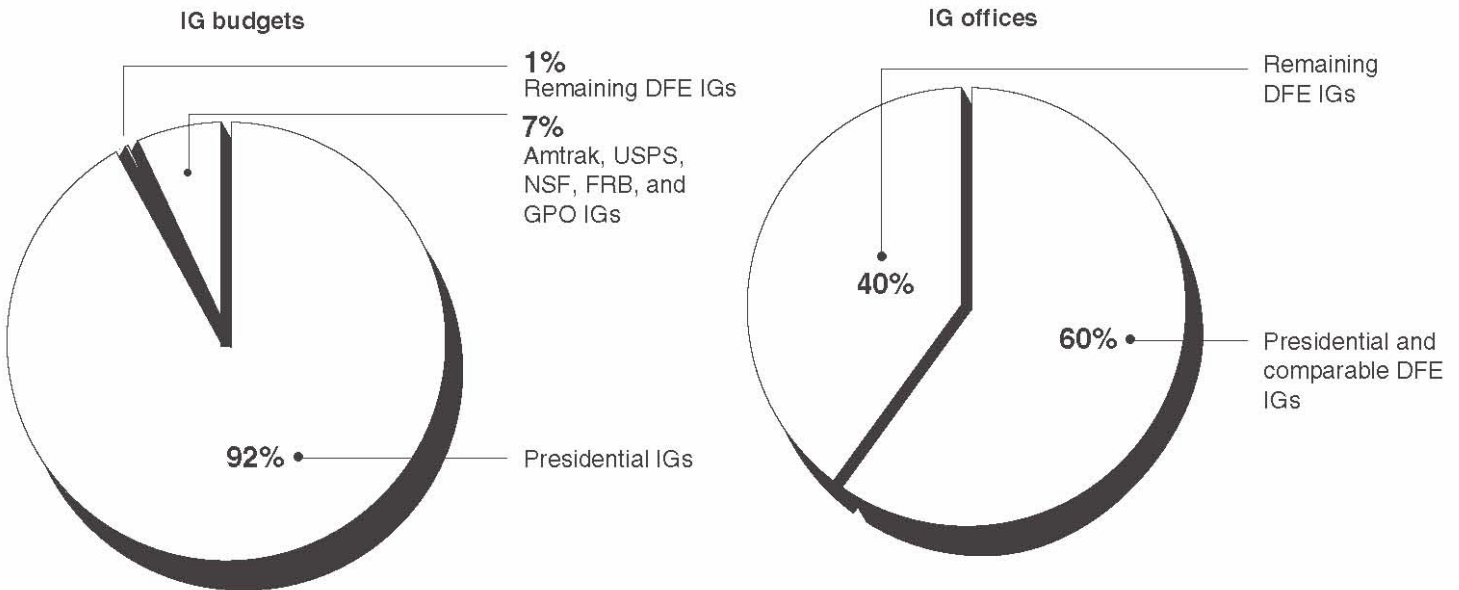
Figure 1: Distribution of Fiscal Year 2000 IG Budgets and Offices



The IGs at the U.S. Postal Service (USPS), Amtrak, and the National Science Foundation (NSF), had budgets larger than some IGs appointed by the President. In addition, the Federal Reserve Board (FRB) and the Government Printing Office (GPO) IGs are each comparable in size with budgets that were equal to about 80 percent of the smallest Presidential IG budget. (See appendix V.) For example, the USPS IG had a fiscal year 2000

budget of about \$72 million, the fifth largest of all IG budgets. Likewise, the fiscal year 2000 budget for Amtrak was about \$6.3 million, and for the NSF IG, it was about \$5.4 million. Both the Amtrak and NSF IGs' budgets are larger than the budgets of two IGs appointed by the President. The FRB and GPO IGs each had fiscal year 2000 budgets over \$3 million compared to the Presidential IG at the Corporation for National Service which had a \$4 million budget. The total fiscal year 2000 budgets of these five largest DFE IGs make up about 81 percent of all DFE IG budgets, or about 7 percent of all IG budgets. The remaining 23 DFE IGs had budgets that total about \$21 million, roughly 1 percent of all IG budgets. (See figure 2.) Fourteen of these 23 DFE IGs had budgets under \$1 million and 17 had less than 10 staff.

Figure 2: Distribution of IGs with Comparable Fiscal Year 2000 Budgets and Offices



Consolidation of IG offices would likely result in IG oversight being provided across several federal agencies and their respective missions. This type of consolidated oversight is already being applied in various departments and agencies across the government through both statutes and other arrangements. For example, the oversight for the Broadcasting Board of Governors and the International Broadcasting Bureau is consolidated under the Department of State IG through the Foreign Affairs Reform and Restructuring Act of 1998 (Public Law 105-277). This statute

authorizes the Department of State IG to exercise the same authorities with respect to these two agencies as the IG exercises under the IG Act of 1978 and section 209 of the Foreign Service Act of 1980 with respect to the Department of State. In another example, the Agency for International Development (AID) IG may conduct reviews, investigations, and inspections of all phases of the Overseas Private Investment Corporation (OPIC) and is required to report these findings to OPIC's Board under the authority of the Foreign Assistance Act of 1961, as amended. As a result of the OPIC Amendments Act of 1981, Public Law 87-65, the AID IG performs audits, investigations, and inspections at the request of OPIC management and is authorized to be reimbursed for expenses incurred on behalf of OPIC. In addition, 1999 amendments to the IG Act of 1978 direct the AID IG to supervise, direct, and control audit and investigative activities relating to programs and operations within the Inter-American Foundation and the African Development Foundation.

In another example of consolidated IG oversight, the Amtrak Reform and Accountability Act of 1997 (Public Law 105-134) authorizes the Department of Transportation (DOT) IG to approve and oversee the contract for the assessment of financial requirements of Amtrak through fiscal year 2002. Also, the National Transportation Safety Board (NTSB) Amendments Act of 2000 (Public Law 106-424) provides the DOT IG the authority to review the financial management, property management, and business operations of the NTSB, including internal accounting and administrative control systems, to determine compliance with applicable laws, rules, and regulations. In another example, the Appalachian Regional Commission's IG provides audit and investigative services to the Denali Commission through a memorandum of agreement between the IG and the commission.

In 1998 the PCIE surveyed both the Presidential IGs and the DFE IGs to obtain their views on S. 2167, the Inspector General Act Amendments of 1998, then under consideration.² Among other considerations, the amendments contemplated consolidations of certain specific DFE IG offices with specific IGs appointed by the President. For example, these amendments proposed that the functions of the IGs for the Corporation for Public Broadcasting, the National Endowment for the Arts, the National Endowment for the Humanities, and the Smithsonian Institution be

² President's Council on Integrity and Efficiency, *State of the Inspector General Community, PCIE Survey on S. 2167, for the Senate Committee on Governmental Affairs* (Washington, D.C.: Sept. 9, 1998).

transferred to the IG at the Department of Education. The bill did not become public law, but the 1998 PCIE survey of the IGs did elicit valuable and relevant information concerning advantages and disadvantages associated with the consolidation of IG offices.

In particular, the 1998 PCIE survey concluded that those IGs who agreed with the proposed IG Act amendments felt that the independence of IG oversight would be enhanced in the entities to be consolidated. However, the IGs who opposed such a transfer felt that the benefits associated with the presence of an IG in the smaller agencies outweighed the administrative inefficiencies that may have existed. Also, the IGs responded that the size of an IG organization does not adequately measure the effectiveness and contributions of the IG in preventing and detecting fraud, waste, and abuse in the DFE agencies' operations. Other IG comments reported by the 1998 PCIE survey results include recognition that by their proximity to the areas served, the DFE IGs are more attuned to the agency employees, functions, operations, and goals which they review. Finally, the PCIE reported that the IGs felt the issue of transferring IG functions from DFE IGs to Presidential IGs needs further study to determine whether such transfers would contribute to increased efficiencies and more effective oversight.

Objectives, Scope, and Methodology

In order to provide information on the potential impact of the consolidation or conversion of DFE IGs, we developed and sent a structured survey to all existing IGs. As agreed with your staff, we identified and analyzed 28 elements of IG effectiveness in the areas of (1) IG independence, (2) the quality of IG work, and (3) the effective use of IG resources. The elements were obtained from IG Act requirements, the IGs' vision statement,³ audit and investigative standards, past GAO reports, and statements from the IGs and members of the Congress. We also obtained comments from a panel of DFE IGs regarding the use of the criteria for IG effectiveness.

We developed a survey instrument that was sent to the IGs to obtain their views on the potential impact of conversion and consolidation on the elements of effectiveness for the DFE IG offices, the potential impact of a permanent statutory alternative to the PCIE and the ECIE, and the

³ President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency, *Inspectors General Vision and Strategies to Apply Our Reinvention Principles* (Washington, D.C.: January 1994).

usefulness of using a budget threshold to determine at which agencies IG offices should be established. Survey responses were received from an equal number of Presidential and DFE IGs - 28 of the IGs appointed by the President and 28 of the IGs appointed by their agency heads. The Central Intelligence Agency IG declined to respond. We did not independently verify the information the IGs provided.

Our survey addressed the potential impact that both conversion and consolidation could have on the independence of the DFE IGs and the resulting Presidential IG offices. However, because consolidation would to a large extent result in making DFE IG offices a part of Presidential IG offices, we did not duplicate the entire survey for both conversion and consolidation but rather relied on the IG responses to consolidation.

Any number of scenarios exist for implementing a conversion or consolidation strategy. Two options for conversion and consolidation of IG offices not specifically addressed by our survey include (1) combining the DFE IGs to create one large DFE IG office to cover all DFE agencies and (2) combining all the DFE IGs under a new IG appointed by the President and confirmed by the Senate. These options for conversion and consolidation were previously studied through a survey of the IGs and were met with limited support. The results of our prior study, which were provided in a 1999 report,⁴ showed that the first option was supported by 27 percent of the Presidential IGs and 7 percent of the DFE IGs. The second option was supported by 15 percent of the Presidential IGs and 10 percent of the DFE IGs.

⁴ U.S. General Accounting Office, *Inspectors General: Information on Operational and Staffing Issues*, GAO/AIMD-99-29 (Washington, D.C.: Jan. 4, 1999).

Our current survey was completed prior to recent changes to *Government Auditing Standards*⁵ regarding auditor independence and therefore addresses the requirements of the older independence standards. Nevertheless, as a basic premise under the revised standards, the IGs appointed by the President and confirmed by the Senate and IGs appointed by and reporting to a statutorily created governing body, as well as the DFE IGs appointed by their agency heads, are considered organizationally independent to report externally.⁶ Therefore, we do not believe that our survey results would have changed in any material way as a result of the changes in the auditor independence standards.

We obtained comments on a draft of this report from the Presidential IGs and the DFE IGs through the PCIE and the ECIE. These included technical changes that have been incorporated in the report. A summary of their written comments and our response are presented on page 57. The PCIE and ECIE comments are reprinted in their entirety in appendixes VII and VIII. We performed our review from March 2001 through March 2002 in accordance with generally accepted government auditing standards.

⁵ U.S. General Accounting Office, *Government Auditing Standards, Amendment No. 3, Independence*, GAO-02-388G (Washington, D.C.: January 2002).

⁶ The IG Act provides the DFE IGs appointed by their agency heads with all the statutory safeguards listed in the revised standards for organizational independence. However, these IGs must document that the specific statutory safeguards are applicable and have them reviewed by an independent quality control review at least once every 3 years.

Independence

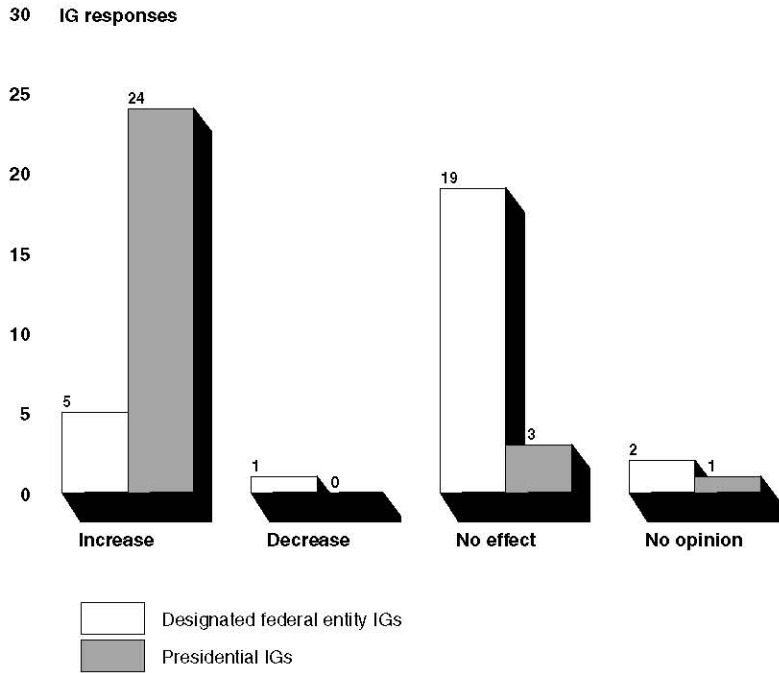
The independence of an audit entity is one of the most important elements of the overall effectiveness of the audit function. Auditors need to be as independent from external influences as possible both in fact and appearance, in order to ensure that their audit work is credible and respected. Therefore, the effect on IG independence is critical when considering the conversion of the DFE IGs to appointment by the President or consolidation of their offices with IGs appointed by the President. The IGs derive independence through numerous provisions in the IG Act. These include the authority of IGs to report violations of law directly to the Department of Justice, the requirement for IGs to prepare semiannual reports of their activities for the Congress without alteration by their agencies, the authority of IGs to perform any audit or investigation without interference from the agency head and others except under certain conditions specified by the act, and the requirement for the President or the agency head to communicate to the Congress the reasons for removing an IG. In addition, the IGs are required to follow *Government Auditing Standards*,⁷ which require IGs and individual auditors to be free from personal, organizational, and external impairments to independence, and to be independent in appearance.

Conversion and Independence

The survey responses from the Presidential IGs and the DFE IGs differed as to whether DFE IG independence could be increased by having IGs appointed by the President with Senate confirmation instead of the present practice of IG appointment by the heads of agencies in which they would lead the IG staff. Specifically, as shown in figure 3, 29 IGs (24 Presidential and 5 DFE) responded that independence could be increased in this way and 22 IGs (19 DFE and 3 Presidential), responded that conversion would have no impact on DFE IG independence. One DFE IG responded that independence could be decreased. Two DFE IGs and one Presidential IG had no opinions and an additional IG did not respond.

⁷ *Government Auditing Standards*, 1994 revision, as amended, was issued by the Comptroller General of the United States. IGs are required to follow these standards in their audit work.

Figure 3: Potential Effect of Conversion on IG Independence



Five of the 19 DFE IGs who responded that conversion would have no impact on their independence also stated that appointment by the President could actually increase political influence on the IGs. This contrasts rather sharply with 24 of the Presidential IGs' survey responses that conversion could increase the independence of DFE IGs. Typically, the further removed the appointment source is from the entity to be audited, the greater the level of independence. To illustrate, conversion of IGs from appointment by their agency heads to appointment by the President with Senate confirmation has been recognized previously by the Congress as a way to obtain increased IG independence. Specifically, the perceived limitation of the Federal Deposit Insurance Corporation IG's independence as a DFE IG under the IG Act was recognized as a reason to convert the IG to appointment by the President with Senate confirmation when Public Law 103-204 was passed on December 17, 1993. More recently, Public Law 106-422, November 1, 2000, converted the Tennessee Valley Authority (TVA) IG to appointment by the President with Senate confirmation because of concerns about interference by TVA management and recognized that the IG's independence would be enhanced under appointment by the President. Consequently, the change from agency

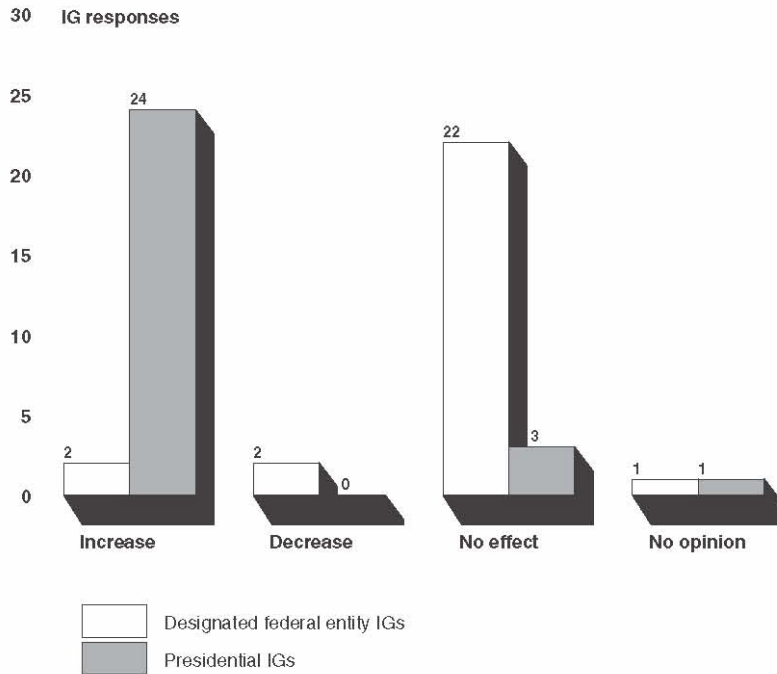
appointment to appointment by the President has been recognized by the Congress since the advent of the IG concept as a strengthening of this critical element of IG effectiveness.

Consolidation and Independence

Similar to the survey results regarding conversion, the Presidential and DFE IGs' responses were different regarding the impact that consolidation could have on DFE IG independence. In responding to our survey, 26 IGs (24 Presidential and 2 DFE) indicated that independence could be increased and 2 DFE IGs believe it could be decreased. Of the remaining IGs, 25 (22 DFE and 3 Presidential) responded that consolidation would have no effect on independence and 2 (1 Presidential and 1 DFE) had no opinion. An additional IG did not respond. (See figure 4).

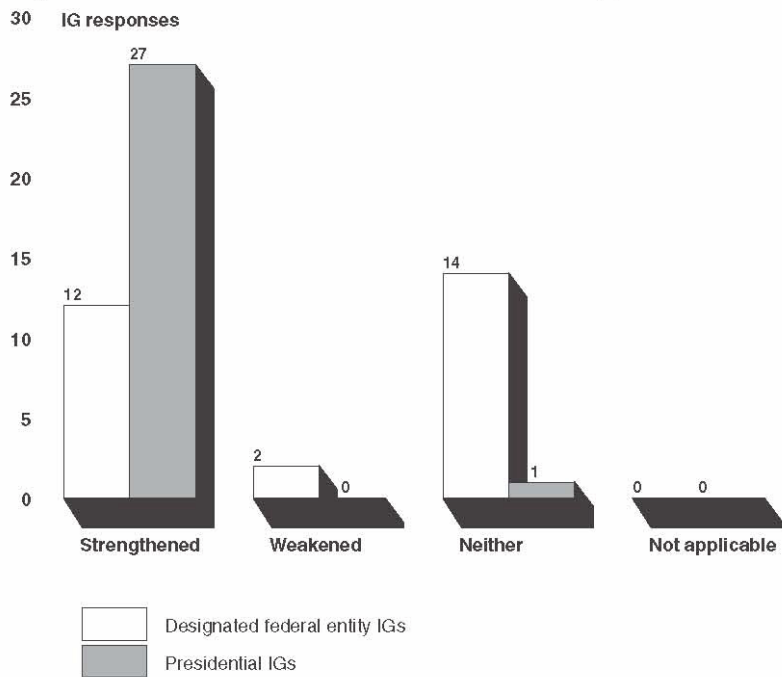
Three DFE IGs provided explanations of how independence would be decreased. Specifically, one DFE IG explained that the independence of the agency (rather than IG independence) would decrease due to agency concerns about undue political influence from the President. Another DFE IG stated a preference for increasing independence through added provisions in the IG Act rather than through consolidation, and the remaining DFE IG stated that IGs appointed by the President are more affected by politics and are more likely to be forced to resign.

Figure 4: Potential Effect of Consolidation on Actual IG Independence



With respect to the appearance of independence there was some consensus. As shown in figure 5, 39 IGs (27 Presidential and 12 DFE) indicated that the appearance of independence could be strengthened by consolidating DFE IGs with Presidential IGs. Fifteen IGs (14 DFE and 1 Presidential) responded that there would be no effect, and 2 DFE IGs indicated that the appearance of independence would be weakened through consolidation. Of the two DFE IGs who indicated that the appearance of independence would be decreased, one provided additional comments, reiterating that the decrease in appearance of independence would be the result of an appearance of political influence by an IG appointed by the President.

Figure 5: Potential Effect of Consolidation on the Appearance of IG Independence



Consolidation and IG Quality of Work

The quality of audits and investigations is also a critical element of IG effectiveness. To determine the possible impact of consolidation on the quality of IG work, we obtained information for use in our survey from IG testimony before the Congress, IG reports, concerns of the Congress, and professional standards. These sources indicate that the quality of work is largely determined by the ability to issue hard-hitting reports when necessary, to review issues across agencies, to get attention to recommendations made by the IGs, to audit issues of high risk, and to measure agency performance. Also, within each agency the quality of work is affected by the relationship the IG has with the agency and includes day-to-day contact with agency management, communication between the IG and the agency head including the ability of the agency head to get the attention of the IG, the presence of an IG as a prevention measure, the knowledge of agency missions and priorities, the IG's ability to plan work, the timeliness of IG reports, and the audit coverage of the agency.

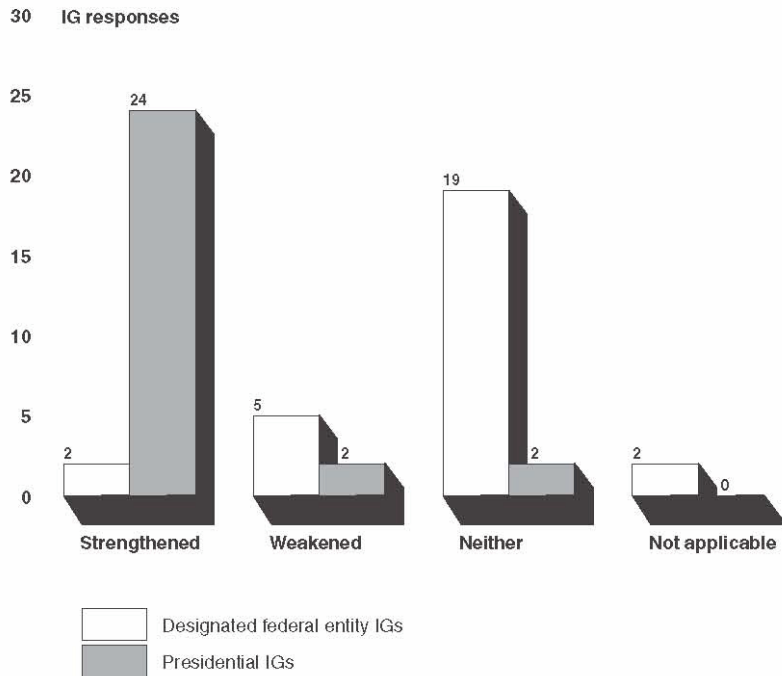
As with the other survey questions, the views of Presidential IGs and DFE IGs are markedly different regarding the potential effect of consolidation

on the quality of future IG work. The Presidential IGs' responses indicate that consolidation could increase some of the elements of IG quality. For these same elements, the DFE IGs' responses indicate that consolidation would either have no impact or that work quality could be weakened. In addition, responses from both the Presidential IGs and the DFE IGs indicate that there are elements of quality that could be weakened. These types of risks to quality would need to be addressed by the management of the merged IG operations to avoid or abate any undesired consequences by a consolidated IG. In our view, consolidation of DFE IG offices with Presidential IGs would not necessarily result in a reduction of audit quality, especially if proper steps are taken to mitigate areas that could be weakened.

Ability to Issue Hard-hitting Reports When Necessary

The DFE IGs and the Presidential IGs again responded differently in assessing the impact of consolidation on their ability to present hard-hitting reports when necessary. Generally, the Presidential IGs responded that the DFE IGs' ability to issue hard-hitting reports could be strengthened through consolidation. However, the DFE IGs generally responded that consolidation would either have no impact on this ability or that the quality of work could be weakened. Specifically, 26 IGs (24 Presidential and 2 DFE) indicated that the ability of DFE IGs to issue hard-hitting reports would be strengthened. However, 21 IGs (19 DFE and 2 Presidential) responded that there would be no impact, and 7 IGs (5 DFE and 2 Presidential) indicated this ability could be weakened. (See figure 4.) The IGs provided no comments to explain their responses.

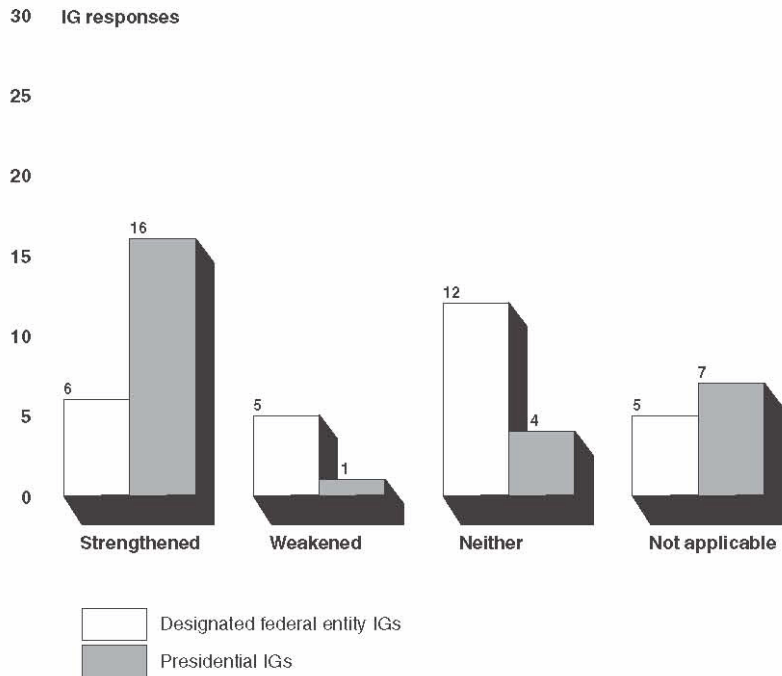
Figure 6: Potential Effect of Consolidation on the Ability of IGs to Issue Hard-hitting Reports



Oversight of Cross-Cutting Issues

The ability of IGs to issue reports that address not only issues that are particular to their specific agencies but which address issues of broad interest across several agencies is another function of the PCIE and ECIE. This ability provides reports of cross-cutting issues for the Congress and for the benefit of the IGs' collective agencies. As a result, the IGs have issued reports on such cross-cutting issues as computer security, debt collection, the use of government credit cards, and financial management. Twenty-two IGs (16 Presidential and 6 DFE) responded that consolidation could strengthen their ability to review issues that cut across other agencies while 16 IGs (12 DFE and 4 Presidential) indicated that there would be no effect on the ability of the DFE IGs to issue cross-cutting reports. In addition, six IGs (five DFE and one Presidential) responded that this ability would be weakened by consolidation. (See figure 7).

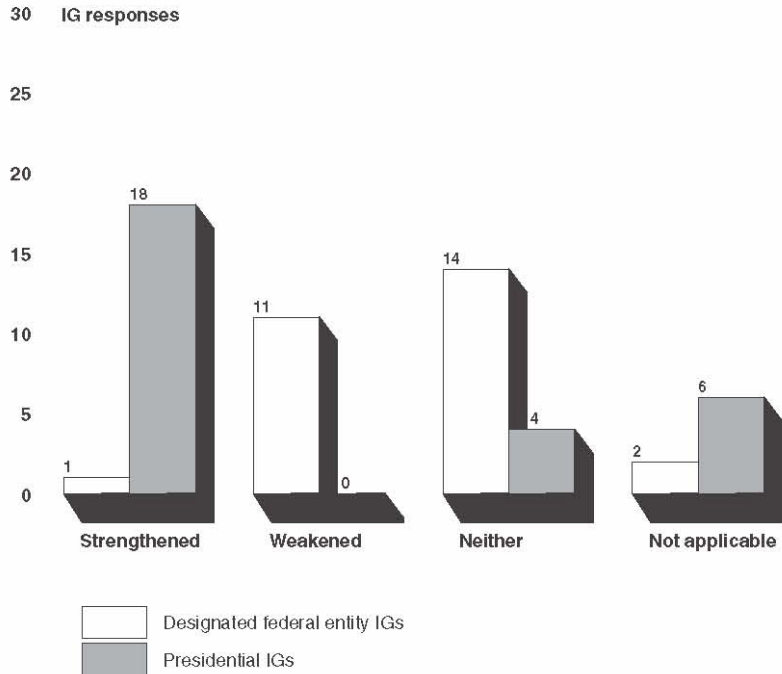
Figure 7: Potential Effect of Consolidation on the IGs' Ability to Use Audit Resources to Review Issues That Cross All DFE Agencies



Attention to IG Recommendations

The ability of the IGs to achieve results through their recommendations is another key element of effectiveness. Some important objectives of the IGs' audit work include improving accountability, saving tax dollars, improving programs and operations, and providing better service to the public. Auditors' recommendations are vehicles for fulfilling these objectives but only the effective implementation of recommendations, not the recommendations themselves, will enable the government to work better at lower cost. Nineteen IGs (18 Presidential and 1 DFE) responded that greater attention would be given DFE IG recommendations as a result of consolidation. Eighteen IGs (14 DFE and 4 Presidential) indicated that there would be no effect on the level of attention given to their recommendations as a result of consolidation. Also, 11 IGs (all were DFE) responded that there would be less attention to IG recommendations. (See figure 8.) In comments regarding the potential weaknesses of consolidation, one IG stated that consolidation would result in less credibility of the IG in the DFE, and another IG stated that DFE IG recommendations already receive attention.

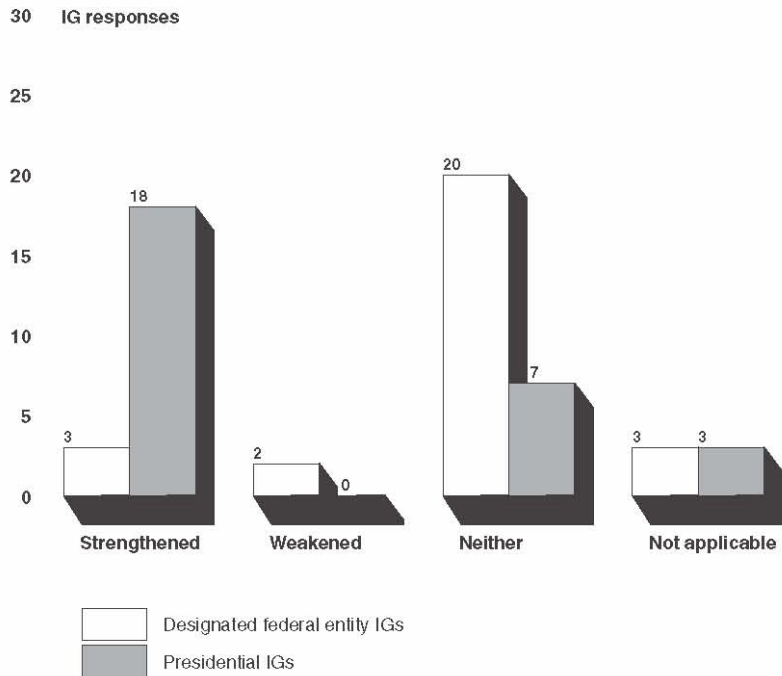
Figure 8: Potential Effect of Consolidation on the Attention That DFE Agencies and the Congress Give to IG Recommendations



Ability to Address High-Risk and Priority Issues

Assessing risk and establishing priorities for audits are important elements of the planning process for audit organizations. The ability to address those areas designated as high risk and of highest priority is fundamental to any audit organization's work. The Presidential IGs and the DFE IGs again had widely different responses to this element of IG effectiveness. Twenty-one IGs (18 Presidential and 3 DFE) indicated that consolidation could strengthen the ability of the DFE IGs to address issues of higher risk and priority. However, 27 IGs (20 DFE and 7 Presidential) indicated that consolidation would have no impact. In addition, two IGs (both were DFE) indicated that their ability in this area could be weakened. (See figure 9.) There were no additional comments provided by the IGs regarding their responses.

Figure 9: Potential Effect of Consolidation on the Ability of DFE IGs to Address Issues of Higher Risk and Priority

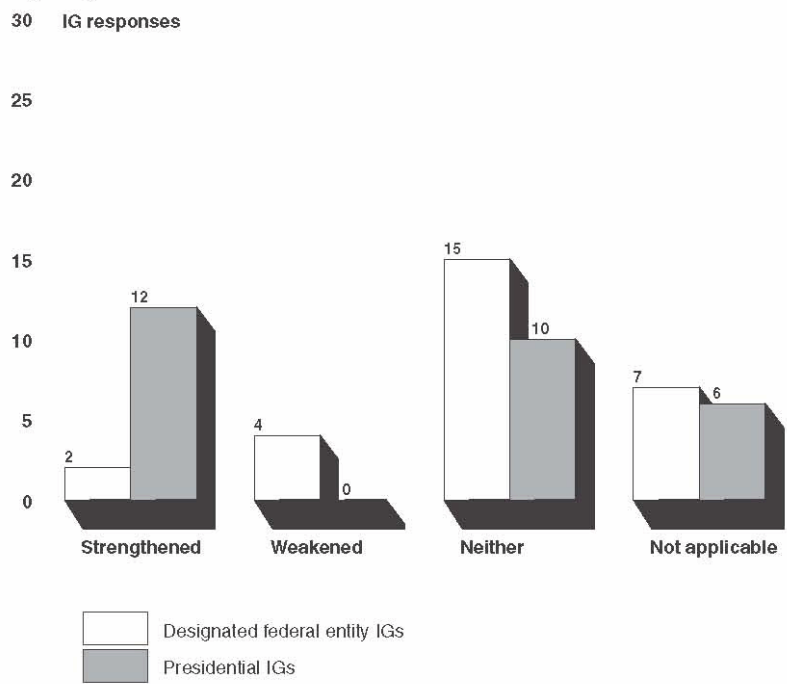


Ability to Uniformly Measure Performance

The Government Performance and Results Act of 1993 (GPRA) includes requirements for federal agencies to engage in strategic planning, establish performance measures, and report on their ability to meet these measures. The validity of the measures and the verification of agency reports of meeting the established measures is an important part of the success in implementing GPRA. At the request of members of the Congress, the IGs perform activities in the validation and verification of performance measures developed by their agencies in compliance with GPRA requirements. While there is no specific requirement in the act for the IGs to audit GPRA results, the extent of the IGs' ability to assist their agencies continues to be of interest to the Congress. To the extent IGs can uniformly measure the performance of their agencies through use of the GPRA measures and their own audit efforts, the IGs will be increasingly effective in reporting on their agencies' ability to successfully achieve their missions, goals, and specific performance measures.

Twenty-five IGs (15 DFE and 10 Presidential) indicated that consolidation would have no impact on the ability to measure DFE agency performance. Fourteen IGs (12 Presidential and 2 DFE) indicated that this ability could be strengthened. Four IGs (12 Presidential and 2 DFE) indicated that this ability could be weakened. Four IGs (all were DFE) responded that their ability would be weakened. Thirteen IGs responded that the question was not applicable. (See figure 10.) No comments were provided by the IGs on this issue.

Figure 10: Potential Effect of Consolidation on the Ability to Uniformly Measure DFE Agency Performance



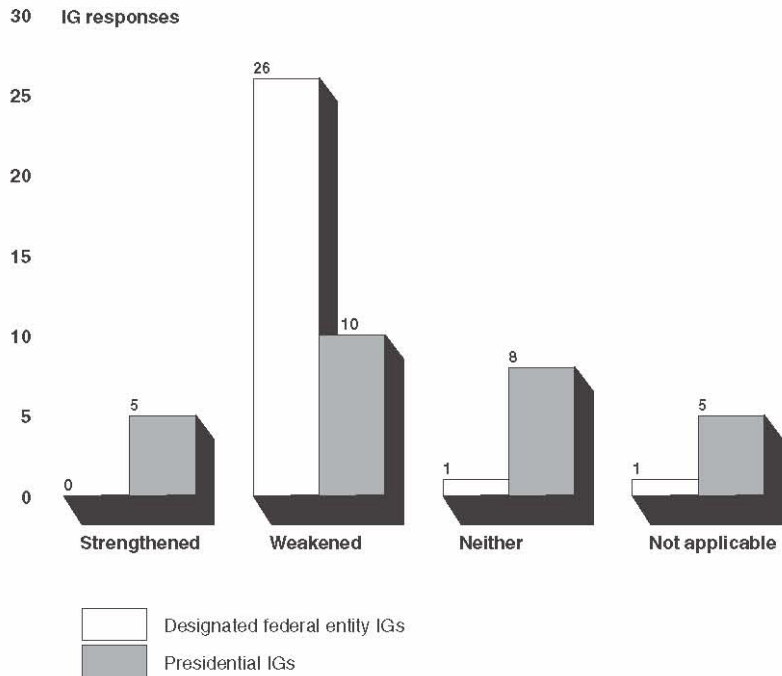
IG Contact with DFE Officials

The legislative history of the IG Act of 1978 includes guidance on IG effectiveness by indicating that the IGs must have a close relationship with their agency heads and be responsive to their concerns. Moreover, the guidance illustrates that if the agency head is committed to managing the agency effectively the IG can be the agency head's strong right arm while maintaining the IG independence needed to honor reporting responsibilities to the Congress.⁸ The survey responses indicate that both Presidential and DFE IGs believe this working relationship between the IGs and their DFE heads could be weakened through consolidation of the IG offices.

Responses from 36 IGs (26 DFE and 10 Presidential) indicate that consolidation could weaken the ability of the IGs to have day-to-day contact with senior DFE agency officials. Nine IGs (eight Presidential and one DFE) indicated that there would be no impact on their day-to-day contact with agency officials and five IGs (all were Presidential) responded that day-to-day contact could be strengthened. (See figure 11.)

⁸ U.S. Government Printing Office, *Establishment of Offices of Inspector and Auditor General in Certain Executive Departments and Agencies, Report of the Committee on Governmental Affairs United States Senate*, Report No. 95-1071 (Washington, D.C.: Aug. 8, 1978).

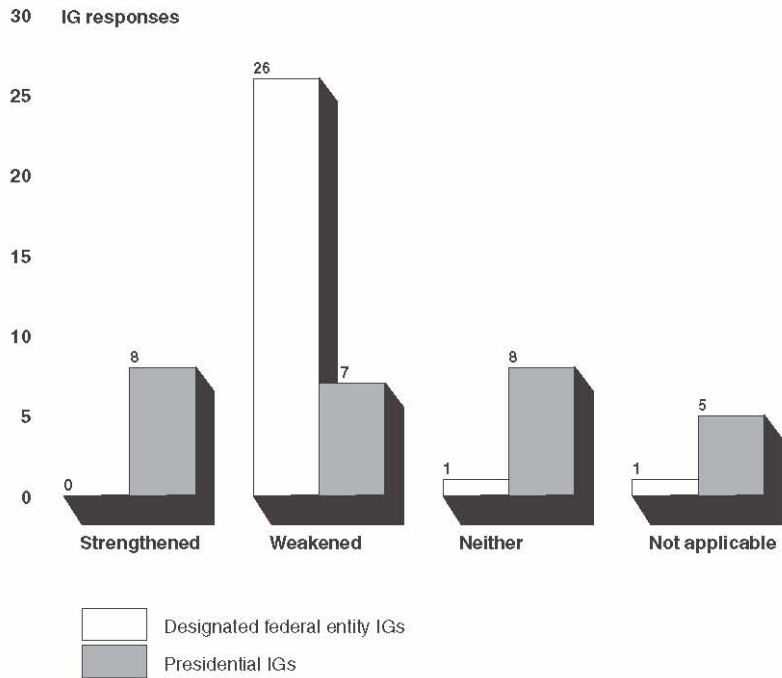
Figure 11: Potential Effect of Consolidation on Day-to-Day Contact with Senior DFE Officials



Communication between IGs and DFE Agency Heads

Attention to communication among IGs, agency heads, and program management staff is included as part of the IGs' vision statement. The IGs have stated their intent to work with agency heads and the Congress to improve program management. Therefore, IG communication with DFE agency heads is another indicator of the quality of IG work. Thirty-three IGs (26 DFE and 7 Presidential) responded that this communication could be weakened by consolidation. The Presidential IGs' responses were almost evenly divided among the strengthen, weaken, and no impact choices with eight responses indicating that consolidation could actually strengthen communication and eight responses indicating that there would be no impact on communication. (See figure 12.) One DFE IG stated that close working relations with the agency head are currently enjoyed by the IG. No specific comments were made to indicate specifically how communication between the IG and DFE head would be weakened.

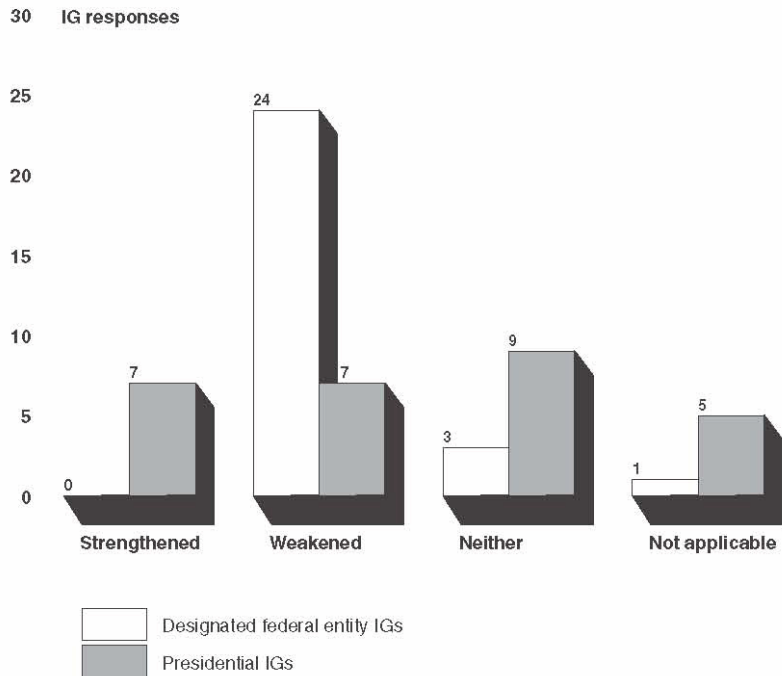
Figure 12: Potential Effect of Consolidation on Communication between the IGs and DFE Agency Heads



Ability of DFE Head to Get the Attention of the IG

While there are statutory protections to IG independence provided by the IG Act, each IG is required by the act to be under the general supervision of their respective agency head. In addition, the IG vision statement recognizes the need for the agency head and the IG to work together. Thirty-one IGs (24 DFE and 7 Presidential) responded that this ability could be weakened by consolidation. The remaining responses of the Presidential IGs include seven who took an opposing view indicating that this ability could be strengthened by consolidation, and nine who indicated that there would be no impact. (See figure 13.)

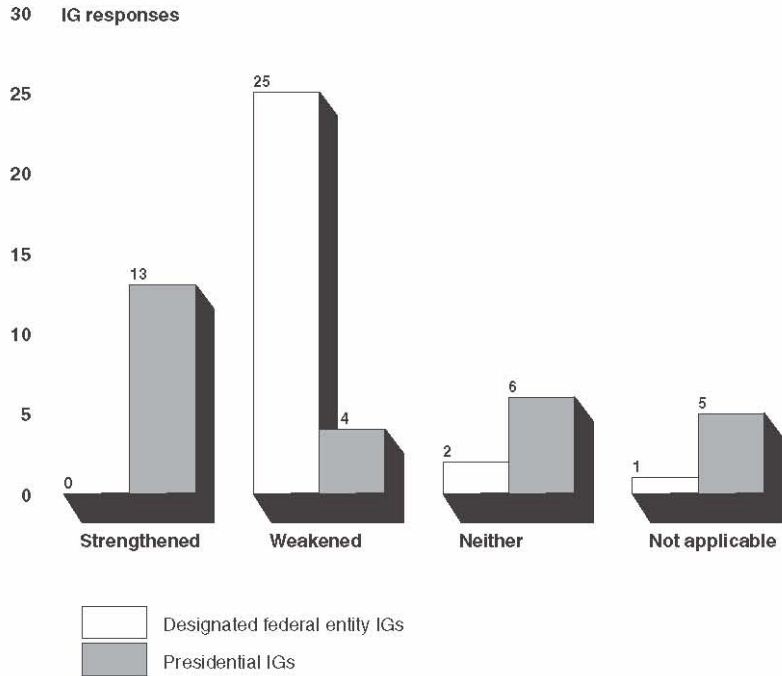
Figure 13: Potential Effect of Consolidation on the Ability of DFE Agency Head to Get the IG's Attention



IG Presence as a Preventative Measure

Comments from the DFE IGs raised concerns that through consolidation with large IG offices the DFE agencies would possibly lose the effect of having a “cop on the beat” which can act as a deterrent to fraud, waste, abuse, and mismanagement. While the survey results indicate a concern about weakening this IG presence, the concern is largely from the DFE IGs and not the Presidential IGs. Twenty-nine IGs (25 DFE and 4 Presidential) indicated that the IGs’ presence as a preventative measure would be weakened in the DFE through consolidation. However, 13 Presidential IGs responded that the IG presence in the DFE agencies would be strengthened by consolidation. The remaining IG responses indicated either no impact or that the question was not applicable. (See figure 14.)

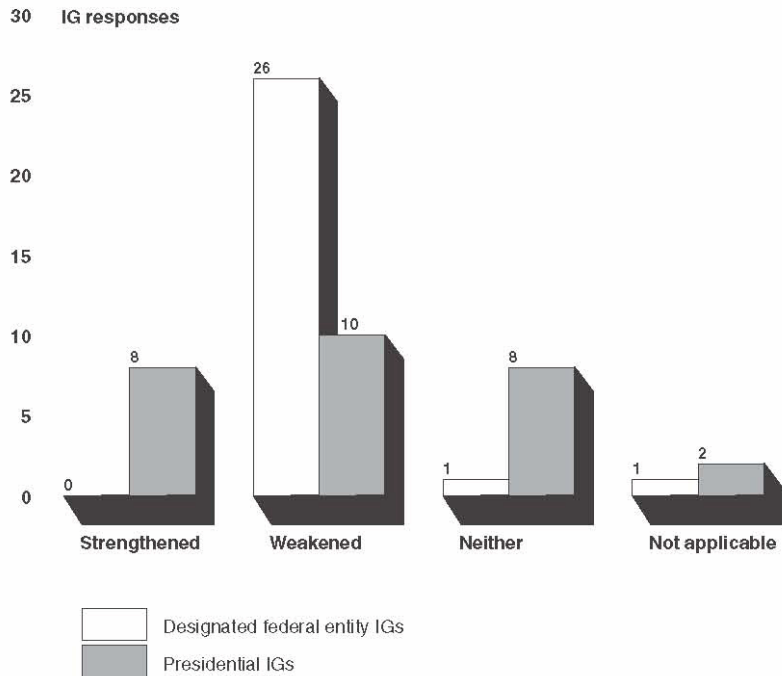
Figure 14: Potential Effect of Consolidation on IG Presence as a Preventative Measure for the DFE Agencies



IG Knowledge of DFE Missions

Thirty-six IGs (26 DFE and 10 Presidential) indicated that the IG’s knowledge of each DFE agency’s mission, operations, and activities would be weakened through consolidation. This response appears to assume that current DFE IG staff and their knowledge would no longer exist to provide DFE agency oversight. However, eight Presidential IGs indicated that consolidation could strengthen the IG’s knowledge of each DFE agency and eight indicated that there would be no impact. (See figure 15.) One IG’s comments indicated there would be a large learning curve for the IGs not familiar with the DFEs; however another IG stated that the IG’s knowledge could be strengthened depending on staffing and the availability of resources.

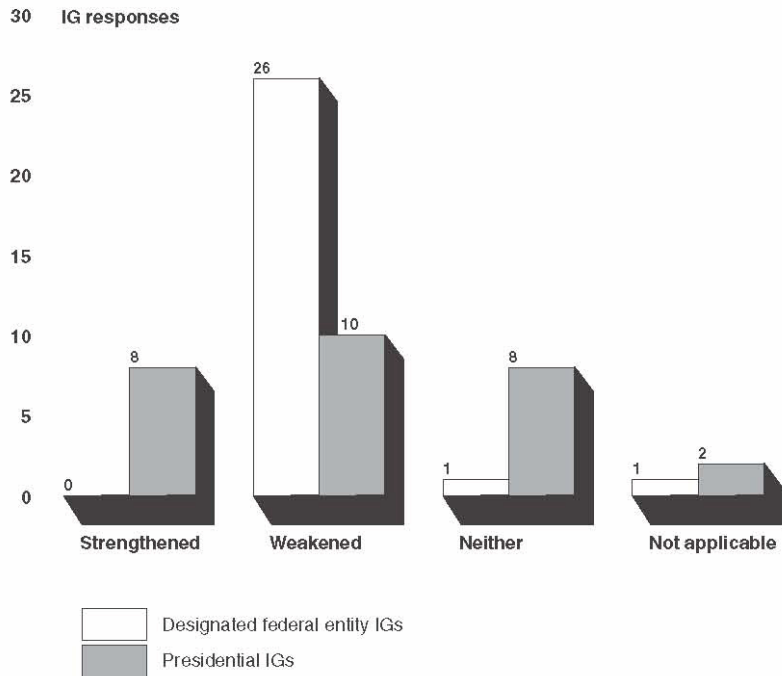
Figure 15: Potential Effect of Consolidation on IG Knowledge of DFE Agency Missions, Operations, and Resource Limitations



IG Knowledge of DFE Priorities

In responses identical to the previous survey question, 36 IGs (26 DFE and 10 Presidential) indicated that IG knowledge of the DFE agencies' priorities and issues could be weakened through consolidation. Likewise, eight Presidential IGs indicated that this knowledge could be strengthened and eight indicated that consolidation would have no impact. (See figure 16.) One IG provided comments and stated that after consolidation, the IGs would lose their perspective about the DFE agencies' goals and direction. This response appears to assume that current DFE IG staff would no longer be available to provide such a perspective.

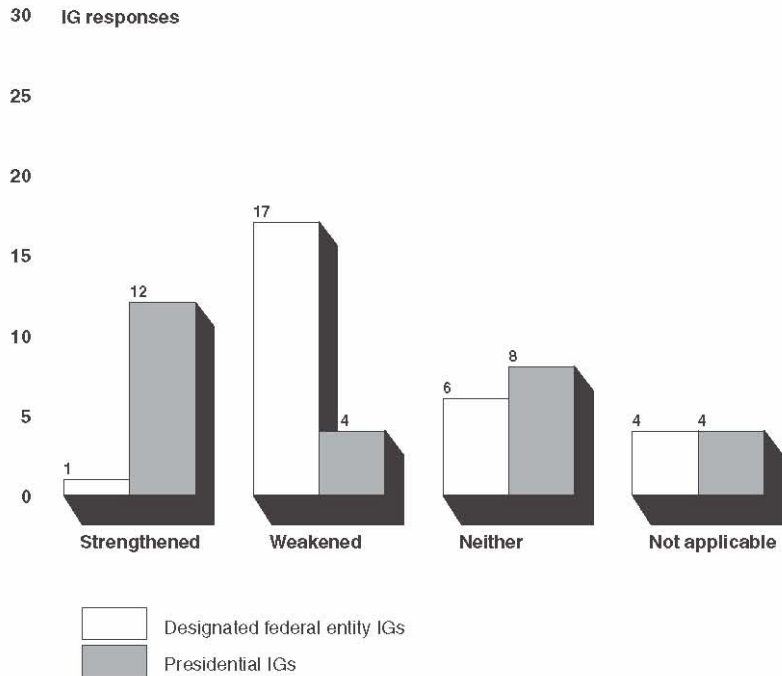
Figure 16: Potential Effect of Consolidation on IG Knowledge of Priorities and Issues within Each of the DFE Agencies



IG Ability to Plan Work

In the area of planning work, 21 IGs (17 DFE and 4 Presidential) responded that the ability to plan their work at the DFEs could be weakened. This contrasts with the responses of 13 IGs (12 Presidential and 1 DFE) who indicated that planning could be strengthened. Fourteen IGs (eight Presidential and six DFE) indicated that consolidation would have no impact. (See figure 17.) No IGs commented on how this ability would be strengthened; however, one DFE IG stated that planning for coverage of the DFE agencies would be diluted by the other work requirements of the consolidated IG office.

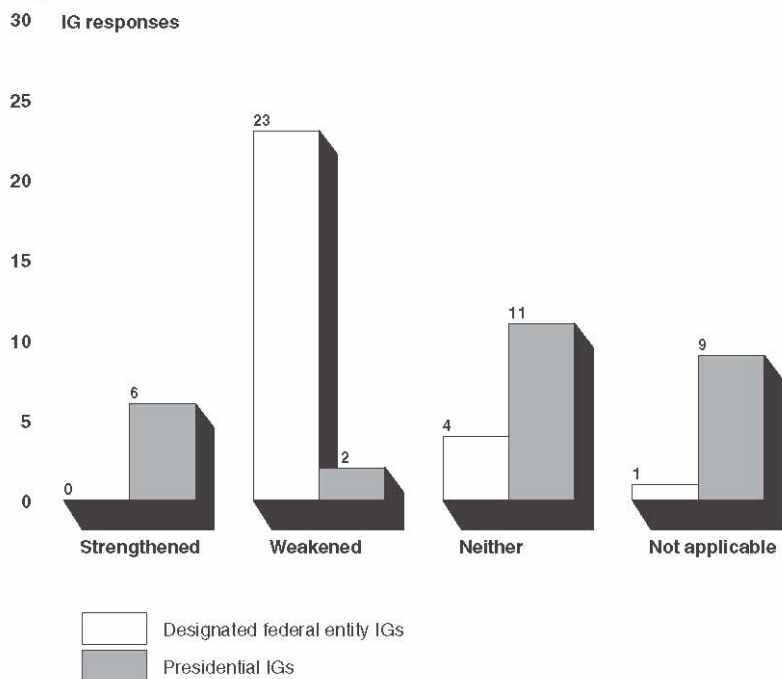
Figure 17: Potential Effect of Consolidation on Oversight Planning



Timeliness of IG Reporting

Twenty-five IGs (23 DFE and 2 Presidential) indicated that the timeliness of reports would be weakened by consolidation. Fifteen IGs (11 Presidential and 4 DFE) indicated that consolidation would have no impact. Also, six Presidential IGs indicated that timeliness could be strengthened. Ten IGs (nine Presidential and one DFE) responded that the question was not applicable. (See figure 18.) In comments provided, one IG observed that the reports in large audit organizations generally have longer report review cycles. Likewise, comments from two DFE IGs stated they believe reports by the DFE IGs are probably more timely than they would be under consolidation. No comments were provided by the six IGs who indicated that timeliness could be strengthened.

Figure 18: Potential Effect of Consolidation on the Timeliness of IG Reports

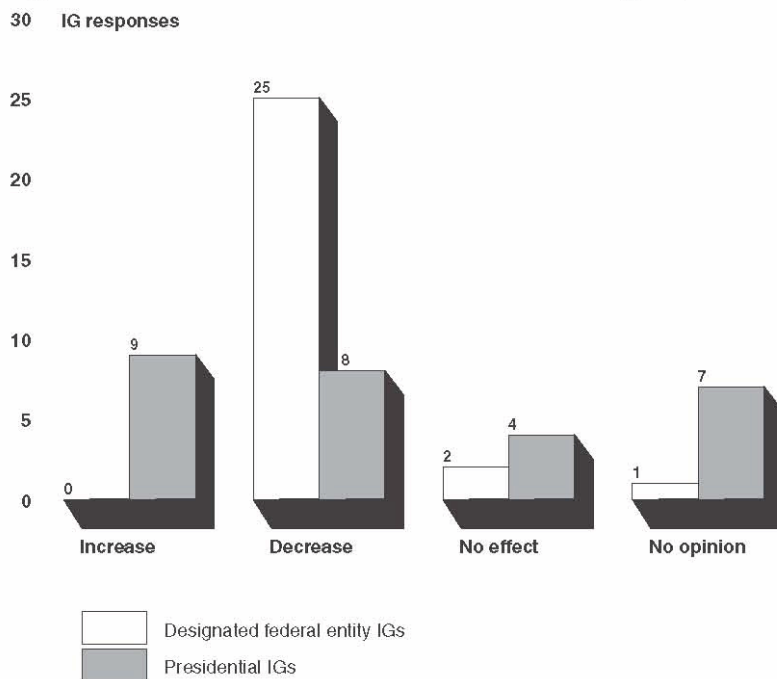


Oversight Coverage of DFE Agencies

The IGs are required by the IG Act to coordinate, conduct, and provide policy direction for audits and investigations in their agencies. Therefore, IG oversight coverage of agency programs, offices, and activities is another element of IG quality. Thirty-three IGs (25 DFE and 8 Presidential) indicated that IG coverage at the DFE agencies would be decreased. Nine Presidential IGs took the opposite view, responding that coverage could be increased. The 14 remaining IG responses (11 Presidential and 3 DFE) indicated either no impact or that they did not have an opinion on this matter. (See figure 19.) Most of the IGs' comments explained that the decrease would be the result of low priorities for coverage in the DFEs by IGs who are appointed by the President. Specifically, one DFE IG stated that larger agencies have requirements that differ from those of smaller agencies, making it much more likely that the priorities of large agencies would supercede those of smaller agencies. In contrast, one Presidential IG commented that audit coverage of the DFE would increase after consolidation because the IG resulting from consolidation would first test the control environment of the DFE agencies to determine the necessary level of coverage, which would result, at least initially, in more coverage.

Also, another DFE IG who indicated that consolidation would have no effect on coverage stated that coverage depends on the IG resources available as well as the priorities established.

Figure 19: Potential Effect of Consolidation on DFE Agency Audit Coverage



Consolidation and the Potential Impact on IG Resources

The efficient and effective use of IG resources and human capital can significantly affect the overall effectiveness of IG offices in helping their agencies address problems. For example, many IGs have determined that protecting agency information technology resources is a priority and often assist their agencies through independent advice and guidance on appropriate levels of IT security. However, these efforts require the use of knowledgeable IT specialists and a wise use of overall budgetary resources by the IGs. Also, the better IGs can control their own spending, budget requests, and absorb any budget decreases the more effective they can be in addressing the oversight of their agencies. In addition, information from IG testimony before the Congress, IG reports, concerns of the Congress, and professional standards indicate that IGs are affected by the ability to obtain resources for investigations, the ability to minimize duplication of

efforts, the quality of training, the ability to share methods and technology specialists, the efficient use of human capital skills, and the availability of adequate resources to provide oversight of the agency.

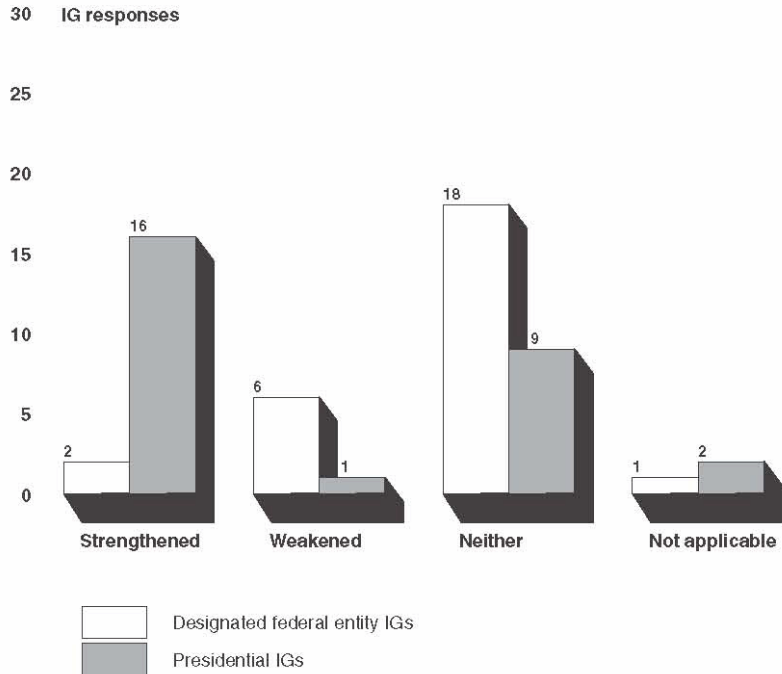
The IG Act Amendments of 1988 require separate appropriations accounts for the IGs appointed by the President, which provides greater control for these IGs over their budgets. The IG Act does not require such accounts for the DFE IGs. We reported in a prior review of 16 DFE IGs' budgets that 14 of the DFE IGs had entity officials making decisions affecting the IGs' fiscal year budgets who also competed with the IGs for resources and whose programs and operations were subject to IG audits and investigations.⁹ The results of our survey indicate that eight DFE IGs continue to obtain approval from agency officials to make spending decisions in one or all of the areas of travel, training, and personnel.

IG Control over Spending

The survey results were again clearly delineated between the responses from the Presidential IGs and the DFE IGs. In response to our survey question on IG control over spending on travel, training, and personnel for oversight of the DFE agencies, 27 IGs (18 DFE and 9 Presidential) indicated that consolidation would have no impact. However, 18 IGs (16 Presidential and 2 DFE) believe this control could be strengthened by consolidation. In addition, seven IGs (6 DFE and 1 Presidential) indicated that IG control over this spending could be weakened. (See figure 20.)

⁹ U.S. General Accounting Office, *Inspectors General: Action Needed to Strengthen OIGs at Designated Federal Entities*, GAO/AIMD-94-39 (Washington, D.C.: Nov. 30, 1993).

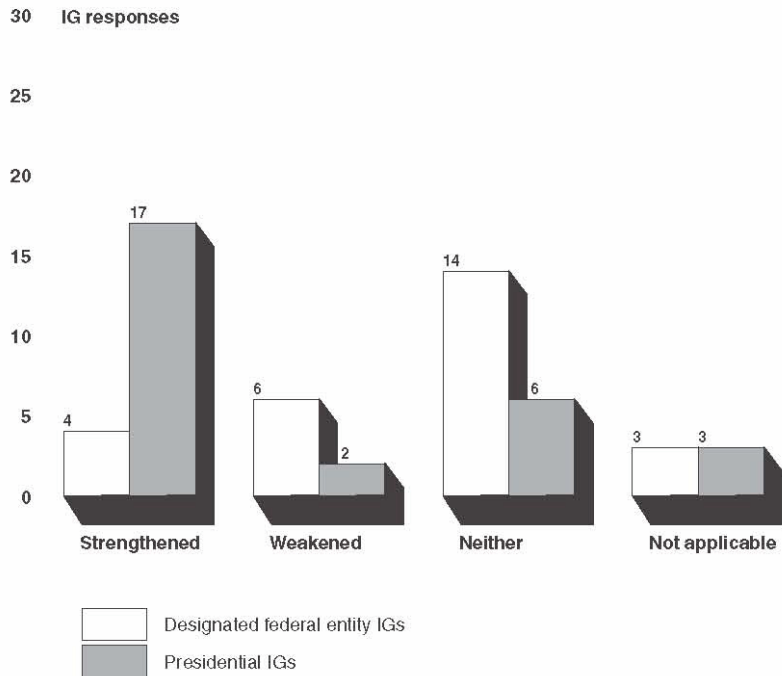
Figure 20: Potential Effect of Consolidation on IG Control over Spending for Travel, Training, and Personnel Related to Oversight of DFE Agencies



IG Control over Budget Requests

The responses to the survey question on IG control over budget requests for their own offices were clearly divided between Presidential IG and DFE IG responses. Eighteen IGs (17 Presidential and 4 DFE) indicated that control could be strengthened by consolidation, while 20 IGs (14 DFE and 6 Presidential) indicated that there would be no impact on IG control of budget requests. Eight IGs (6 DFE and 2 Presidential) indicated that consolidation could weaken IG control over budget requests, and the remaining six IGs indicated that the question was not applicable. One IG did not respond to the survey question. (See figure 21.) One DFE IG expressed doubt that resources of the consolidated IGs would be devoted to oversight of the DFE agencies; however, another DFE IG stated that consolidation could result in fewer IG budget cuts.

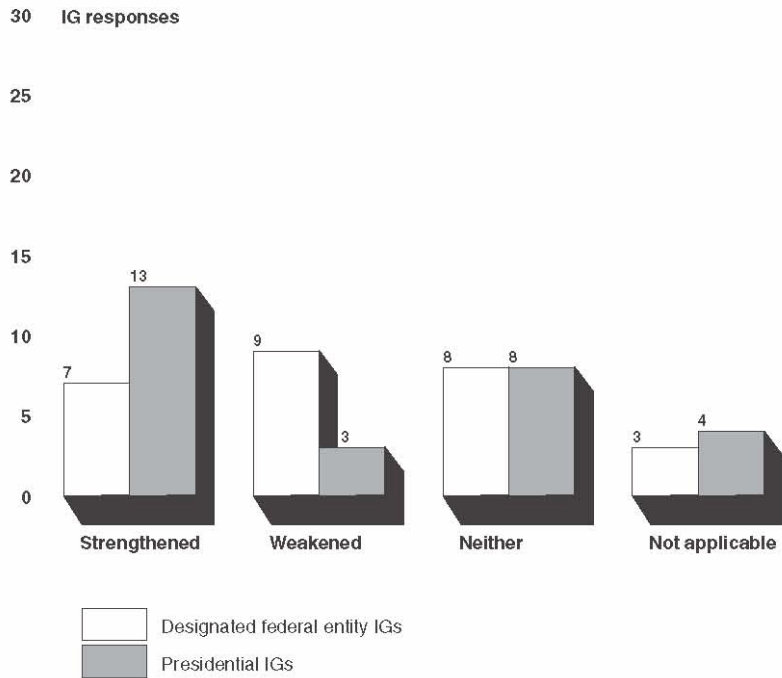
Figure 21: Potential Effect of Consolidation on IG Control over Their Own Budget Requests for Oversight Activity



IG Ability to Absorb Budget Reductions

Twenty IGs (13 Presidential and 7 DFE) responded that consolidation could strengthen the IGs' ability to absorb resource reductions. Sixteen IGs (8 Presidential and 8 DFE) indicated that consolidation would have no impact, and 12 IGs (9 DFE and 3 Presidential) indicated that this ability would be weakened. (See figure 22.) One DFE IG commented that the ability to absorb resource reductions is irrelevant because the DFE agencies would be a low priority for the IGs after consolidation. Along the same lines, another DFE IG expressed doubt that resources would be devoted to DFE agency oversight.

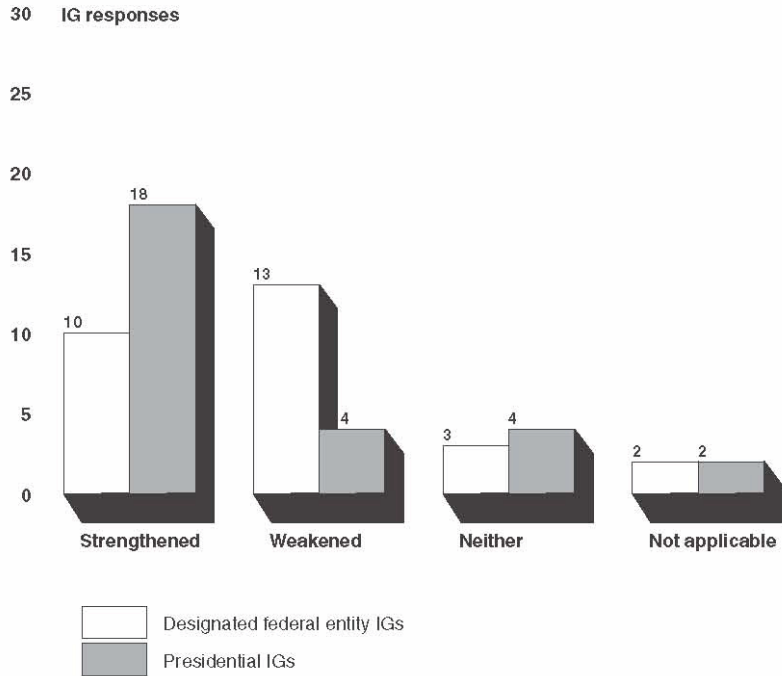
Figure 22: Potential Effect of Consolidation on the IGs' Ability to Absorb Resource Reductions



Availability of Investigative Resources

In other areas of IG resources, 28 IGs (18 Presidential and 10 DFE) indicated that consolidation could strengthen the availability of investigative resources for coverage of the DFE agencies and 17 IGs (13 DFE and 4 Presidential) indicated that it would be weakened. Seven IGs (four Presidential and three DFE) indicated that consolidation would have no impact. One DFE IG commented that while more resources would be available they would not be used for coverage of the DFEs. (See figure 23.)

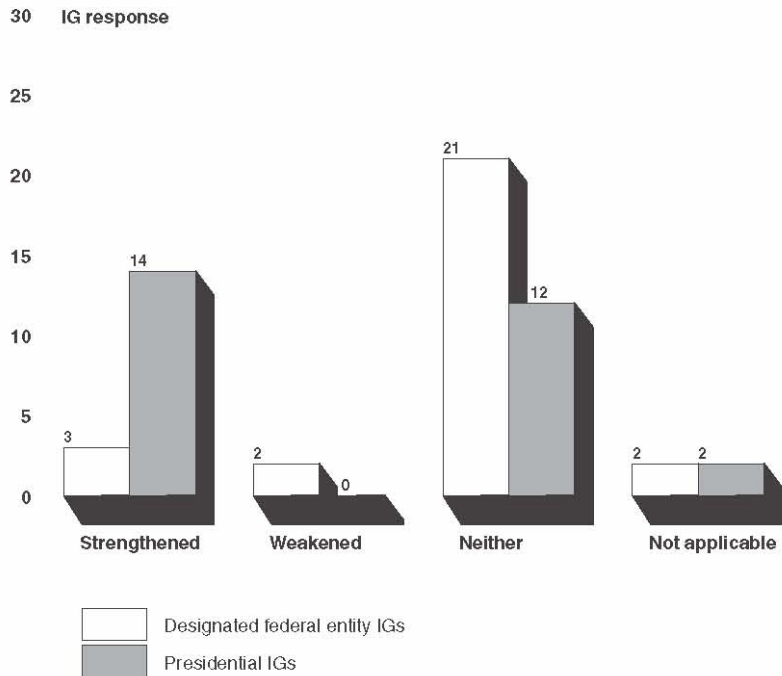
Figure 23: Potential Effect of Consolidation on the Availability of IG Resources for Investigative Coverage



Minimization of Duplication across IGs

Thirty-three IGs (21 DFE and 12 Presidential) responded that consolidation would have no impact on the duplication of audit efforts by the IGs. However, 17 IGs (14 Presidential and 3 DFE) indicated that the ability to minimize duplication could be strengthened by consolidation. Two DFE IGs indicated that this ability could be weakened. (See figure 24.) There were no specific comments regarding the issue of audit duplication.

Figure 24: Potential Effect of Consolidation on the IGs' Ability to Minimize Duplication of Audit Efforts across the Federal Government

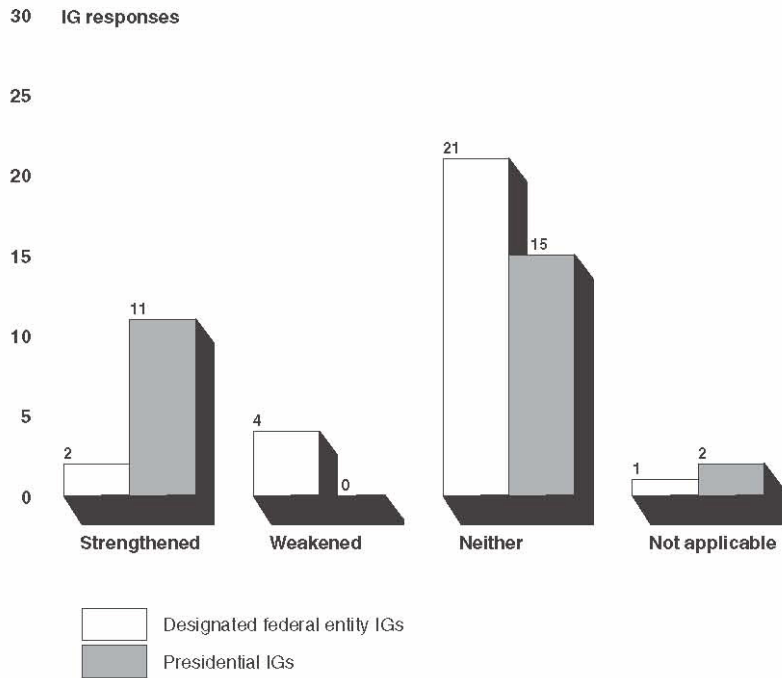


Quality of Audit Training

Continuing education and training for auditors improves their knowledge and refines their skills, allowing them to better meet the challenges of the audit environment. Such education and training, since it enhances auditor proficiency, helps ensure the quality of audits. In addition, auditors working on audits in accordance with *Government Auditing Standards* must comply with specific continuing educational requirements specified by these standards.

A majority of the IGs (21 DFE and 15 Presidential) indicated through our survey that consolidation would have no impact on the quality of auditor training. Thirteen IGs (11 Presidential and 2 DFE) responded that the quality of training could be strengthened and 4 DFE IGs indicated that training could be weakened. (See figure 25.) One DFE IG commented that Presidential IGs and DFE IGs use the same training sources, and another DFE IG stated concern that consolidation would reduce the quality of training because DFE agency-related subjects may decline depending on the work priorities of the consolidated IG.

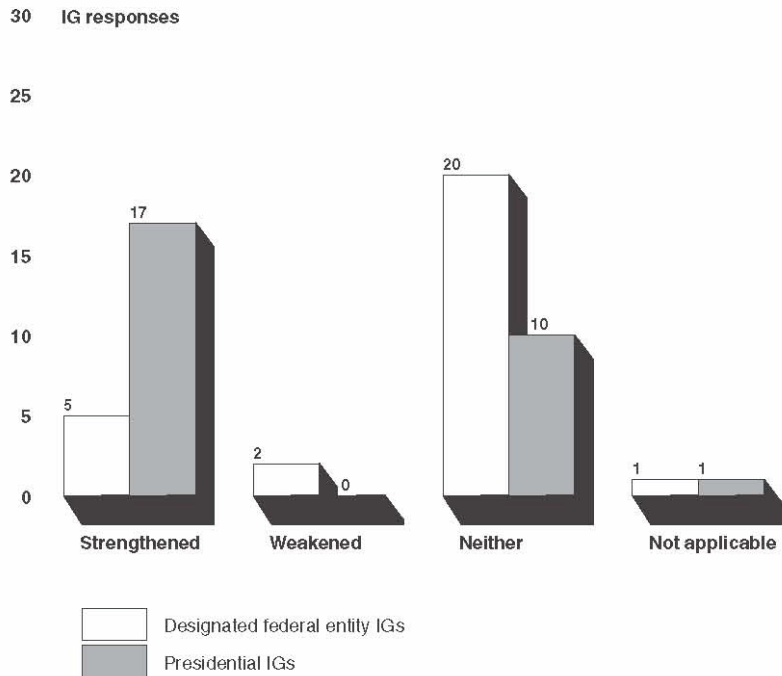
Figure 25: Potential Effect of Consolidation on the Quality of Training for IG Audit Work



Ability to Share Methods

The ability of IGs to share methods and programs for audits and investigations can enhance their use of government resources. Thirty IGs (20 DFE and 10 Presidential) indicated that consolidation would have no impact on this ability. However, 22 IGs (17 Presidential and 5 DFE) indicated that this area could be strengthened through consolidation. (See figure 26.)

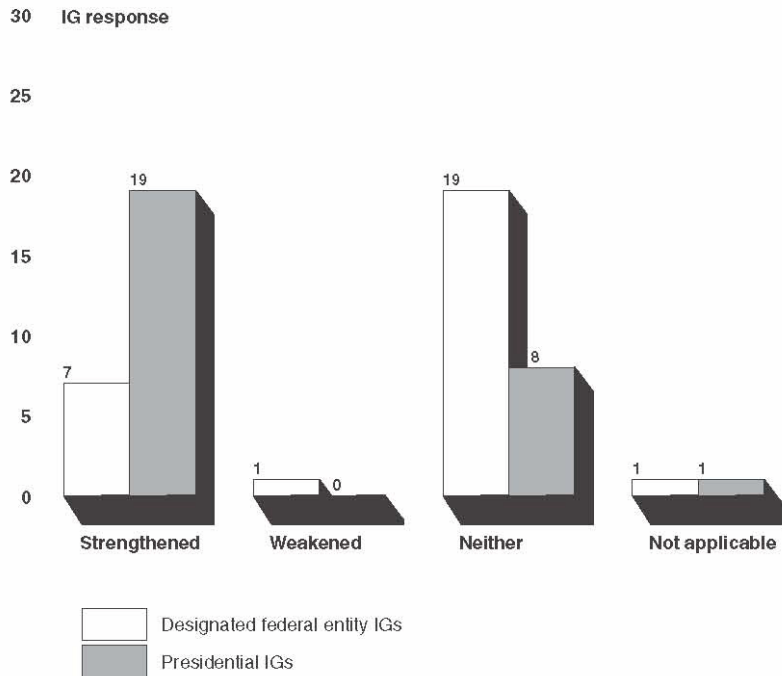
Figure 26: Potential Effect of Consolidation on the IGs' Ability to Share Methods and Programs for Audits and Investigations across the Federal Government



Ability to Share Technology Specialists and Expertise

Twenty-six IGs (19 Presidential and 7 DFE) indicated that the IGs' ability to share technology specialists and expertise could be strengthened by consolidation while 1 DFE IG indicated that it would be weakened. Twenty-seven IGs (19 DFE and 8 Presidential) indicated that consolidation would have no impact on this ability. (See figure 27.) One DFE IG commented that there is currently no difficulty obtaining needed specialists and expertise. Another DFE IG stated that the IGs already share such skills.

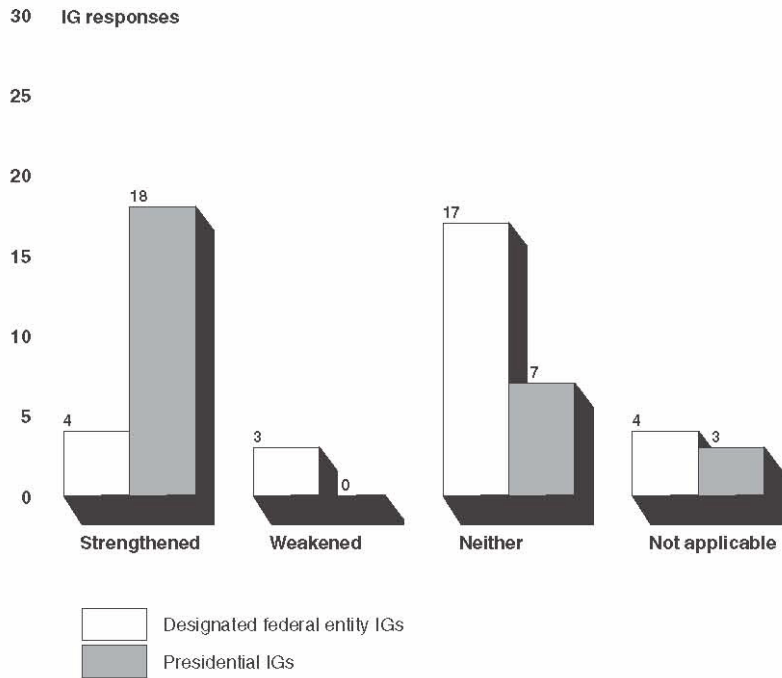
Figure 27: Potential Effect of Consolidation on the IGs' Ability to Share Technology Specialists and Expertise



Efficient Use of Human Capital Skills

The survey results were also characteristically widespread between the responses of the Presidential IGs and the DFE IGs regarding consolidation and the efficient use of human capital skills. Twenty-four IGs (17 DFE and 7 Presidential) indicated that consolidation would have no impact. However, 22 IGs (18 Presidential and 4 DFE) indicated that consolidation could strengthen the efficient use of human capital skills. In addition, 3 DFE IGs indicated that this could be weakened. (See figure 28.)

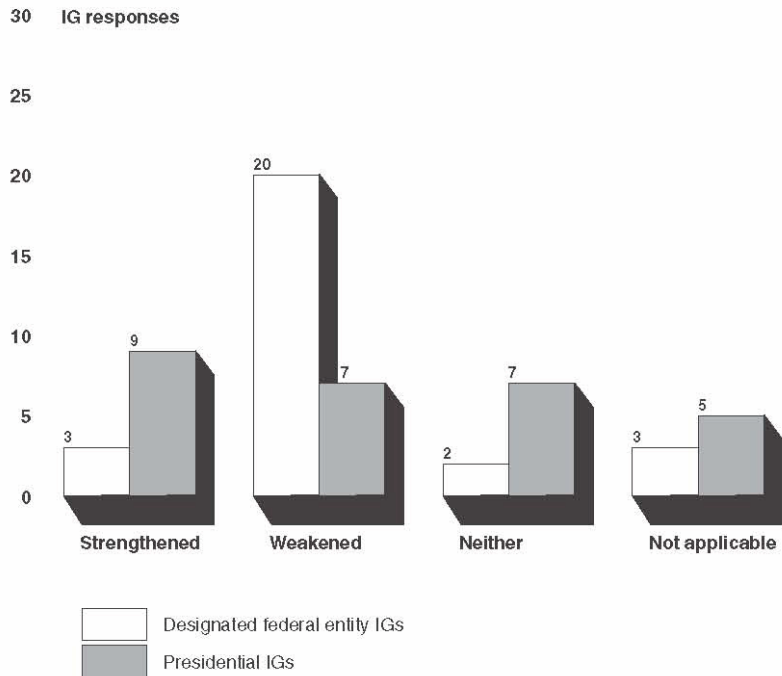
Figure 28: Potential Effect of Consolidation on the IGs' Efficient Use of Human Capital Skills and Resources across the Federal Government



Availability of Adequate IG Resources

The availability of adequate IG resources could be weakened by consolidation according to the responses of 20 DFE IGs and 7 Presidential IGs. At the same time, 12 IGs (9 Presidential and 3 DFE) indicated that the availability of resources could be strengthened. Nine IGs (seven Presidential and two DFE) responded that consolidation would have no impact. (See figure 29.)

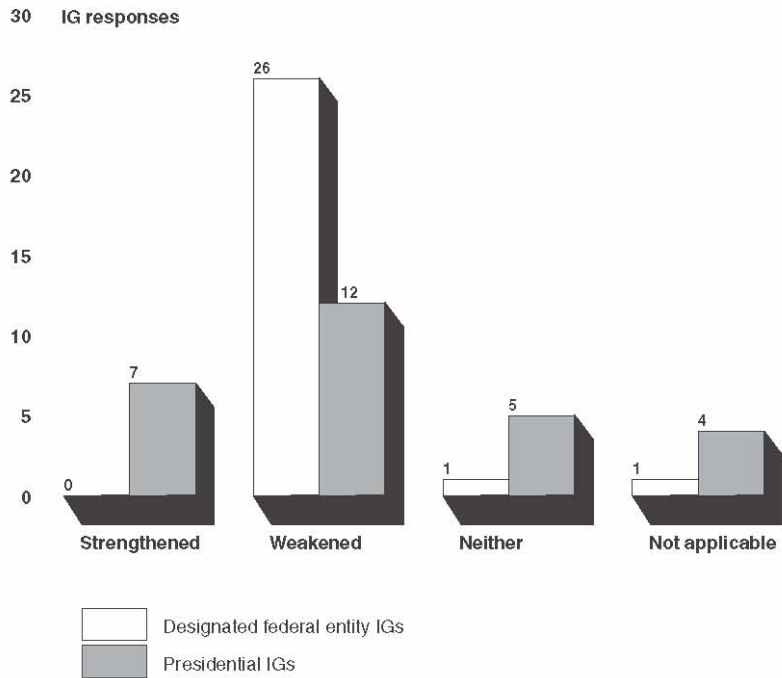
Figure 29: Potential Effect of Consolidation on the Availability of Adequate IG Resources



Availability of IG Resources to Cover DFE Issues

Similar to their concerns about the potential for the lack of audit coverage of DFE agency issues if the DFE IGs were consolidated, 38 IGs (26 DFE and 12 Presidential) responded that resources available to cover DFE issues would be weakened by consolidation. Nevertheless, 7 Presidential IGs indicated that consolidation could strengthen the coverage of DFE agencies. Six IGs (five Presidential and one DFE) indicated that consolidation would have no effect. (See figure 30.)

Figure 30: Potential Effect of Consolidation on the Availability of Resources to Cover DFE Agency Issues

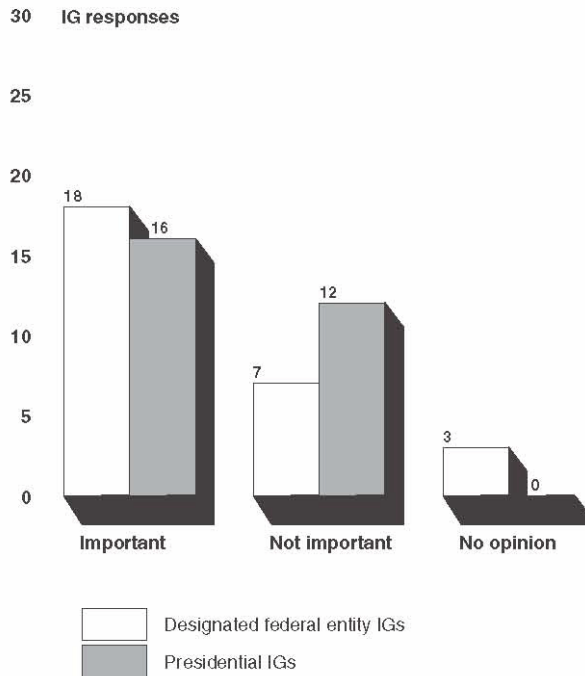


Strengthening the PCIE and ECIE

Our survey addressed issues that would affect the PCIE and ECIE. The survey responses indicated that the PCIE and ECIE could be strengthened by establishing an alternative council under statute with specified funding sources and defined roles and responsibilities. It was generally viewed that statutory authority with stated roles, responsibilities, and funding sources would provide an alternative to the PCIE and ECIE with a permanent, institutional footing that would allow the IGs to reach their full potential and better serve the needs of the administration and the Congress.

We asked the IGs how establishing the PCIE and ECIE by statute rather than executive order would affect the effectiveness of these councils. Thirty-four IGs (18 DFE and 16 Presidential) indicated that it was important for the PCIE and ECIE to be established under statute. Nineteen IGs (12 Presidential and 7 DFE) believe such statutory councils would be of little or no importance. (See figure 31.)

Figure 31: How Important Is It to Establish a Statutory PCIE/ECIE Organization for Improving Their Operations?



We also asked the IGs whether having designated funding sources for the PCIE and ECIE would be of importance. Forty-six IGs (24 DFE and 22 Presidential) believe that a designated funding source for the operation of these councils would be of importance, and seven IGs (five Presidential and two DFE) believe such funding is of little or no importance. (See figure 32.) In addition, we asked the IGs whether stated roles and responsibilities of the PCIE and ECIE in statute would be of importance. Thirty-seven IGs (21 DFE and 16 Presidential) responded that such statutory roles and responsibilities would be of importance, and 16 (11 Presidential and 5 DFE) indicated that they would be of little or no importance. (See figure 33.)

Figure 32: How Important Is It to Provide Designated Funding Sources to the PCIE/ECIE Organization for Improving Their Operations?

30 IG responses

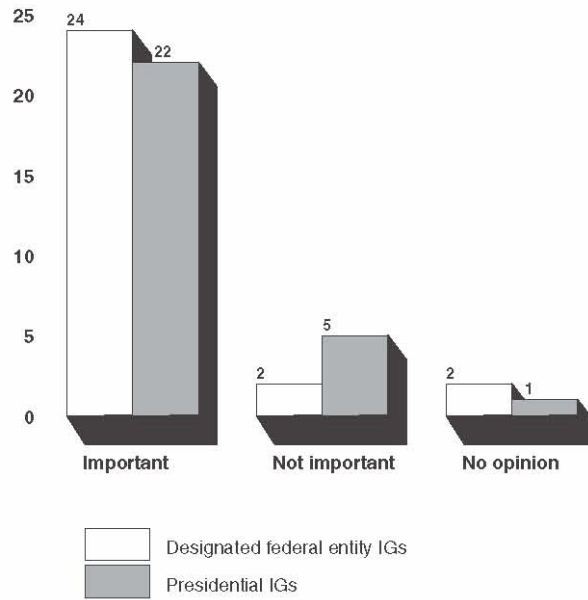
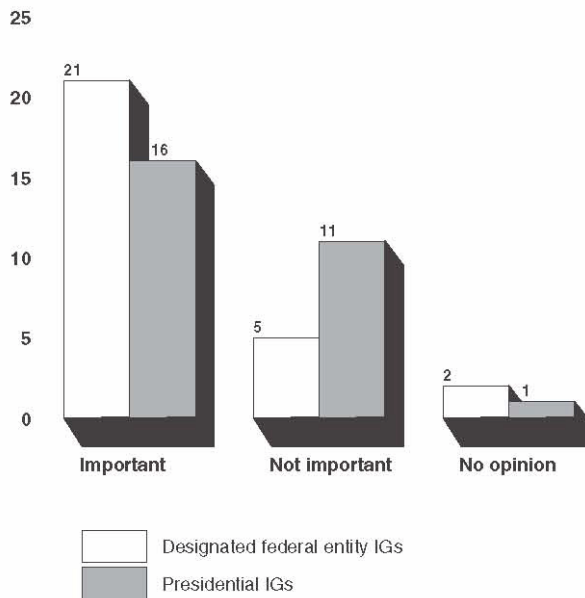


Figure 33: How Important Is It to Establish Stated Roles and Responsibilities of an Alternative PCIE/ECIE Organization in Order to Improve Operations?

30 IG response



Comments from individual IGs indicate that appropriate statutory powers could provide some improvements to the PCIE and ECIE. One IG stated that such a statute would give shape, direction, and a mission to the PCIE. Another IG commented that, once under statute, there would be a wider base of support for the PCIE and ECIE by those sponsoring the legislation. In other comments, some IGs stated that this would facilitate getting the IG message to the Congress and the administration, would provide visibility and clout to the councils, eliminate the appearance of conflict between IGs and the chair of the councils, and provide the appearance that the PCIE stands independently rather than as a subgroup of the Office of Management and Budget. Perhaps most significantly, one IG stated that having these councils established through legislation would provide permanent and institutional footing.

Agency Budgets are Not the Sole Criteria for Establishing IGs

The Inspector General Act Amendments of 1988 and the Government Printing Office (GPO) Inspector General Act of 1988 (Titles I and II, Public Law 100-504) established offices of inspectors general in 33 designated federal entities and GPO. One of the criteria used by the Congress to determine where to establish these new IGs offices was a budget threshold of \$100 million for the designated federal entities. Specifically, those agencies with an annual budget of \$100 million or greater were considered for inclusion in the IG Act Amendments of 1988. Other agencies below this budget threshold were also included for specific reasons.

In preparation for our survey, we calculated that the \$100 million threshold from 1988 would have been about \$134 million in fiscal year 2000, if adjusted for inflation.¹⁰ If this budget threshold were applied to the current agencies that have statutory IGs, 12 agencies would no longer meet this budget criteria to justify an IG office. (See appendix VI.) In response to our survey, 46 IGs (26 DFE and 20 Presidential) indicated that dollar thresholds of agency budgets should not be the primary factor determining which agencies should have IGs. However, nine IGs (eight Presidential and one DFE) indicated that budget dollar thresholds should be the primary factor. (See figure 34.) One IG stated that the primary factor for determining which agencies should have IGs should be the level of oversight that the Congress desires. Additional IGs responded that other factors, such as the importance of the agency's mission and the associated risks, should be considered. Also, eight IGs (17 DFE and 11 Presidential) responded that agencies with budgets below the \$134 million threshold should have IGs. However, 14 IGs (13 Presidential and 1 DFE) indicated that an IG is not necessary for those agencies. (See figure 35.) In their comments, the IGs stated that dollar thresholds are not meaningful by themselves and that the budgets may be just one factor in making such a determination. Another IG stated that the impact on public services should be considered, including vulnerable groups and overseas missions.

¹⁰ From the U.S. Department of Commerce, Bureau of Economic Analysis's Gross Domestic Product (GDP) Price Index.

Figure 34: Should Dollar Thresholds of Agency Budgets Be the Primary Factor in Determining Which Agencies Have an IG?

IG responses

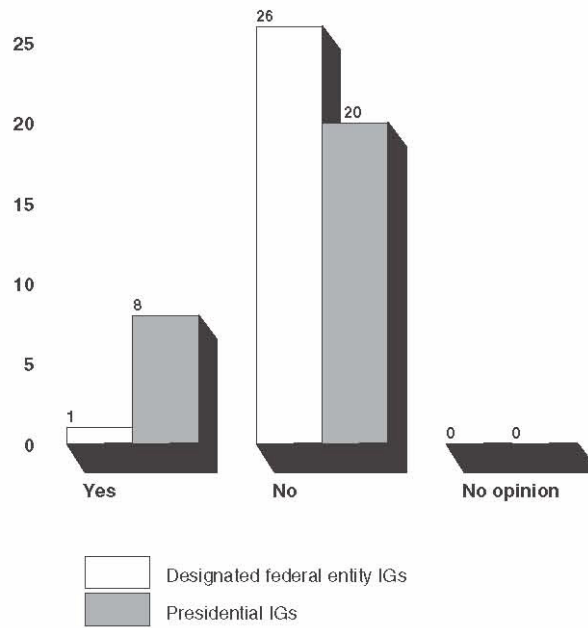
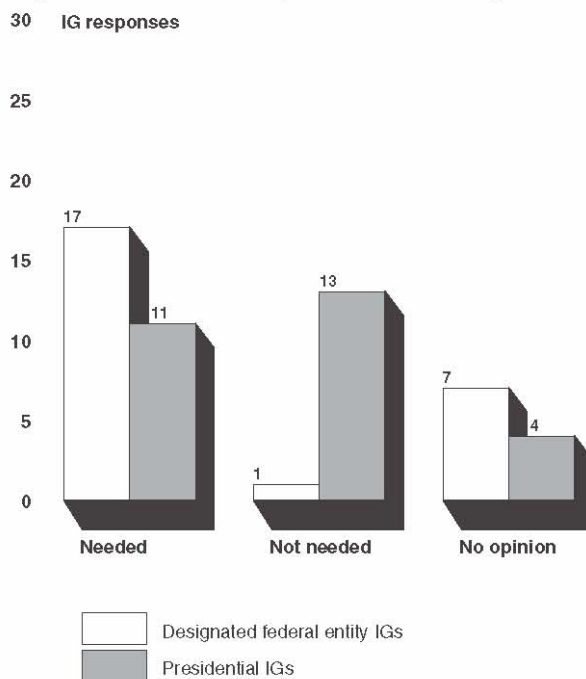


Figure 35: Are Statutory IGs Needed for Agencies with Budgets Below \$134 Million?



Survey Conclusions and GAO Views Regarding Conversion and Consolidation

We believe that if properly structured and implemented, the conversion and/or consolidation of selected DFE IG offices could serve to enhance the overall independence, economy, efficiency, and effectiveness of the IG community. We recognize that there are potential weaknesses resulting from consolidation, as indicated by the DFE IGs' responses, that would have to be mitigated through proactive and targeted actions in order for the benefits of consolidation to be realized without adversely affecting DFE agency audit coverage. One of the most important of these targeted areas would be communication between the IG and the agency head as well as agency management officials where the IG is responsible for oversight. The lack of an IG at the DFE agency should be mitigated by the physical presence of at least one of the consolidated IG's staff.

Also, we agree with the IGs' responses that indicate a legislative underpinning for the PCIE and ECIE could strengthen the effectiveness of these or alternative councils of IGs. In addition, we believe that any legislative underpinning should include a requirement for coordinating the efforts of these organizations with other oversight organizations, such as

GAO. Regarding the use of agency budgets as the criteria for establishing IG offices in federal agencies, we agree with the IG responses that indicate other factors, such as the risk and mission of the agency, must be considered in addition to their budgets.

Independence

The Presidential IGs mostly indicated that conversion could strengthen DFE IG independence while the DFE IGs' generally indicated that there would be no effect on their independence. Likewise, in their responses regarding the impact of consolidation on independence, the IGs were predictably different in their responses with Presidential IGs indicating a strengthening of independence and the DFE IGs indicating either a weakness or no impact.

DFE IGs are established in legislation in a manner that makes them independent external auditors under *Government Auditing Standards*. The IG Act provides the DFE IGs with statutory protections, that among others, prevent the audited entity from interfering with the initiation, scope, timing, and completion of any audit and provide the IGs access to records and documents that relate to the agency, program, or function being audited. On the other hand, having IGs appointed by the President with Senate confirmation provides a higher level of appearance of independence. At the same time, given the number and relatively small size of all but a few of the DFE IG offices and the organizations they are responsible for auditing, it is not practical for all of them to be converted to Presidential appointment and we do not favor the wholesale conversion of DFE IGs to Presidential IGs. Therefore, the consolidation of some DFE IG offices with Presidential IG offices would also serve to increase the perceived independence of the IGs where conversion is not practical.

IG Quality of Work

The Presidential IGs also generally indicated that consolidation could strengthen the IGs' quality of work, while the DFE IGs indicated that consolidation would either have no impact or would weaken quality as related to (1) the ability to issue hard-hitting reports when necessary, (2) the ability to review issues that cross agencies, (3) the ability to get attention to IG audit recommendations, (4) the ability to audit issues of high risk and priority, (5) the presence of the IG as a preventative measure, and (6) the ability to plan work.

We believe that consolidation could serve to strengthen the IGs' ability to issue hard-hitting reports, to issue reports on cross-agency issues, to get

attention to their audit recommendations, and to address high-risk and priority areas because IGs of consolidated offices could use their broader range of resources in the context of a governmentwide perspective rather than in the context of a single, relatively small agency. In addition, consolidation per se does not have to result in any material reduction on the IGs' day-to-day contact and communication with the agency head and ability to report on DFE agency performance as long as IGs maintain some physical presence at the DFE agencies or take other proactive steps to mitigate any potential reduction in communication and audit coverage. Finally, in our view, consolidation could enable IG offices to better target overall resources in planning their work to areas of greatest value and risk.

Use of IG Resources

The Presidential and DFE IGs also had differences in their responses regarding the impact that consolidation could have on the use of IG resources. The DFE IGs responded that consolidation would weaken or have no impact, while the Presidential IG responses indicated that consolidation could strengthen (1) the ability to control spending, (2) the ability to control budget requests, (3) the ability to absorb budget reductions, (4) the availability of investigative resources, (5) the ability to minimize duplication of audit efforts across IGs, (6) the ability to share methods, (7) the ability to share technology specialists, (8) the efficient use of human capital skills, and (9) the availability of adequate resources.

We believe that consolidation would serve to strengthen the ability of IGs to improve the allocation of human and financial resources within their offices and to attract and retain a workforce with the talents, multidisciplinary knowledge, and up-to-date skills to ensure the IG office is equipped to achieve its mission. For the majority of DFE IG offices, we view consolidation not only as a means to achieve economies of scale but more importantly as providing an enhanced critical mass of skills, particularly given the emergence of technology and the ever increasing need for technical staff with specialized skills. This is especially appropriate given the limited resources in most DFE IG offices where 12 DFE IGs had five or fewer full time equivalent staff and another five had less than 10 staff. In addition, consolidation should serve to increase the availability of investigative resources through economies of scale and other efficiencies and reduce the potential for duplication of work across IGs through enhancement of a value and risk approach to the investment and allocation of IG resources. Likewise, consolidation would serve to increase the ability of IGs to share methods and to leverage overall IG resources to

increase the ability of IGs to properly use IG personnel in technical areas, including information systems and forensic audits.

Potential Weaknesses and Mitigation of Risks

The survey responses from both the Presidential and DFE IGs did indicate agreement that certain elements of effectiveness could be weakened through consolidation. These include potential weaknesses in (1) the day-to-day contact of IGs and DFE agency officials, (2) knowledge of the DFE agency missions, (3) knowledge of DFE agency priorities, and (4) the availability of resources to cover DFE agency issues. Additional potential weaknesses were identified by the DFE IGs while the Presidential IGs' answers to the same questions were inconclusive due to their relatively even distribution across the possible responses. The potential weaknesses cited by the DFE IGs were in (1) communication between the DFE agency head and the IG, (2) the ability of the DFE agency head to get the attention of the IG, (3) the timeliness of IG reporting, and (4) oversight coverage of the DFE agencies.

We agree that if appropriate actions were not taken to mitigate potential weaknesses, consolidation could weaken (1) the ability of the DFE IGs to have day-to-day contact with senior DFE agency officials, (2) communication between the DFE head and the IG, (3) the ability of the DFE agency head to get the attention of the IG, (4) the knowledge of DFE agency missions, (5) the knowledge of DFE agency priorities, and (6) the resources to cover DFE issues. However, we believe that for the areas of potential weaknesses indicated by the IGs, proactive steps could be taken to reduce the related risks and mitigate their impact on IG effectiveness to an acceptable level. For example, where appropriate a consolidated IG could maintain onsite facilities at DFE agencies with one or more dedicated staff to foster day-to-day communication with agency officials and communication with the DFE head. To facilitate oversight planning and to provide adequate oversight coverage, the IGs could leverage the detailed knowledge of the DFE agencies' missions and priorities by obtaining information from existing DFE IG personnel. In addition, the current DFE IG staff would be available to provide the necessary information for the proper planning and oversight of the DFE agencies. An additional concern by the DFE IGs, the timeliness of reports, could be addressed by having the IG establish priorities for reports on selected DFE agency issues based on risk. Finally, if congressional attention were given to mitigating the potential weaknesses identified by the IG responses to our survey, consolidation would not necessarily result in a loss of IG effectiveness in these areas.

For about 90 percent of the DFE IGs, many of their additional comments indicated concern about the potential loss of adequate audit coverage of the DFE agencies that could result from consolidation. About 28 percent of the Presidential IGs also had the view that audit coverage of the DFEs would be weakened. While there may be a fewer number of audits or even less coverage of those issues currently audited at the DFE agencies, the survey responses of the Presidential IGs indicate that coverage by a consolidated IG could address areas of higher risk, value, and priority, resulting in potentially a more efficient and effective use of overall IG resources.

Strengthening the PCIE and ECIE

The survey results indicate a general agreement among both the Presidential and DFE IGs that a statutory alternative to the PCIE and ECIE along with a specified funding source and stated roles and responsibilities would be beneficial. In our view, providing a statutory basis for the roles and responsibilities of IG councils would help ensure permanence of the councils and further enhance the appearance of the councils' independence. Further, if adequately funded the councils' capability to be more effective and proactive by taking on a broader scope and more sensitive issues would also be enhanced. In addition, the PCIE and ECIE or any alternative statutory council should have a mechanism in place that would ensure the coordination and sharing of information among these councils and other federal oversight organizations, including our office. This should include developing strategic and annual plans and addressing ongoing areas of mutual interest, such as methodologies, tools, and training. Through this increased coordination, the efficient and effective use of all federal oversight resources, as well as the overall effectiveness of the IGs, can be greatly enhanced.

Agency Budgets as Criteria for Establishing IG Offices

The Presidential and DFE IGs were in general agreement that the use of an agency budget threshold as sole criteria for establishing IG offices would not be appropriate. In our view, the determination of whether an agency should have its own IG should be based on a range of issues to include (1) the nature of the agency, (2) the risk and value of the agency's operations and activities, (3) the significance of the financial amounts involved, and (4) critical mass and economies of scale considerations.

Approaches to IG Conversion and Consolidation

As you requested, we are providing a discussion on conversion and consolidation options. Specific conversions, consolidations, and changes to the structure of the IG community should be a process of continuing dialogue among the PCIE, ECIE, affected agencies, and the Congress. We do not believe the wholesale conversion of all DFE IGs to Presidential appointment with Senate confirmation would be beneficial, nor do we believe that all DFE IGs should be consolidated with Presidential IGs. For example, we do not include the Government Printing Office (GPO) IG as an option for consolidation because it is a legislative branch office and therefore not a candidate for either conversion or consolidation with an executive branch office. Various approaches exist to reorganize the IGs based on the resulting effectiveness of conversion and consolidation. The following options are intended to foster discussion among interested parties should the Congress decide to pursue such changes, and are not specifically recommended for implementation without consideration of input from the affected agencies, the IGs, congressional committees, and other interested parties.

Options for Conversion

In terms of budget size, the DFE IGs at the U.S. Postal Service (USPS), National Science Foundation (NSF), Amtrak, Federal Reserve Board (FRB), and GPO have staff and budgets comparable to Presidential IGs, and, in the case of USPS, much larger than most Presidential IGs. On that basis, these IGs could be considered for conversion to appointment by the President with Senate confirmation with the exception of the GPO IG, which is a legislative branch office and therefore not a candidate for conversion or consolidation. Specifically, the USPS IG was the fifth largest IG office in terms of all fiscal year 2000 IG budget resources. The NSF IG had fiscal year 2000 budget resources that were larger than two Presidential IGs. Also, while the Amtrak IG has budget resources comparable to some Presidential IGs, the oversight of Amtrak is closely related to the work of the Department of Transportation (DOT) IG. Moreover, the DOT IG currently provides some oversight of various Amtrak programs. Therefore, the consolidation of the Amtrak IG with the DOT IG could be considered, rather than conversion to Presidential appointment with Senate confirmation.

Assuming that USPS, NSF, and FRB IGs were converted to Presidential appointment, the Amtrak IG were consolidated with the DOT IG, and the GPO IG had no changes, the remaining 23 DFE IGs had total fiscal year 2000 budgets of about \$21 million, or about 1 percent of all IG budgets, and

total staff of about 172. Staff sizes at these remaining 23 DFE IGs ranged from a low of one at the Federal Labor Relations Authority IG to a high of 20 at the Smithsonian Institution IG. Therefore, we do not view these remaining 23 IGs, 17 of which had less than 10 full time equivalent staff, as candidates for conversion.

Illustrative Potential Option for Consolidation

Presented in appendix II is one option for consolidating the Amtrak and DOT IGs and many of the remaining 23 IGs with other Presidential IG offices if the USPS, NSF, and FRB IGs were converted to Presidential appointment and the GPO IG remained the same. This option indicates how agency missions may suggest consolidation of DFE IGs with Presidential IGs to provide oversight of DFE agencies. For example, the consolidation of the IGs at the Legal Services Corporation, Equal Employment Opportunity Commission, and the Federal Trade Commission with the Department of Justice IG would bring together those DFE IGs with a Presidential IG to address law enforcement and legal issues. In another example, the consolidation of IGs at Amtrak and the Federal Maritime Commission with the Department of Transportation IG would combine those IG offices that focus on transportation-related issues.

Matters for Congressional Consideration

Our survey results did not provide a clear cut agreement from the combined IGs' responses regarding the impact of conversion and consolidation on the effectiveness of DFE IG offices. However, the Presidential IGs did indicate that elements of effectiveness could be strengthened and we generally agree. In our view, the conversion and consolidation of selected DFE IG offices would, if implemented properly, serve to enhance the overall independence, economy, efficiency, and effectiveness of the IG community. Therefore, based on these IG responses and our views, we are providing the following matters for congressional consideration intended as a starting point for a dialogue among the PCIE, the ECIE, the affected agencies, and the Congress. These matters are that the Congress consider

(1) amending the IG Act to elevate the IGs at USPS, NSF, and FRB to Presidential status,

(2) amending the IG Act to consolidate DFE IGs with Presidential IGs based on related agency missions or where potential benefits to IG effectiveness can be shown, and

(3) establishing an IG council by statute that includes stated roles and responsibilities, designated funding sources, and provisions for the coordination of annual, strategic, and ongoing plans with other federal oversight organizations, such as our office.

Agency Comments and Our Response

We received comments on a draft of this report from the PCIE and ECIE, both of which had consolidated comments from the responding IGs within their respective councils. Similar to the survey results discussed in the body of this report, there was a clear divergence in views between the comments received from the Presidential IGs in the PCIE's response and the DFE IGs in the ECIE's response. The difference is not surprising given the potential impact of consolidating the DFE IGs with the Presidentially appointed IGs compared to the related interests of the two groups of IGs. We believe that this difference in perspective between the two groups of IGs, more than any other factor, helps to explain the significant divergence in the responses to the survey as well as in the comments on our draft report. The PCIE and ECIE IGs' comments also included technical changes that have been incorporated in our report.

The consolidated PCIE response did not take exception to the information or conclusions presented in our draft report. The response specifically stated that none of the PCIE IGs objected to our conclusion that establishing an IG council by statute with defined roles and designated funding sources could strengthen the effectiveness of these councils and points out that in July 2000 the Vice Chair of the PCIE testified in support of legislation to codify the PCIE and ECIE.

According to the PCIE comment letter, of the 25 IGs responding to the request for input to the PCIE response, 16 had no comments. The remaining nine Presidential IGs discussed issues of concern or technical corrections, with eight IGs commenting on the depth with which our report discusses certain implementation issues surrounding consolidation or conversion. Among the implementation issues discussed by the Presidential IGs are funding, staff resources, areas of expertise, and criteria for consolidation. One particular implementation issue involved an IG office being subject to supervision by more than one agency head, assuming that a consolidation initiative would be approached from a functional perspective, such as having one IG provide audit services for all grant-making agencies.

We understand and appreciate the desire for additional detail on how any such changes or realignments might be accomplished. Likewise, we fully agree that the implementation issues raised by the Presidential IGs would be key to the success and effectiveness of such an endeavor. In this regard, it was not our objective to identify or recommend a specific strategy or approach for accomplishing this. As stated in our report, any specific conversions, consolidations, and changes to the structure of the IG community should be a process of continuing dialogue among the PCIE, ECIE, affected agencies, and the Congress.

Clearly, various approaches exist to reorganize the IGs based on the resulting effectiveness of conversion or consolidation. The scenarios we offer are intended to foster discussion among interested parties should the Congress decide to pursue such changes, and are not specifically recommended for implementation without consideration of input from the affected agencies, the IGs, congressional committees, and other interested parties.

In contrast with the PCIE's general agreement with our report, the ECIE raised broad concerns with our report conclusions and methodology. Specifically, the ECIE stated its belief that (1) our report draws conclusions that are inconsistent with the preponderance of the survey responses and lacks supporting evidence, (2) the consolidation of IG offices presents certain implementation problems, and (3) the effect of recent revisions to auditor independence standards after our survey was conducted could have changed the survey results. In addition, the ECIE cited a prior GAO survey of IGs where the IGs indicated that they had the resources and expertise necessary to carry out their responsibilities.

Specifically, in commenting on our survey results, the ECIE stated that, "The DFE IGs do not believe the report shows that the IG structure created by the IG Act and 1988 amendments is broken and in need of a 'fix' as complex and substantive as consolidation." Our report does not include, nor was it the objective of our survey, to identify problems that must be corrected in order for DFE IGs to be effective. As clearly stated in our report, the objective of our survey was to obtain the views of the IGs on how independence, quality of work, and use of resources might be affected by conversion or consolidation of DFE IGs with Presidentially appointed IGs.

The ECIE also commented that, "GAO draws conclusions that are inconsistent with the preponderance of the survey responses." As a basis

for this comment, the ECIE recast the results of our survey without distinguishing between the Presidential IGs and the DFE IGs, and also combined the “no impact” responses with the “weakened” responses. The ECIE’s recasting of the survey results by combining all the IG responses is inappropriate given the widely differing perspectives and interests between the Presidential IGs and the DFE IGs, which are clearly demonstrated by the survey results. It is misleading to disregard these differences by relying on a simple majority of responses when analyzing the survey results. To do so would have resulted in a report that lacks contextual sophistication and that would have been of little value to the Congress and other readers. Instead, we provided a more detailed analysis of survey responses by Presidential IG and DFE IG categories that clearly showed where differences and a lack of consensus exist. In addition, to provide a balanced, objective analysis, we showed the IGs’ “no impact” responses as a separate category. By their separate definitions, it is inappropriate to combine the “no impact” responses with either the “strengthened” or “weakened” responses for purposes of analyzing or presenting the survey results. Finally, due to the widely divergent views of the ECIE and PCIE IGs, we chose to add our own views on the potential impact of conversion and consolidation, which represent our independent, objective and professional opinion on these matters.

In comments about the implementation of IG consolidation, the ECIE states that “GAO’s proposed consolidation scenarios are overly simplistic given the diverse missions of the agencies involved; the various types of funding, administrative, and personnel authorities and practices; the differences in congressional oversight and appropriations processes; and the separate governance and oversight structures of the regulatory entities, state and/or federal commissions, independent corporations and boards, and unique agencies that comprise the DFE IG agencies.” The options presented in our report are intended to illustrate several possible ways of conversion and consolidation of specific IG offices. As mentioned previously, our report clearly states that any specific conversions or consolidations of IG offices should be a process of continuing dialogue among the PCIE, ECIE, affected agencies, and Congress. For instance, the examples of possible IG consolidations provided by our report are intended as a starting point for discussions on where the most appropriate consolidations might occur and are based on similarities in the basic missions of the agencies. We fully agree that other options for conversions and consolidations may be appropriate in that the missions of all the IGs as defined by the IG Act are the same regardless of their agencies’ missions.

Regarding the implementation of IG consolidations, the ECIE's comments state that: "The DFE IGs also emphasized that consolidation sacrifices providing a local preventive presence, oversight, and focus at individual agencies or entities in favor of potentially fragmenting the attention of a larger IG office across a broad and diverse spectrum of programs and operations." The ECIE further points out that "... legitimate questions could be raised regarding whether priorities at the DFE agencies would be considered "areas of greatest value and risk ..." and "... consolidation would probably result in fewer resources to cover DFE agencies."

These examples of possible negative impact resulting from consolidation provided by the ECIE's comments are clearly identified in our draft report, which concludes that these weaknesses would need to be mitigated for the benefits of consolidation to be fully realized. Our report also states that these weaknesses can be mitigated by providing an IG presence at each DFE agency, using the expertise of current IG staff for planning required oversight, and by providing adequate audit coverage. Our report concludes that consolidation could strengthen the ability of IGs to improve the allocation of human and financial resources within their offices and to attract and retain a workforce with the talents, multidisciplinary knowledge, and up-to-date skills to ensure that the IG office is equipped to achieve its mission. DFE IG offices are generally very small - 11 have 5 or fewer staff - compared to the Presidential IG offices where 23 have over 100 staff. Basically, for the vast majority of DFE IG offices, consolidation is not only a means to achieve economies of scale and greater independence but, more importantly, a way to provide an enhanced critical mass and range of skills, particularly given the rapidly evolving emergence of technology and the ever-increasing need for technical staff with specialized skills.

Regarding the potential impact of recent changes in standards¹¹ for auditor independence on our survey results, the ECIE states that “The DFE IGs strongly believe that, contrary to GAO’s assertion in the report, the survey results may have been materially affected by this amendment. The revised standards, for the first time, recognize specifically that Presidential appointment with Senate confirmation is but one way of achieving organizational independence and that other organizational structures can provide independence if a detailed list of safeguards are met.” We disagree with the implication of the DFE IGs’ comments that the revised auditor independence standard¹² may have materially affected our survey results. Under Government Auditing Standards, which are issued by the Comptroller General, the DFE IGs were previously recognized as being independent. What the new standard does is to more fully articulate the rationale for this recognition by explicitly stating the criteria that is used in the independence provisions of the IG Act. The DFE IGs have been considered independent under Government Auditing Standards since they were established by the 1988 IG Act amendments. Therefore, the independence of the DFE IGs both before and after the revised standards is the same. Moreover, the survey questions focused on the relative impact of conversion and consolidation on IG independence, which are valid questions regardless of the revised standards.

Finally, the ECIE’s comments cited a prior GAO report¹³ which concluded that “. . . the IGs’ work covers a broad spectrum of agency programs and operations and, in general, the IGs indicated that they have the expertise and resources necessary to assemble the teams of staff needed to perform the major types of work for which they are responsible.” The ECIE also noted that this previous report also indicated that “IGs have the capability to obtain contractors or consultants, as needed, to provide supplementary expertise in certain areas.” In this regard, our prior report and our current report need to be considered within the context of their different purposes, scope, and objectives, the major difference being that the objectives of our prior report did not extend to obtaining and analyzing the IGs’ views as to

¹¹ U.S. General Accounting Office, *Government Auditing Standards*, 1994 revision, as amended.

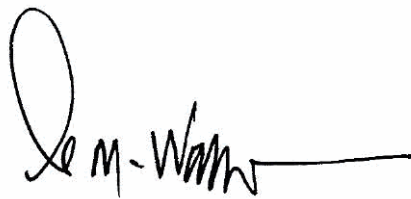
¹² U.S. General Accounting Office, *Government Auditing Standards, Answers to Independence Standard Questions*, [GAO-02-870G](#) (Washington, D.C.: July 2002).

¹³ U.S. General Accounting Office, *Inspectors General: Information on Operational and Staffing Issues*, [GAO/AIMD-99-29](#), (Washington, D.C.: Jan. 4, 1999).

whether the ability to obtain necessary resources could be strengthened or weakened by the conversion or consolidation of DFE IGs and Presidential IGs. The survey responses of the Presidential IGs point to a significant difference in the inherent ability of a large audit organization versus a very small organization to address the need for specialized expertise and skills, which is our view as well.

As agreed with your office, unless you announce its contents earlier, we plan no further distribution of this report until 30 days after its issuance date. At that time, we will send copies to the Ranking Minority Member of the House Committee on Government Reform, the Chairman and Ranking Member of the Senate Committee on Governmental Affairs, the Deputy Director for Management of the Office of Management and Budget, and the federal offices of inspectors general. After our final distribution this report will be available at no charge on the GAO Web site at <http://www.gao.gov>. If you have any questions or would like to discuss this report, please contact Jeanette M. Franzel, Director, at (202) 512 9471, or by e-mail at franzelj@gao.gov; or Jackson Hufnagle, Assistant Director, at (202) 512 9470, or by e-mail at hufnaglej@gao.gov.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D M Walker", with a long horizontal line extending to the right.

David M. Walker
Comptroller General
of the United States

Summary of IG Survey Responses Regarding Conversion and Consolidation

IG effectiveness category	Elements of IG effectiveness	Summary of survey responses with GAO views		
		Presidential IGs	DFE IGs	GAO
Conversion				
1. IG independence	Independence resulting from conversion	Strengthened	No impact	Strengthened
Consolidation				
2.	Actual independence	Strengthened	No impact	Strengthened
3.	Appearance of independence	Strengthened	No impact	Strengthened
4. IG quality of work	Ability to issue hard-hitting reports	Strengthened	No impact	Strengthened
5.	Ability to review issues crossing DFEs	Strengthened	No impact	Strengthened
6.	Attention to IG recommendations	Strengthened	No impact	Strengthened
7.	Ability to audit issues of high risk	Strengthened	No impact	Strengthened
8.	Ability to uniformly measure performance	No impact	No impact	No impact
9.	Day-to-day contact with DFE officials	Weakened	Weakened	Weakened
10.	Communication - DFE head and the IG	Inconclusive ^a	Weakened	Weakened
11.	Ability of DFE head get attention of the IG	Inconclusive ^a	Weakened	Weakened
12.	Presence of IG as a prevention measure	Strengthened	Weakened	No impact
13.	Knowledge of DFE missions	Weakened	Weakened	Weakened
14.	Knowledge of DFE priorities and issues	Weakened	Weakened	Weakened
15.	Planning for IG oversight	Strengthened	Weakened	Strengthened
16.	Timeliness of reports	Inconclusive ^a	Weakened	No impact
17.	Oversight coverage of the DFEs	Inconclusive ^a	Weakened	No impact
18. IG resources	Control over spending	Strengthened	No impact	Strengthened
19.	Control over budget requests	Strengthened	No impact	Strengthened
20.	Ability to absorb resource reductions	Strengthened	Inconclusive ^a	Strengthened
21.	Resources for investigative coverage	Strengthened	Weakened	Strengthened
22.	Ability to minimize audit duplication	Strengthened	No impact	Strengthened
23.	Quality of audit training	No impact	No impact	No impact
24.	Ability share methods	Strengthened	No impact	Strengthened
25.	Ability to share technology specialists	Strengthened	No impact	Strengthened
26.	Efficient use of human capital skills	Strengthened	No impact	Strengthened
27.	Availability of adequate resources	Strengthened	Weakened	Strengthened
28.	Resources to cover DFE issues	Weakened	Weakened	Weakened

^aThe IG responses were generally evenly divided among possible answers.

Potential IG Consolidations and Related Agency Missions

Illustrative examples of agencies that could consolidate IG oversight

Department of Agriculture

Farm Credit Administration

Department of Commerce

Federal Communications Commission

Corporation for Public Broadcasting

Appalachian Regional Commission

U.S. International Trade Commission

Consumer Product Safety Commission

Department of Housing and Urban Development

Federal Housing Finance Board

Department of Justice

Legal Services Corporation

Equal Employment Opportunity Commission

Federal Trade Commission

Department of the Treasury

Securities and Exchange Commission

Commodity Futures Trading Commission

Federal Deposit Insurance Corporation

Primary agency missions

Enhance the quality of life by supporting the production of agriculture.

Promote a safe and sound competitive Farm Credit System.

Promote job creation, economic growth, and sustain development and improved living standards.

Regulation of communications by radio, television, mire satellite, and cable.

Provide grants to qualified public television and radio stations to be used primarily for program production or acquisition.

Support economic and social development in the Appalachian region.

Administer U.S. trade laws and provide information on trade matters.

Reduce the risk of injuries and deaths from consumer products.

Promote a decent, safe, and sanitary home and living environment for all.

Regulate banks that help finance community development needs.

Enforcement of laws in the public interest.

Ensure equal access to justice under the law.

Enforce federal statutes prohibiting discrimination.

Prevent monopolies, restraints, and unfair and deceptive practices that affect free enterprise.

Responsible for financial, economic, and tax policy, as well as financial law enforcement and the manufacturing of coins and currency.

Administer federal securities laws that seek to provide protection for investors, to ensure that securities markets are fair and honest, and to provide the means to enforce securities laws through sanctions.

Protect market participants against manipulation, abusive trade practices, and fraud.

Contribute to the stability of and confidence in the nation's financial system.

**Appendix II
Potential IG Consolidations and Related
Agency Missions**

(Continued From Previous Page)

Illustrative examples of agencies that could consolidate IG oversight	Primary agency missions
National Credit Union Administration	Regulate and insure federal credit unions and insure state-chartered credit unions.
General Services Administration	Provide quality services, space, and products at competitive cost to enable federal employees to accomplish their missions.
Smithsonian Institution	Hold artifacts and specimens for the increase and diffusion of knowledge.
National Archives and Records Administration	Preserve the nation's history by overseeing and managing federal records.
National Endowment for the Arts	Nurture human creativity and foster appreciation of artistic accomplishments.
National Endowment for the Humanities	Support research, education, and public programs in the humanities.
Federal Election Commission	Disclose campaign finance information, enforce provisions of the Federal Campaign Act, and oversee public funding of Presidential Elections.
Department of Labor	Foster, promote, and develop the welfare of U.S. wage earners.
Federal Labor Relations Authority	Provide leadership and resolve disputes relating to federal labor-management.
National Labor Relations Board	Enforce the laws governing relations between unions and employees.
Pension Benefit Guaranty Corporation	Encourage the growth and operations of defined benefit pension plans.
Department of State	Promote U.S. interests and the President's foreign policy in shaping a free, secure, and prosperous world.
Peace Corps	Promote world peace and friendship.
Department of Transportation	Develop policies for the national transportation system with regard for need, the environment, and national defense.
Amtrak	Develop modern rail service in meeting inter-city passenger transportation needs.
Federal Maritime Commission	Regulate shipping in foreign U.S. trade.
DFE IG offices for possible conversion	
United States Postal Service	Appointment by the President.
National Science Foundation	Appointment by the President.
Federal Reserve Board	Appointment by the President
IG office not a candidate for conversion or consolidation	
Government Printing Office	Legislative branch agency

Designated Federal Entity Inspectors General: Fiscal Year 2000 Budgets and Full-time Equivalents (FTEs)

	DFE IGs	Budgets	Total FTEs
1	United States Postal Service ^a	\$72,000,000	629
2	Amtrak	6,300,000	64
3	National Science Foundation	5,450,000	50
4	Federal Reserve Board	3,312,661	29
5	Government Printing Office	3,198,555	27
6	Pension Benefit Guaranty Corporation	2,512,000	13
7	Legal Services Corporation ^b	2,300,000	17
8	Smithsonian Institution ^c	1,844,000	20
9	Peace Corps	1,678,400	15
10	Securities and Exchange Commission	1,416,200	9
11	National Archives and Records Administration	1,170,000	12.5
12	Federal Communications Commission	1,128,000	8
13	Equal Employment Opportunity Commission	1,086,662	11
14	National Credit Union Administration	1,050,883	7
15	Farm Credit Administration	802,852	4.8
16	National Labor Relations Board	775,800	7
17	Corporation for Public Broadcasting	715,000	8.5
18	Federal Trade Commission	607,500	5
19	Commodity Futures Trading Commission	474,000	4
20	Federal Housing Finance Board	473,475	5
21	Appalachian Regional Commission	468,000	3
22	National Endowment for the Humanities	449,000	5
23	United States International Trade Commission ^a	383,000	3.5
24	National Endowment for the Arts	365,000	4
25	Federal Election Commission	348,773	4
26	Federal Maritime Commission	345,000	3
27	Federal Labor Relations Authority	214,000	1
28	Consumer Product Safety Commission	187,000	2
	DFE IG totals	\$111,055,761	971.3

^aEstimates provided by the ECIE.

^bStaff on board.

^cIncludes \$419,000 in nonappropriated funds.

Source: As reported by the DFE IGs.

Inspectors General Appointed by the President: Fiscal Year 2000 Budgets and Full-time Equivalents (FTEs)

		Fiscal year 2000 ^a	
Departments/agencies IGs		Budgets	FTEs
1	Department of Health and Human Services ^b	\$208,000,000	1,432
2	Department of Defense	137,000,000	1,212
3	Treasury's IG for Tax Administration	114,000,000	1,020
4	Department of Housing and Urban Development	83,000,000	705
5	Department of Agriculture	68,000,000	753
6	Social Security Administration	66,000,000	536
7	Department of Labor	52,000,000	428
8	Department of Justice	51,000,000	380
9	Department of Transportation	48,000,000	455
10	Department of Veterans Affairs	46,000,000	384
11	Environmental Protection Agency	43,000,000	374
12	Department of Education	34,000,000	285
13	Federal Deposit Insurance Corporation	34,000,000	231
14	General Services Administration	33,000,000	297
15	Department of the Treasury	31,000,000	282
16	Department of Energy	30,000,000	265
17	Department of the Interior	29,000,000	265
18	Department of State	27,000,000	277
19	Agency for International Development	25,000,000	165
20	Department of Commerce	20,000,000	200
21	National Aeronautics and Space Administration	20,000,000	210
22	Office of Personnel Management	11,000,000	107
23	Small Business Administration	11,000,000	117
24	Federal Emergency Management Agency	8,000,000	80
25	Tennessee Valley Authority ^c	7,154,000	74
26	Nuclear Regulatory Commission	6,000,000	44
27	Railroad Retirement Board	5,000,000	58
28	Corporation for National Service	4,000,000	18
29	Central Intelligence Agency	na ^d	na ^d
Totals		\$1,251,154,000	10,654

^aBudget authority and FTE estimates from the *Fiscal Year 2001 President's Budget*.

^bIncludes budget authority of \$155 million to combat Medicare fraud.

^cTennessee Valley Authority IG to be appointed by the President under Public Law 106-422.

^dBudget and FTE information not available.

Presidential IGs with Five Comparable DFE IGs: Fiscal Year 2000 Budgets

	Department/agency IGs	Fiscal year 2000 ^a budgets
1	Department of Health and Human Services ^b	\$208,000,000
2	Department of Defense	137,000,000
3	Treasury's IG for Tax Administration	114,000,000
4	Department of Housing and Urban Development	83,000,000
5	United States Postal Service^c	72,000,000
6	Department of Agriculture	68,000,000
7	Social Security Administration	66,000,000
8	Department of Labor	52,000,000
9	Department of Justice	51,000,000
10	Department of Transportation	48,000,000
11	Department of Veterans Affairs	46,000,000
12	Environmental Protection Agency	43,000,000
13	Department of Education	34,000,000
14	Federal Deposit Insurance Corporation	34,000,000
15	General Services Administration	33,000,000
16	Department of the Treasury	31,000,000
17	Department of Energy	30,000,000
18	Department of the Interior	29,000,000
19	Department of State	27,000,000
20	Agency for International Development	25,000,000
21	Department of Commerce	20,000,000
22	National Aeronautics and Space Administration	20,000,000
23	Office of Personnel Management	11,000,000
24	Small Business Administration	11,000,000
25	Federal Emergency Management Agency	8,000,000
26	Tennessee Valley Authority ^d	7,154,000
27	Amtrak^e	6,300,000
28	Nuclear Regulatory Commission	6,000,000
29	National Science Foundation^e	5,450,000
30	Railroad Retirement Board	5,000,000
31	Corporation for National Service	4,000,000
32	Central Intelligence Agency	na ^f
33	Federal Reserve Board^e	3,312,661
34	Government Printing Office^e	3,198,555
	Totals	\$1,341,415,216

Appendix V
Presidential IGs with Five Comparable DFE
IGs: Fiscal Year 2000 Budgets

^aBudget authority estimates from the *Fiscal Year 2001 President's Budget*.

^bIncludes budget authority of \$155 million to combat Medicare fraud.

^cInformation supplied by the ECIE.

^dTennessee Valley Authority IG to be appointed by the President under Public Law 106-422.

^eInformation provided by the IG.

^fBudget information not available.

Designated Federal Entities: Fiscal Year 2000 Budgets with \$134 Million Threshold

Dollars in millions

	Fiscal year 2000 budgets ^a	Budget threshold
Designated federal entities		
1 United States Postal Service	\$68,393	
2 Federal Communications Commission	6,795	
3 Tennessee Valley Authority ^b	6,562	
4 National Science Foundation	4,085	
5 Amtrak ^c	2,771	
6 Pension Benefit Guaranty Corporation	2,510	
7 Government Printing Office	892	
8 National Credit Union Administration	823	
9 Smithsonian Institution	546	
10 Securities and Exchange Commission	378	
11 National Archives and Records Administration	341	
12 Corporation for Public Broadcasting	316	
13 Legal Services Corporation	305	
14 Equal Employment Opportunity Commission	284	
15 Peace Corps	249	
16 National Labor Relations Board	205	
17 Federal Reserve Board (operations)	200	134
18 Federal Trade Commission	126	
19 National Endowment for the Humanities	118	
20 National Endowment for the Arts	102	
21 Appalachian Regional Commission	72	
22 Commodity Futures Trading Commission	63	
23 Consumer Product Safety Commission	52	
24 United States International Trade Commission	44	
25 Federal Election Commission	38	
26 Farm Credit Administration	36	
27 Federal Labor Relations Authority	24	
28 Federal Housing Finance Board	19	
29 Federal Maritime Commission	15	
Totals	\$96,364	

Note: \$134 million is the present value of the \$100 million threshold used by the Congress to establish IG offices in 1988. The present value is adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis's Gross Domestic Product (GDP) Price Index.

^aBudget amounts are from the *Fiscal Year 2002 President's Budget*.

Appendix VI
Designated Federal Entities: Fiscal Year 2000
Budgets with \$134 Million Threshold

^bTennessee Valley Authority IG to be appointed by the President under Public Law 106-422.

^oAmount provided by the IG.

Comments from the President's Council on Integrity and Efficiency



PRESIDENT'S COUNCIL on INTEGRITY & EFFICIENCY

June 20, 2002

Ms. Jeanette M. Franzel
Acting Director
Financial Management and Assurance
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. Franzel:

Thank you for the opportunity to comment on GAO's draft report, *Inspectors General: Issues Related to the Consolidation of IG Offices*, regarding your survey on the potential impact of consolidation and other changes to the offices of inspectors general (OIGs). In your letter of May 23, 2002, you requested that the President's Council on Integrity and Efficiency (PCIE) consolidate its comments into a single response. As the PCIE Vice Chair, I have collected the report comments from my colleagues and consolidated them below.

Overall, 25 of the 29 PCIE OIGs responded to the request for comments. Of the 25 responding, 16 OIGs did not have any comments on the report. The comments detailed below represent the issues, concerns, or technical corrections raised by the 9 OIGs responding with written comments. For your convenience, we have organized our comments along the three main issues of the report—consolidation/conversion of designated federal entity (DFE) OIGs, statutory alternative to the PCIE, and application of a budget level threshold.

Consolidation/Conversion of DFE OIGs

The PCIE is primarily composed of the 29 Inspectors General (IGs) who are appointed by the President and confirmed by the Senate. These IGs are referred to as PAS IGs. The other 28 federal IGs are appointed by their agency head and are referred to as DFE IGs. As discussed in the draft report, the PAS IGs generally responded that independence, quality, and use of resources could be strengthened by conversion or consolidation. We did not receive any additional comments on this matter during the comment period of this draft report. However, eight of the IGs offering written comments expressed concern that significant issues surrounding consolidation were not more thoroughly explored and addressed in the report.

These issues included funding and staffing resources, organizational supervision, independence, areas of expertise, and criteria for consolidation. Several of the OIGs noted that any benefits that consolidation could potentially provide would be lost if these issues were not appropriately addressed.

Nearly all the OIGs providing written comments expressed concern about how the funding and staffing issues would be resolved. One OIG pointed out the inherent complications of being under the general supervision of more than one agency head. Another OIG commented that

Appendix VII
Comments from the President's Council on
Integrity and Efficiency

while the report notes differences between the PAS and DFE IGs over the issue of independence, it does not provide any analysis or follow-up interviews to determine why the divergence of opinions exist.

Several of the OIGs offering their comments suggested that the report should note other consolidation options and consolidation criteria to broaden the discussion and highlight the issues needing attention. For example, the General Services Administration OIG pointed out that the benefits of consolidation might best be achieved by consolidating OIGs from agencies with *similar* responsibilities and expertise (i.e., grant-making agencies with other grant-making agencies). The U.S. Agency for International Development (AID) OIG noted that because the Peace Corps has a similar mission and field operations structure and comes under the jurisdiction of the same congressional committees as AID, such criteria should be considered when evaluating consolidation decisions.

Statutory Alternative to the PCIE

Two OIGs specifically concurred with the GAO's conclusion that establishing an IG council by statute with defined roles and designated funding sources could strengthen the effectiveness of these councils. None of the PCIE OIGs expressed concern about this conclusion or GAO's offering this issue as a matter of consideration by the Congress. In July 2000, I testified, in my capacity as the PCIE Vice Chair, in support of codifying the two councils.

Application of a Budget-Level Threshold

None of the PCIE members specifically commented on this issue.

Technical Comments

One OIG raised a concern about the report presentation and suggested a reordering of the report. Specifically, the OIG advised presenting a more detailed examination of the issues and legislative proposals first and then use the survey as an appendix to show the divergence of views in the OIG community. Additional technical comments are enclosed.

* * * * *

On behalf of the PCIE, I appreciate the opportunity to share our comments on this report. Please contact me at (202) 416-2026, if you have any questions or need additional information.

Sincerely,



Gaston L. Gianni, Jr.
Vice Chair

Enclosure

cc: PCIE Members
Mr. Barry Snyder, ECIE Vice Chair

Comments from the Executive Council on Integrity and Efficiency



Executive Council on Integrity and Efficiency

June 26, 2002

Ms. Jeanette M. Franzel
Acting Director
Financial Management and Assurance
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Franzel:

Thank you for the opportunity to comment on the draft report, *Inspectors General: Issues Related to the Consolidation of IG Offices*. Your May 23, 2002, transmittal letter requests that the Vice Chair of the Executive Council on Integrity and Efficiency (ECIE) incorporate comments from the council's Inspectors General (IGs) into a single ECIE response. While each IG has a unique perspective on the draft report, this letter incorporates the general comments and feedback from twenty-six of the twenty-eight ECIE IGs regarding the conclusions and matters for consideration presented in GAO's draft report.

The draft report essentially summarizes the responses to an opinion survey, conducted more than a year ago, regarding the potential impact of consolidation and other changes to federal IGs. Survey opinions were obtained from twenty-eight IGs who are appointed by the President and confirmed by the Senate (PAS IGs) and twenty-eight IGs who are appointed by the agency heads in designated federal entities (DFE IGs). The draft report also includes GAO's opinion regarding the issues surveyed.

Overall, the DFE IGs commented that GAO's analysis and resulting conclusions and opinions are not fully supported by the data gathered, are contradictory in places, and are insufficient given the importance of effective oversight of federal agencies' programs and operations. As such, the DFE IGs disagree with GAO that conversion of a few DFE IGs to PAS IGs and, more importantly, consolidation of the majority of DFE IGs with PAS IGs, would serve to further enhance the overall independence, efficiency, and effectiveness of the IG community.

The DFE IGs expressed concern that GAO proposes significant and far-reaching changes to the IG Act and to IG organizations based largely on subjective responses to an opinion survey, without providing credible supporting evidence that indicates changes to the current IG structure are truly warranted. Views of DFE agency management, customers, and stakeholders are missing, as is any supporting analysis of the results of DFE IG operations over the past fifteen years. While a survey instrument can be a useful tool to gauge opinions and flag items for

Appendix VIII
Comments from the Executive Council on
Integrity and Efficiency

Ms. Jeanette M. Franzel

2

June 26, 2002

further analyses, the DFE IGs commented that the design and validity of the survey instrument used on this review and the overall study construct was inappropriate to support the type of cause and effect relationships and conclusions presented. In addition, DFE IGs expressed concern that GAO did not independently verify the survey results or assess specific reasons for differences between the PAS and DFE IGs on key issues. Instead, GAO appears to give more credence to the responses of PAS IGs than to those of DFE IGs, even though DFE IGs have the most direct experience with the issues that were surveyed. Absent factual or evaluative information regarding the existence and magnitude of problems with the current structure, the DFE IGs question whether conversion or consolidation would bring more cost-effective, value-added IG operations and results.

The majority of the DFE IGs commented that GAO draws conclusions that are inconsistent with the preponderance of the survey responses. For example, GAO's conclusion that, "... the conversion and consolidation of selected DFE IG offices would serve to further enhance the overall independence, efficiency, and effectiveness of the IG community," is not supported by the majority of IG survey responses, regardless of type of IG appointment. As shown in the following tables, the majority of IGs (50 percent or more), when viewed in total, responded that consolidation would weaken or have no impact on IG effectiveness in twenty-two of the twenty-eight (over 75 percent) of GAO's survey elements, particularly those elements in the categories of IG quality of work and IG use of resources. The majority of IGs expressed their opinion that consolidation would strengthen IG effectiveness in only three of the twenty-eight survey elements: independence resulting from conversion to PAS IGs (53 percent), the **appearance** (emphasis added) of IG independence at the DFEs (70 percent), and resources for investigative coverage (50 percent).

The DFE IGs do not believe that the report shows that the IG structure created by the IG Act and 1988 amendments is broken and in need of a "fix" as complex and substantive as consolidation. Almost all of the DFE IGs commented that GAO's proposed consolidation scenarios are overly simplistic given the diverse missions of the agencies involved; the various types of funding, administrative, and personnel authorities and practices; the differences in congressional oversight and appropriations processes; and the separate governance and oversight structures of the regulatory entities, state and/or federal commissions, independent corporations and boards, and unique agencies that comprise the DFE IG agencies. The DFE IGs also emphasized that consolidation sacrifices providing a local preventive presence, oversight, and focus at individual agencies or entities in favor of potentially fragmenting the attention of a larger IG office across a broad and diverse spectrum of programs and operations. Furthermore, the proposed mitigation strategies to overcome the deficiencies created by consolidation would, in the opinion of the DFE IGs that commented, make the resulting IG operations less efficient and economical (maintaining a few staff at separate, multiple locations) and would likely prove to be ineffective over time (DFE staff would lose their detailed knowledge base if they do not perform ongoing work in the DFE).

More specific comments are provided below in alignment with the report's context of independence, quality of work, and use of IG resources. Where applicable, viable alternatives to conversion or consolidation that warrant future consideration are presented. The DFE IGs do agree with GAO that, "Any specific conversions or consolidations of IG offices should be a

Appendix VIII
 Comments from the Executive Council on
 Integrity and Efficiency

Ms. Jeanette M. Franzel

3

June 26, 2002

process of continuing dialogue among the PCIE, ECIE, affected agencies, and the Congress.” They also agree with GAO on providing a statutory basis for the IG councils and on not using budget information as the sole criteria for establishing IGs in federal agencies.

Independence

In January 2002, subsequent to the survey period for this draft report, GAO issued *Government Auditing Standards, Amendment No. 3, Independence*. Under the revised standard, both PAS and DFE IGs are considered organizationally independent to report externally. This amendment to the standards clarified this issue, which heretofore had a degree of ambiguity given that the DFE IGs were established after GAO’s last update of the independence provision in the standards. The DFE IGs strongly believe that, contrary to GAO’s assertion in the report, the survey results may have been materially affected by this amendment. The revised standards, for the first time, recognize specifically that Presidential appointment with Senate confirmation is but one way of achieving organizational independence and that other organizational structures can provide independence if a detailed list of safeguards are met. These safeguards match the provisions in the IG Act that cover all IGs, thus all can be considered to be organizationally independent.

As shown in table 1 below, 53 percent of the IGs responded that converting DFE IGs to PAS IGs would strengthen independence, and 70 percent IGs responded that consolidating DFE IGs with PAS IGs would strengthen *the appearance* of independence at the DFE IG. These results could be considerably different now that the organizational independence definition has been clarified by the audit standards revision. It should be noted, however, that less than half (47 percent) of those IGs that responded to the survey believed that consolidation would strengthen the IGs actual independence.

Table 1: ECIE Analysis of IG Responses to GAO’s Survey Regarding Independence

	IG EFFECTIVENESS CATEGORY	ELEMENTS OF IG EFFECTIVENESS	SURVEY RESPONSES		
			Strengthen No. / Percent	Weaken or No Impact No. / Percent	Not Applicable Or No Basis To Judge No. / Percent
		Conversion			
1.	IG Independence	Independence resulting from conversion	29 / 53 %	23 / 42%	3 / 5%
		Consolidation			
2.		Actual independence	26 / 47%	27 / 49%	2 / 4%
3.		Appearance of independence	39 / 70%	17 / 30%	0 / 0%

The DFE IGs commented that strengthening the appearance of DFE IG independence is desirable, but other alternatives should first be considered before moving forward with conversion or consolidation. For example, additional statutory protections could be enacted, where applicable, to require DFE IGs to submit their budget requests as either a separate line

Ms. Jeanette M. Franzel

4

June 26, 2002

item in their agencies' budget submissions or to submit their requests directly to OMB and/or the Congress rather than going through the agency review process. Additional controls could also be implemented to further strengthen overall IG independence, regardless of the type of appointment. These additional controls could include providing a statutory provision that removal of an IG is only for cause; clarifying the general supervision clause of the IG Act, particularly with respect to the salary administration of IGs; and establishing term limits for IG positions.

Quality of Work

In this category, the DFE IGs commented that GAO draws conclusions that are largely contradicted by the survey response data when taken as a whole and reflect a bias toward consolidation. As discussed below, the DFE IG's analysis of the GAO survey data shows that in all but one of the fourteen elements in the IG Quality of Work category, the majority of survey responses indicated that consolidation would weaken or have no impact on IG effectiveness. However, GAO concludes that, "... consolidation could serve to strengthen the IG's ability to issue hard-hitting reports, to issue reports on cross-agency issues, to get attention to their audit recommendations, and to address high risk and priority areas because IGs of consolidated offices could use their broader range of resources in the context of a government-wide perspective rather than in the context of a single relatively small agency."

DFE IGs emphasized that GAO draws these conclusions without providing evidence that DFE IGs have not issued so called hard-hitting reports, have not addressed high-risk areas of their agencies, or have provided recommendations to DFE agencies that are going unheeded. Additionally, in recent years, DFE and PAS IGs have worked together through the President's Council on Integrity and Efficiency (PCIE) and the ECIE to effectively and efficiently address cross-cutting or government-wide challenges in a variety of areas, including information technology, debt collection, compliance and accountability, and financial management. The annual report, *A Progress Report to the President*, issued jointly by the PCIE and ECIE, not only highlights the accomplishments of the individual DFE and PAS IGs, but also focuses attention on cross-cutting initiatives that the IG community has addressed as a whole.

DFE IGs' analysis shows that, in each of the areas cited in GAO's conclusions, the majority of IGs surveyed (50 percent or more) viewed the proposed consolidation as having no impact upon the DFE IGs' quality of work or having a negative impact (see table 2). Furthermore, over 70 percent of IGs responded that consolidation would weaken or have no impact on the working relationship between the IGs and DFE agency heads. Both the PAS and the DFE IGs agreed that day-to-day contact with DFE officials will be diminished; knowledge of agency missions, priorities and issues will be weaker; and most importantly, consolidation would probably result in fewer resources to cover DFE agencies. According to the DFE IGs, legitimate questions could be raised regarding whether priorities at the DFE agencies would be considered "areas of greatest value and risk" to PAS IGs who are often stretching already scarce resources to cover high-dollar programs in cabinet level departments.

Table 2: ECIE Analysis of IG Responses to GAO's Survey Regarding IG Quality of Work

	IG EFFECTIVENESS CATEGORY	ELEMENTS OF IG EFFECTIVENESS	SURVEY RESPONSES		
			Strengthen	Weaken or No Impact	Not Applicable Or No Basis To Judge
			No. / Percent	No. / Percent	No. / Percent
4.	IG Quality of Work	Ability to issue hard-hitting reports	26 / 46%	28 / 50%	2 / 4%
5.		Ability to review issues crossing DFEs	22 / 39%	22 / 39%	12 / 21%
6.		Attention to IG recommendations	19 / 34%	29 / 52%	8 / 14%
7.		Ability to audit issues of high risk	21 / 38%	29 / 52%	6 / 11%
8.		Ability to uniformly measure performance	14 / 25%	29 / 52%	13 / 23%
9.		Day-to-day contact with DFE officials	5 / 9%	45 / 80%	6 / 11%
10.		Communication - DFE head and the IG	8 / 14%	42 / 75%	6 / 11%
11.		Ability of DFE head get attention of the IG	7 / 13%	43 / 77%	6 / 11%
12.		Presence of IG as a prevention measure	13 / 23%	37 / 66%	6 / 11%
13.		Knowledge of DFE missions	8 / 14%	45 / 80%	3 / 5%
14.		Knowledge of DFE priorities and issues	8 / 14%	45 / 80%	3 / 5%
15.		Planning for IG oversight	13 / 23%	35 / 63%	8 / 14%
16.		Timeliness of reports	6 / 11%	40 / 71%	10 / 18%
17.		Oversight coverage of the DFEs	9 / 16%	39 / 70%	8 / 14%

DFE IGs commented that, in considering the 1988 IG Act amendments, Congress studied issues such as independence, audit and investigative coverage, and the presence of an IG as a prevention measure, and ultimately decided to create the DFE IGs to address the need for independent and objective audits, investigations, and other reviews at certain designated agencies. Prior to the 1988 amendments, these agencies historically had received limited oversight by the Congress, the media, or the public. Congress recognized the value of an on-site IG as a visible deterrent to potential fraud, waste, and abuse and as an objective evaluator of the economy, efficiency, and effectiveness of programs and operations in these agencies.

Use of IG Resources

GAO concluded that consolidation would serve to strengthen the ability of IGs to improve the allocation of human and financial resources within their offices and to attract and retain a multi-disciplinary workforce, even though the survey results and past GAO work reflect a different conclusion. As shown in table 3 below, the majority of IGs responded that consolidation would strengthen the use of IG resources in just one of the eleven elements in this category — resources for investigative coverage. Furthermore, only 13 percent of IGs (both PAS and DFE) replied that consolidation would strengthen resources to cover DFE issues, and only 21 percent replied that the availability of adequate resources would be strengthened. On this latter issue, however, GAO concluded that consolidation would strengthen the availability of adequate resources even though survey responses from thirty-six IGs (fourteen PAS IGs and twenty-two DFE IGs) expressed a different opinion.

Appendix VIII
Comments from the Executive Council on
Integrity and Efficiency

Ms. Jeanette M. Franzel

6

June 26, 2002

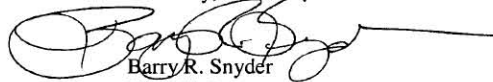
Table 3: ECIE Analysis of IG Responses to GAO's Survey Regarding IG Resources

	IG EFFECTIVENESS CATEGORY	ELEMENTS OF IG EFFECTIVENESS	SURVEY RESPONSES		
			Strengthen No. / Percent	Weaken or No Impact No. / Percent	Not Applicable Or No Basis To Judge No. / Percent
18.	IG Resources	Control over spending	18 / 33%	34 / 62%	3 / 5%
19.		Control over budget requests	21 / 38%	28 / 51%	6 / 11%
20.		Ability to absorb resource reductions	20 / 36%	28 / 51%	7 / 13%
21.		Resources for investigative coverage	28 / 50%	24 / 43%	4 / 7%
22.		Ability to minimize audit duplication	17 / 30%	35 / 63%	4 / 7%
23.		Quality of audit training	13 / 23%	40 / 71%	3 / 5%
24.		Ability share methods	22 / 39%	32 / 57%	2 / 4%
25.		Ability to share technology specialists	26 / 46%	28 / 50%	2 / 4%
26.		Efficient use of human capital skills	22 / 39%	27 / 48%	7 / 13%
27.		Availability of adequate resources	12 / 21%	36 / 64%	8 / 14%
28.		Resources to cover DFE issues	7 / 13%	44 / 79%	5 / 9%

DFE IGs referred to a 1999 report, *Inspectors General: Information on Operational and Staffing Issues* (GAO/AIMD-99-29), where GAO reported that the IGs' work covers a broad spectrum of agency programs and operations and, in general, the IGs indicated that they have the expertise and resources necessary to assemble the teams of staff needed to perform the major types of work for which they are responsible. The report also indicated that IGs have the capability to obtain contractors or consultants, as needed, to provide supplementary expertise in certain areas. According to the report, the DFE IGs use contractors and/or consultants primarily for financial statement audits and, to a lesser extent, for computer security, other information technology work, and statistical analyses. DFE IGs commented that alternatives to consolidation — such as use of consultants and memoranda of understanding with other IGs that have developed specialized expertise — have been used successfully in the past to augment scarce resources and may offer a way to further strengthen use of resources across all IGs.

Again, the DFE IGs appreciate the opportunity to comment on this draft report. Please contact me at (202) 973-5003 if you have any questions concerning these comments.

Sincerely,



Barry R. Snyder
Vice Chair
Executive Council on Integrity and Efficiency

cc: ECIE Members
Mr. Gaston Gianni, PCIE Vice Chair
Ms. Karen Shaffer, OMB PCIE/ECIE Liaison

GAO's Mission

The General Accounting Office, the investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to daily E-mail alert for newly released products" under the GAO Reports heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
 TDD: (202) 512-2537
 Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

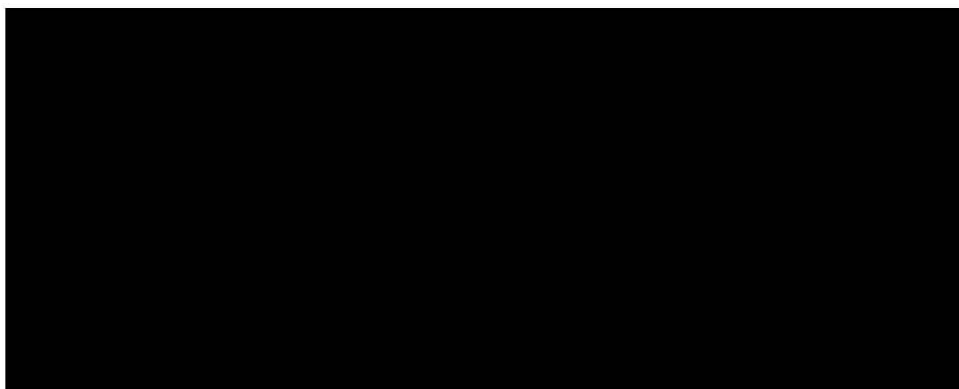
Jeff Nelligan, managing director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Presorted Standard
Postage & Fees Paid
GAO
Permit No. GI00**

**Official Business
Penalty for Private Use \$300**

Address Service Requested



GAO

Testimony

Before the Subcommittee on Government Efficiency and
Financial Management, Committee on Government
Reform, House of Representatives

For Release on Delivery
Expected at 2:00 p.m. EDT
Wednesday, October 8, 2003

INSPECTORS GENERAL

Enhancing Federal
Accountability

Statement of David M. Walker
Comptroller General of the United States





Highlights of [GAO-04-117T](#), a testimony before the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

Why GAO Did This Study

On the 25th anniversary of passage of the Inspector General (IG) Act, the Subcommittee sought GAO's views on the role of the IGs in providing independent oversight within federal agencies and to discuss the new and continuing challenges faced by government performance and accountability professionals.

What GAO Recommends

In order to enhance the effectiveness of federal accountability professionals, Congress may wish to consider establishing, through statute, a small group of designated federal accountability officials, such as representatives from GAO and IG councils, to develop and implement a periodic strategic planning and ongoing coordination process for the manner in which GAO and IG work will be focused to provide oversight to high-risk areas and significant management challenges across government, while leveraging each other's work and minimizing duplication.

Congress may also want to consider enacting legislation making agencies responsible for paying the cost of their financial statement audits.

Congress may also wish to consider restructuring the IGs, which would include elevating certain IGs to presidential appointment and consolidating specific IG offices where benefits can be shown.

www.gao.gov/cgi-bin/getrpt?GAO-04-117T. To view the full product, click on the link above. For more information, contact Jeanette Franzel at (202) 512-9406 or franzelj@gao.gov.

INSPECTORS GENERAL

Enhancing Federal Accountability

What GAO Found

The IGs have made a significant difference in federal performance and accountability during the past 25 years as indicated by their reports of billions of dollars in savings to the public and numerous civil and criminal referrals. They have earned a solid reputation for preventing and detecting fraud and abuse; promoting improvements in government operations; and providing helpful analyses on a host of governmentwide initiatives.

Notwithstanding the accomplishments of the past, our nation now faces new challenges that demand even more from government performance and accountability professionals. For example, we are fighting international terrorism while facing a large and growing structural deficit. In addition, recent corporate failures have shaken public confidence in financial reporting and accountability in the private sector. Federal auditors can learn important lessons from the accountability breakdowns in the private sector and the resulting legislation passed by Congress.

Closer 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. Working together and in our respective areas of expertise in long-term challenges and agency-specific issues, GAO and the IGs can provide useful insights and constructive recommendations on a broad range of high-risk programs and significant management challenges across government.

A practical issue that has arisen is who pays the cost of agency financial statement audits. Many IGs have told us that the cost of agency financial audits has taken resources away from their traditional work. In the private sector, the cost of financial audits is a routine business expense borne by the entity being audited and represents a small percentage of total expenditures for the audited entity.

In a prior study, we considered the benefits of consolidating the smallest IG offices with those of presidentially appointed IGs and converting agency-appointed IGs to presidential appointment where their budgets were comparable. We believe that, if properly implemented, conversion or consolidation of IG offices could increase the overall independence, economy, efficiency, and effectiveness of IGs.

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to share my thoughts with you on the important role of the Inspectors General (IG), established in statute 25 years ago this month to provide independent oversight within federal agencies. More significant for this discussion than the anniversary of landmark legislation, however, are the new and continuing challenges we face in assuring open, honest, effective, and accountable government and the critical role of the IGs, in partnership with GAO and other performance and accountability organizations, in addressing these challenges.

A quarter of a century ago, Congress established statutory IGs in response to serious and widespread internal control breakdowns in major government departments and agencies, questions about integrity and accountability in government as a whole, and failures of oversight in the federal government. The IGs established by the Inspector General Act of 1978 (IG Act) were charged with preventing and detecting fraud and abuse in their agencies' programs and operations; conducting audits and investigations; and recommending policies to promote economy, efficiency, and effectiveness. The IG Act fortified the position of IG with provisions protecting independence, provided powers of investigation, and mandated reporting not just to the agency head but to Congress as well. (See app. I for a more detailed history of the IG Act.)

In the years since passage of the IG Act, Congress has also enacted a series of laws to establish a foundation for efficient, effective, and accountable government. This body of legislation has given IGs new responsibilities and greater opportunities to play an increasing role in government oversight. Clearly, the IGs have made a significant difference in federal performance and accountability during the past 25 years as indicated by their reports of billions of dollars in savings to the public and thousands of recommendations and civil and criminal referrals. They have earned a solid reputation for preventing and detecting fraud, waste, and abuse; promoting improvements in government operations; and providing helpful analyses on a host of governmentwide initiatives. It is safe to say that the federal government is a lot better off today because of the IGs' efforts.

Notwithstanding the accomplishments of the past, we now face continuing challenges that demand even more from government performance and accountability professionals. For example, our nation is fighting international terrorism while much of the critical government infrastructure that we are trying to protect dates back to the 1950s. At the

same time, this nation is facing a large and growing structural deficit due primarily to known demographic trends and rising health care costs. Recent corporate failures have shaken public confidence in financial reporting and accountability in the private sector. In response, Congress passed the Sarbanes-Oxley Act of 2002, which has significant new requirements for publicly traded companies and their auditors. Federal auditors can learn important lessons from the accountability breakdowns in the private sector and the resulting legislation passed by Congress.

We have achieved many important successes in working across organizational lines with the IGs and state and local government auditors. An important recent effort in building closer ties in the government accountability community has been the domestic working group, which I established in 2001 to bring together key staff from GAO, the IGs, and state and local audit organizations to explore issues of mutual interest and concern. The annual roundtable discussions and interim activities of the domestic working group help to focus attention on key issues and shared challenges facing the government audit community and allow participants to compare notes on methods, tools, benchmarking results, and best practices. In the early 1970s, GAO organized the intergovernmental audit forums in cooperation with federal, state, and local audit organizations. These forums provided the means through which new intergovernmental audit relationships were developed and improved the usefulness of auditing at each level of government. Some IGs have become active participants with GAO at the forums to provide a means for exchanging views, solving common problems, and promoting the acceptance and implementation of government auditing standards. Other IGs, however, have not been very involved in these forums and, in my view, this needs to change.

In addition, we have had the active participation of many IGs and state and local government auditors on the Comptroller General's Advisory Council on Government Auditing Standards. The Council provides advice and guidance on revisions to the Comptroller General's *Government Auditing Standards*, commonly known as the "Yellow Book," which is used by government auditors at the federal, state, and local levels, as well as contracted independent public accountants (IPA), in the audits of government programs and activities. It is time, however, for IGs and other members of the federal accountability community to build on past successes by putting additional focus and efforts on reaching across institutional lines and forming new alliances to address the complex challenges facing our government and our nation.

My statement today will focus on five main points:

- opportunities for increasing the effectiveness of the federal performance and accountability community through an enhanced strategic partnership between the IGs and GAO,
- coordination of the IG and GAO roles in agency financial statement audits and the audit of the U.S. government's consolidated financial statements,
- the IG role in federal financial management advisory committees,
- structural streamlining within the IG community to increase resource efficiencies, and
- matters for congressional consideration to enhance federal performance and accountability.

The Need for an Enhanced Strategic Partnership between the IGs and GAO

One of the challenges facing the federal performance and accountability community today is the need to meet increasing demands and challenges with our current resources. Key to this challenge is determining how GAO and the IGs can best complement each other and coordinate their efforts. The IG Act requires that the IGs coordinate with GAO to avoid duplicating efforts. In practice, GAO has largely devoted its efforts to program evaluations and policy analyses that look at programs and functions across government, and with a longer-term perspective; at the same time, the IGs have been on the front line of combating fraud, waste, and abuse within each agency, and their work has generally concentrated on issues of immediate concern with more of their resources going into uncovering inappropriate activities and expenditures through an emphasis on investigations. GAO and the IGs are, in many respects, natural partners. We both report our findings, conclusions, and recommendations to Congress. As I mentioned earlier, we share common professional audit standards through the Yellow Book, and I am proud to say that several current IGs and many of their staff are GAO alumni, including the Honorable Gaston Gianni, the IG of the Federal Deposit Insurance Corporation and Vice-Chair of the President's Council on Integrity and Efficiency, and Barry Snyder, the IG of the Federal Reserve Board and Vice-Chair of the Executive Council on Integrity and Efficiency, who are on the panel following me today.

While GAO and the IGs make up the federal performance and accountability community, the division of responsibilities between them has not generally included, nor does the IG Act include, strategic planning and allocation of work across government programs based on risk and the relative competitive advantages of each organization. Traditionally, GAO and IG coordination has been applied on an ad-hoc, job-by-job or issue-by-issue basis. We now have both the need and the opportunity to enhance the effectiveness of federal oversight through more strategic and ongoing coordination of efforts between GAO and the IGs in the following areas:

- addressing major management challenges and program risks,
- monitoring the top challenges the government faces, such as implementation of the President's Management Agenda, and
- conducting the audit of the government's consolidated financial statements.

Later in this testimony, I am suggesting that Congress consider establishing, through statute, assignment of responsibility to a select group of designated federal accountability and performance professionals to engage in a formal, periodic strategic planning and ongoing engagement coordination process to focus federal audit efforts across the federal government. This process would be in addition to, and would not replace, the current coordination of information sharing and technical cooperation being implemented by the domestic working group, the audit forums, and the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE).¹

Major Management Challenges and Program Risks

GAO's latest high-risk report,² released in January 2003, highlights areas across government that are at risk either due to their high vulnerability to waste, fraud, abuse, and mismanagement, or as major challenges associated with the economy, efficiency, and effectiveness of federal programs, policies, processes, functions, or activities. Many of the high-risk

¹These councils were established by Executive Order and are described later in this testimony.

²U.S. General Accounting Office, *High Risk Series: An Update*, GAO-03-119 (Washington, D.C.: January 2003).

areas we identified involve essential government services, such as Medicare and mail delivery, that directly affect the well-being of the American people. Although some agencies have made strong efforts to address the deficiencies cited in the high-risk reports—and some of the programs included on GAO’s initial high-risk list in 1990 have improved enough to warrant removal—we continue to identify many other areas of high risk. Greater strategic coordination between GAO and the IGs on a plan for monitoring and evaluating high-risk issues and keeping the pressure high to reduce the risk of these programs is not only desirable, it is essential if we are to reduce the risk of key government programs.

At the request of Congress, the IGs annually report issues similar to those in GAO’s high-risk report identifying the “Top Management Challenges” facing their agencies. In fiscal year 2002, the IGs ranked information technology, financial management, and human capital management among the most important challenges confronting their agencies governmentwide; other priorities included performance management, public health and safety, and grants management. Each of these areas closely corresponds to an area on GAO’s high-risk list.

Although both GAO and the IGs have efforts in place to identify major risks and challenges within government, there is no mechanism in place to carry out an integrated, strategic planning process as a means through which these issues will be monitored and evaluated in the future through combined and coordinated GAO and IG oversight.

President’s Management Agenda

The administration has signaled its commitment to government transformation with the President’s Management Agenda (PMA), which targets 14 of the most glaring problem areas in government for immediate action. Five areas—strategic human capital, budget and performance integration, improved financial performance, expanded electronic government, and competitive sourcing—are governmentwide in scope, while 9 are agency specific. Each area has the potential for dramatic improvement and concrete results. The areas also reflect many of the concerns raised by both GAO’s high-risk report and the IGs’ top management challenge lists. So far, however, progress on PMA has been uneven. To achieve consistent progress, sustained attention from Congress, the administration, and the agencies is needed. I believe that GAO and the IGs can make important contributions, using our combined experience, to help monitor the implementation of this important initiative.

Key policymakers increasingly need to think beyond quick fixes and carefully consider what the proper role of the federal government should be in the 21st century. Members of Congress and agency heads can start by undertaking a top-to-bottom review of federal programs and policies to determine which should remain priorities, which should be overhauled, and which have outlived their usefulness or are just no longer affordable given more pressing demands. Everything that forms the government's base must be on the table, including tax, spending, and regulatory policies. Policymakers will need to distinguish "wants," which are optional, from "needs," which can be urgent. They need to make hard choices that take into account what the American people will support and what the federal government can afford and sustain over time. To make informed decisions, Congress and agency heads will require hard facts and professional analyses that are objective, fact based, timely, accurate, nonpartisan, fair, and balanced. GAO and the IGs are important sources of such objective information and analyses.

With our respective areas of expertise in long-term challenges and agency-specific issues, GAO and the IGs can provide useful insights and constructive recommendations on programs that may warrant additional resources, consolidation, revision, or even elimination. Closer periodic strategic planning and ongoing engagement coordination between GAO and the IGs would help to ensure continued effective oversight of these key issues facing government.

Audit of the U.S. Government's Consolidated Financial Statements

GAO and the IGs are already partners in one of the most far-reaching financial management initiatives in government—the yearly audits of the federal government's consolidated financial statements. Under the Chief Financial Officers (CFO) Act of 1990 as expanded by the Government Management Reform Act of 1994, the IGs at the 24 agencies³ named in the CFO Act are responsible for the audits of their agencies' financial statements. In meeting these responsibilities, most IGs have contracted with IPAs to conduct the audits either entirely or in part. GAO is responsible for the U.S. government's consolidated financial statements

³The Federal Emergency Management Agency (FEMA), one of 24 agencies named in the CFO Act, was transferred to the new Department of Homeland Security (DHS), effective March 1, 2003. With the transfer, FEMA will no longer be required to prepare audited stand-alone financial statements under the CFO Act. Consideration is now being given to making DHS a CFO Act agency, which would bring the number of CFO Act agencies back up to 24.

audit, which by necessity is based largely on the results of the IGs' agency-level audits.

Since 1997, GAO has been unable to give an opinion on the consolidated financial statements, in large part because of continuing financial management problems at several agencies that also have resulted in disclaimers of opinion by some IGs on their agency financial statements—most notably the Department of Defense (DOD). In recent years, we have seen progress in the results of the audits of the CFO Act agency financial statements with more and more IGs and their contracted IPAs moving from issuing a disclaimer of opinion to issuing an unqualified (“clean”) opinion on their respective agency financial statements. In fact, 21 of the 24 CFO Act agencies received an unqualified opinion on their fiscal year 2002 financial statements, up from only 6 agencies for fiscal year 1996. We anticipate that if sufficient progress continues to be made, there is a chance that we may be able to render a qualified opinion on the consolidated balance sheet in a few years as a first step toward rendering an opinion on the full set of financial statements.

Our reviews of the work done by other IGs and IPAs on agency-level financial statement audits during the last 2 years identified opportunities for improvement in sampling, audit documentation, audit testing, analytical procedures, and auditing liabilities. The varying quality of the audit work has been of concern to us because of our need to use the work of the agency auditors to support expressing an opinion on the U.S. government's consolidated financial statements—an opinion for which, in the final analysis, GAO is solely responsible and accountable.

Earlier involvement and access by GAO in the agency-level financial statement audits would help to strengthen the IG and IPA audit process and bolster our ability to use their work in rendering an opinion. At a minimum, GAO needs to (1) be involved up front in the planning phase of each agency-level audit, (2) have unrestricted access to IG and IPA audit documentation and personnel throughout the performance of the audit, (3) receive assurances that each agency-level audit is planned, performed, and reported in conformity with the Financial Audit Manual (FAM) developed jointly and adopted by GAO and the PCIE, and (4) be notified in advance of any planned deviation from the FAM's requirements that could affect GAO's ability to use the agency auditors' work.

At one agency (Department of Energy), for the selected areas we reviewed, we found that the audit work was performed in conformity with the FAM

and that we would have been able to use the work without having to perform additional audit procedures. The IG has an oversight team composed of senior-level staff who perform moderate-level quality control reviews of the contracted IPA's work throughout the audit process. The oversight team evaluates its IPA in areas such as audit planning and execution, audit documentation, and staff qualifications. These types of practices could be shared and expanded upon across the IG community. As an initial step to make the IG and IPA audit process stronger and enhance GAO's ability to use their work in rendering an opinion, we are considering holding a forum with the IGs and the IPAs to share information—based on GAO's review of the IG and IPA work—regarding best practices and areas to focus on that need additional audit work, and to establish a framework for enhanced coordination of the financial statement audit work.

Changes to enhance the agency financial statement audit process are especially important given the planned acceleration of reporting deadlines for agency audits. Although some agencies accelerated their reports for fiscal year 2002, starting with fiscal year 2004, the Office of Management and Budget (OMB) has required that agencies issue their audited financial statements no later than 45 days after the end of the fiscal year, with the consolidated financial statements to be issued 30 days later. In past years, when the reporting deadlines were 4 and 5 months after the end of the fiscal year, agencies made extraordinary efforts in which they spent considerable resources on extensive ad hoc procedures and made adjustments of billions of dollars to produce financial statements months after the fiscal year had ended. Given the accelerated reporting dates, such extraordinary approaches will no longer be an option. Over the next few years, as the government addresses the impediments to receiving an opinion on its consolidated financial statements, and we move closer to being able to render an opinion on the consolidated financial statements, GAO will need to invest more resources in assuring that the work of the IGs and IPAs on the agency-level financial statement audits can be used by GAO to support the audit of the consolidated financial statements. This resource investment is necessary if GAO is to be able to render an opinion on the consolidated financial statements.

Another matter of concern regarding the audit of the U.S. government's consolidated financial statements involves the approaches used by the IGs and IPAs for reporting on internal control at the agency level. Our position is that an opinion on internal control is important in the government environment and that the public should be able to expect audit assurance on the adequacy of internal control over financial reporting. We believe that

auditor opinions on internal control are a critical component of monitoring the effectiveness of an entity's risk management and accountability systems. We also believe that auditor opinions on internal control are appropriate and necessary for major public entities such as the CFO Act agencies currently included in the U.S. government's consolidated financial statements.

As does GAO in connection with our own audits, several agency auditors are voluntarily providing opinions on the agencies' internal control; but most do not. When an auditor renders an opinion on internal control, the auditor is providing reasonable assurance that the entity has maintained effective internal control over financial reporting (including safeguarding of assets) and compliance such that material misstatements, losses, or noncompliance that are material to the financial statements would be detected in a timely fashion. For fiscal year 2002, however, only 3 of the 24 CFO Act agencies received opinions on internal control from their auditors.⁴ The remaining 21 reported on internal control, but provided no opinion on the effectiveness of the agency's internal control. As we move closer to being able to issue an opinion on the consolidated financial statements, a disparity in reporting on internal control would hinder our ability to provide an opinion on internal control for the consolidated audit. Current agency-level reporting on internal control would fall short of what the public should be able to expect from an audit and, moreover, what is now legally required from the auditors of publicly traded companies.

Congress has prescribed auditor opinions on internal controls for publicly traded corporations under the Sarbanes-Oxley Act of 2002.⁵ A final rule issued by the Securities and Exchange Commission in June 2003 and effective August 2003 provides guidance for implementation of section 404 of the act, which contains requirements for management and auditor reporting on internal controls. The final rule requires companies to obtain a report in which a registered public accounting firm expresses an opinion, or states that an opinion cannot be expressed, concerning management's assessment of the effectiveness of internal controls over financial reporting.

⁴The three agencies receiving opinions on internal control for fiscal year 2002 are the Social Security Administration, General Services Administration, and Nuclear Regulatory Commission.

⁵Pub. L. No. 107-204, 116 Stat. 745 (2002).

As you know, Mr. Chairman, we provided testimony before this Subcommittee several weeks ago on the challenges of establishing sound financial management within DHS.⁶ In that testimony, we supported provisions of H.R. 2886 that would require DHS to obtain an audit opinion on its internal controls. During the testimony, we also supported provisions of H.R. 2886 that would require the Chief Financial Officers Council and the PCIE to jointly study the potential costs and benefits of requiring CFO Act agencies to obtain audit opinions of their internal controls over financial reporting. In addition, the current version of H.R. 2886 would require GAO to perform an analysis of the information provided in the report and report the findings to the House Committee on Government Reform and the Senate Committee on Governmental Affairs. We believe that the study and related analysis are important first steps in resolving the issues associated with the current reporting on internal control.

Ultimately, we are hopeful that federal performance and accountability professionals will not settle for anything less than opinion-level work on internal control at the CFO Act agency level and on the governmentwide audit. Increased planning and coordination will be needed among GAO, IGs, and IPAs to determine the appropriate timing for requiring an opinion on controls at the agency level. The specific timing will depend on the current state of the agency's control efforts so that an audit opinion on internal control would add value and mitigate risk in a cost beneficial manner.

A practical issue that should also be dealt with is the adequacy of resources to provide for the agency financial statement audits. Over the years, a number of IGs have told us that the cost of agency financial audits has taken resources away from their traditional work. In the private sector, the cost of an annual financial audit is a routine business expense borne by the entity being audited, and the cost of the audit represents a very small percentage of total expenditures for the audited entity. We support enacting legislation that would make agencies responsible for paying the cost of their financial statement audits. We also believe that an arrangement in which the agencies pay for their own audits provides them with positive incentives for taking actions—such as streamlining systems and cleaning up their financial records prior to the audit—in order to reduce the costs of

⁶U.S. General Accounting Office, *Department of Homeland Security: Challenges and Steps in Establishing Sound Financial Management*, GAO-03-1134T (Washington, D.C.: Sept. 10, 2003).

the audit and avoid the “heroic” audit efforts that we have seen in the past at some agencies.

Under the arrangement in which agencies pay the cost of their own audits, we believe the IG should continue in the current role of selecting and overseeing audits in those cases in which the IG does not perform the audit but hires an IPA to conduct the audit. This would leverage the IGs’ expertise to help assure the quality of the audits. We also advocate an approach whereby the IGs would be required to consult with the Comptroller General during the IPA selection process to obtain input from the results of GAO’s reviews of the IPAs’ previous work and the potential impact on the consolidated audit.

The IG Role in Federal Financial Management Advisory Committees

We envision an important role for the IGs in audit or financial management advisory committees established at the federal agency level for the purpose of overseeing an agency’s financial management, audits, and performance.

In the government arena, some state and local governments and federal government corporations, as well as several federal agencies, have adopted an audit committee, or “financial management advisory committee,” approach to governance. In the federal government, such audit committees or advisory committees are intended to protect the public interest by promoting and facilitating effective accountability and financial management by providing independent, objective, and experienced advice and counsel, including oversight of audit and internal control issues. Responsibilities of the committees would likely include communicating with the auditors about the audit and any related issues. The work of the IGs logically provides much of the basis for financial management advisory committees in overseeing agencies’ financial management, audits, and internal control. The work of the IGs would also be critical for the financial management advisory committees in their general governance roles. Specific roles and responsibilities of the committees will most likely vary by agency. A recently published guide, *Financial Management Advisory Committees for Federal Agencies*,⁷ provides a helpful road map of suggested practices for federal agency financial management advisory committees.

⁷*Financial Management Advisory Committees for Federal Agencies: Suggested Practices*, March 2003, prepared by KPMG, LLP.

The concept of financial management advisory committees is very similar to the audit committee structure being used in the private sector. To help facilitate the audit process and promote disclosure and transparency, the governing boards of publicly traded companies use audit committees. Audit committees generally oversee the independent audit of the organization's financial statements and address financial management, reporting, and internal control issues. The Sarbanes-Oxley Act has requirements for the audit committees of publicly traded companies and their auditors regarding communications and resolution of significant audit matters.

We strongly support the implementation of financial management advisory committees for selected federal agencies, based on risk and value added. Some agencies,⁸ including GAO, which has had such a committee in place since 1995, have already implemented such an approach, even though the committees have not been mandated or established by statute. As these committees are implemented or required in government, we would advocate amending the IG Act to emphasize the IGs' unique role in reporting the results of their work to the advisory committees while maintaining their independence and dual reporting authority to Congress.

Structural Streamlining to Increase Resource Efficiencies

One of the issues facing the IG community as well as others in the performance and accountability community is how to use limited resources to the best effect. In fiscal year 2002, the 57 IG offices operated with total fiscal year budgets of about \$1.6 billion and about 11,000 staff. (See app. II for more detail on IG budgets and staffs.) Most IGs for cabinet departments and major agencies are appointed by the President and confirmed by the Senate; however, IGs for some agencies are appointed by the agency head, and these IGs generally have smaller budgets and fewer staff than IGs appointed by the President. While agency-appointed IGs make up about half of all IG offices, the total of their fiscal year 2002 budgets was \$162.2 million, a little more than 10 percent of all IG budgets. Of these IGs, the offices at the U.S. Postal Service (USPS), Amtrak, National Science Foundation (NSF), and Federal Reserve Board (FRB) are exceptions and have budgets that are comparable in size to those of presidentially appointed IGs. The remaining 24 agency-appointed IGs have a total of 191

⁸Agencies that currently have audit committees or financial management advisory committees include the National Science Foundation, Federal Deposit Insurance Corporation, and the Architect of the Capitol.

staff and have budgets that make up about 2 percent of all IG budgets. Importantly, 16 of the 28 agency-appointed IGs have fewer than 10 staff.

Potential IG Office Consolidations

Last year we reported the views of the IGs, as well as our own, on the possible benefits of consolidating the smallest IG offices with the offices of IGs appointed by the President.⁹ We also considered the conversion of agency-appointed IGs to presidential appointment where their budgets were comparable to the presidentially appointed IG offices. The August 2002 report contains several matters for congressional consideration to address issues of IG conversion and consolidation. We are reaffirming these views, which are included at the end of my statement.

We believe that if properly structured and implemented, the conversion or consolidation of IG offices could increase the overall independence, efficiency, and effectiveness of the IG community. Consolidation could provide for a more effective and efficient allocation of IG resources across government to address high-risk and priority areas. It would not only achieve potential economies of scale but also provide a critical mass of skills, particularly given advancing technology and the ever-increasing need for technical staff with specialized skills. This point is especially appropriate to the 12 IG offices with five or fewer staff. IG staff now in smaller offices would, in a large, consolidated IG office, have immediate access to a broader range of resources to use in dealing with issues requiring technical expertise or areas of critical need.

Consolidation would also strengthen the ability of IGs to improve the allocation of human capital and scarce financial resources within their offices and to attract and retain a workforce with talents, multidisciplinary knowledge, and up-to-date skills to ensure that each IG office is equipped to achieve its mission. Consolidation would also increase the ability of larger IG offices to provide methods and systems of quality control in the smaller agencies.

We also recognize that there are potential risks resulting from consolidation that would have to be mitigated through proactive and targeted actions in order for the benefits of consolidation to be realized without adversely affecting the audit coverage of small agencies. For

⁹U.S. General Accounting Office, *Inspectors General: Office Consolidation and Related Issues*, GAO-02-575 (Washington, D.C.: August 2002).

example, the potential lack of day-to-day contact between the IG and officials at smaller agencies as a result of consolidation could be mitigated by posting IG staff at the agency to keep both the IG and the agency head informed and to coordinate necessary meetings. In preparation for consolidation, staff in the smaller IG offices could be consulted in planning oversight procedures and audit coverage for their agencies. There may be fewer audits or even less coverage of those issues currently audited by the IGs at smaller agencies, but coverage by a consolidated IG could address areas of higher risk, value, and priority, resulting in potentially more efficient and effective use of IG resources across the government.

Results of the survey conducted for our August 2002 report indicate a clear delineation between the responses of the presidentially appointed IGs and the responses of the agency-appointed IGs. The presidentially appointed IGs generally indicated that agency-appointed IG independence, quality, and use of resources could be strengthened by conversion and consolidation. The agency-appointed IGs indicated that there would either be no impact or that these elements could be weakened. The difference in views is not surprising given the difference in the potential impact of consolidation on the interests of the two groups of IGs. We believe that this difference in perspective, more than any other factor, helps to explain the significant divergence in the responses to the survey.

There are already some examples where consolidation of IG offices and oversight is working. The Department of State IG provides, through statute, oversight of the Broadcasting Board of Governors and the International Broadcasting Bureau. The IG at the Agency for International Development is authorized by specific statutes to provide oversight of the Overseas Private Investment Corporation, the Inter-American Foundation, and the African Development Foundation.

In terms of budget size, the agency-appointed IGs at USPS, Amtrak, NSF, and FRB are comparable to the offices of IGs appointed by the President. Moreover, in the case of the Postal IG, the office is the fourth largest of all the IGs. (See app. II.) On that basis, these IGs could be considered for conversion to appointment by the President with Senate confirmation. While the Amtrak IG could be converted because of comparable budget size, oversight of Amtrak is closely related to the work of the Department of Transportation IG. Moreover, the Transportation IG currently provides some oversight of Amtrak programs. Therefore, the consolidation of the Amtrak IG with the Transportation IG could be considered, rather than conversion.

Consideration has been given in the *Fiscal Year 2004 Budget of the U.S. Government* to the consolidation of the two IG offices at the Department of the Treasury, unique in the federal government. The original statutory IG for the Department of the Treasury was established by the IG Act amendments of 1988. The Treasury IG for Tax Administration was established in 1998 as part of an Internal Revenue Service (IRS) reorganization because the former IRS Inspection Service was not perceived as being sufficiently independent from management. Consequently, the IRS Office of the Chief Inspector, along with most of the Inspection Service staff, was transferred to the new IG office to ensure independent reviews.

The separate office of Treasury IG for Tax Administration was created because IRS officials were concerned that if the resources of the IRS Inspection Service were transferred to the original Treasury IG office, they would be used to investigate or audit other Treasury bureaus to the detriment of critical IRS oversight. With the passage of the Homeland Security Act of 2002, and the transfer of Treasury's United States Customs Service and United States Secret Service to the new Department of Homeland Security, the original concerns about competition for resources within the department should no longer be as compelling.

IG Councils

The PCIE is an interagency council comprising principally the presidentially appointed and Senate-confirmed IGs. It was established by Executive Order No.12301 in 1981 to coordinate and enhance the work of the IGs. In 1992, Executive Order No.12805 created the ECIE, which comprises primarily statutory IGs appointed by the heads of designated federal entities as defined in the IG Act. The Deputy Director for Management in OMB serves as the chair of both organizations. These IG councils have been effective in coordinating the activities of the IGs in their efforts to prevent and detect fraud, waste, and abuse throughout the federal government and in reporting these results to both the President and Congress.

The IG councils have provided a valuable forum for auditor coordination. However, we believe that the current environment demands a more formal, action-oriented, and strategic approach for coordination among federal audit organizations and that the IG councils could be strengthened in a number of ways. First, by providing a statutory basis for their roles and responsibilities, the permanence of the councils could be established and their ability to take on more sensitive issues strengthened. In addition, the

strategic focus of the councils could be clearly established. As such, the councils would also be key in the overall strategic planning process for federal audit oversight that I described earlier in this statement.

Matters for Congressional Consideration

As I stated at the beginning of my testimony, IGs have made a significant difference in federal performance and accountability during the last quarter century. The 25th anniversary of the landmark legislation establishing the IGs is an opportune time to reflect on the IGs' success while also considering ways to enhance coordination and utilization of resources across the federal performance and accountability community.

In order to enhance the effectiveness and impact of the federal accountability community, Congress may want to consider establishing, through statute, assignment of responsibility to a selected group of designated federal accountability officials, such as representatives from GAO, the PCIE, and the ECIE, to develop and implement a periodic, formal strategic planning and ongoing engagement coordination process for focusing GAO and IG work to provide oversight to high-risk areas and significant management challenges across government, while leveraging each other's work and minimizing duplication.

In order to resolve resource issues and provide positive incentives to agencies to take prudent actions to reduce overall audit costs, Congress may want to consider enacting legislation that makes agencies responsible for paying the cost of their financial statement audits.

In order to achieve potential efficiencies and increased effectiveness across the federal IG community, Congress may also want to consider whether to proceed with a restructuring of the IG community, which could include the following:

- amending the IG Act to elevate the IGs at USPS, NSF, and FRB to presidential status,
- amending the IG Act to consolidate agency-appointed IGs with presidentially appointed IGs based on related agency missions or where potential benefits to IG effectiveness can be shown, and
- establishing an IG council by statute that includes stated roles and responsibilities and designated funding sources.

Mr. Chairman, that concludes my prepared statement. I would be happy to respond to any questions you or Members of the Subcommittee might have.

The Inspector General Act

The Inspector General Act of 1978 was enacted following a series of events that emphasized the need for more-independent and coordinated audits and investigations in federal departments and agencies. First, in 1974, the Secretary of Agriculture abolished the department's administratively established IG office, demonstrating the impermanent nature of a nonstatutory IG. Later, in 1974 and 1975, a study by the Intergovernmental Relations and Human Resources Subcommittee of the House Government Operations Committee disclosed inadequacies in the internal audit and investigative procedures in the Department of Health, Education, and Welfare, now the Department of Health and Human Services. The need to deal more effectively with the danger of loss from fraud and abuse in the department's programs led to the establishment of the first statutory IG in 1976. The Congress also established an IG in the Department of Energy when that department was created in 1977.

In 1977, the House Intergovernmental Relations and Human Resources Subcommittee began a comprehensive inquiry to determine whether other federal departments and agencies had a similar need for statutory IGs. The Subcommittee's study revealed serious deficiencies in a number of department and agency audit and investigative efforts, including the following:

- No central leadership of auditors and investigators existed.
- Auditors and investigators exhibited a lack of independence by reporting to officials who had responsibility for programs that were being audited.
- No procedures had been established to ensure that the Congress was informed of serious problems.
- No program existed to look for possible fraud or abuse.

As an initial effort to correct these deficiencies, the IG Act of 1978 established 12 additional statutory OIGs to be patterned after the one at the Department of Health, Education, and Welfare. The act consolidated the audit and investigative responsibilities of each department and agency under the direction of one senior official—the Inspector General—who reports to the head of the agency or, if delegated, the official next in rank below the agency head. The President appoints the IGs, by and with the consent of the Senate, without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, financial

analysis, law, management analysis, public administration, or investigations.

The IGs are responsible for (1) conducting and supervising audits and investigations, (2) providing leadership and coordination and recommending policies to promote economy, efficiency, and effectiveness, and (3) detecting fraud and abuse in their agencies' programs and operations. In addition, the IG Act requires IGs to prepare semiannual reports which summarize the activities of the IG during the preceding 6-month period. The reports are forwarded to the department or agency head, who is responsible for transmitting them to the appropriate congressional committees.

The act states that neither the agency head nor the official next in rank shall prevent or prohibit the IG from initiating, carrying out, or completing any audit or investigation, or from issuing any subpoena during the course of any audit or investigation. This enhances the independence of auditors and investigators by ensuring that they are free to carry out their work unobstructed by agency officials. The act further enhances independence by requiring IGs to comply with the Comptroller General's *Government Auditing Standards*. One of these standards requires auditors and audit organizations to be personally and organizationally independent and to maintain the appearance of independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as such by knowledgeable third parties.

Between the enactment of the IG Act in 1978 and 1988, the Congress passed legislation to establish statutory IGs, who are appointed by the President with Senate confirmation, in 8 additional departments and agencies. In 1988, the Congress enacted the Inspector General Act Amendments of 1988 and the Government Printing Office (GPO) Inspector General Act of 1988 (Titles I and II, Public Law 100-504) to establish additional presidentially appointed IGs in 5 departments and agencies and 34 IGs appointed by their agency heads (33 in designated federal entities and 1 in GPO) in order to strengthen the capability of the existing internal audit offices and improve audit oversight. Both GAO and the President's Council on Integrity and Efficiency (PCIE) had previously reported that the existing internal audit offices lacked independence, adequate coverage of important programs, and permanent investigative staff.

Inspector General Budgets and Staffing

Table 1: Inspectors General Appointed by the President, Fiscal Year 2002 Budgets and Full-Time Equivalents (FTEs)

Federal departments/agencies		Budgets	FTEs
1	Department of Health and Human Services ^a	\$227,000,000	1,569
2	Department of Defense	151,000,000	1,215
3	Treasury IG for Tax Administration	130,000,000	943
4	Department of Housing and Urban Development	95,000,000	648
5	Social Security Administration	75,000,000	564
6	Department of Agriculture	75,000,000	642
7	Department of Labor	67,000,000	426
8	Department of Justice	65,000,000	329
9	Department of Veterans Affairs	57,000,000	393
10	Department of Transportation	50,000,000	454
11	Department of Homeland Security	47,000,000	336
12	Environmental Protection Agency	46,000,000	444
13	Department of Education	39,000,000	276
14	Department of the Interior	37,000,000	251
15	General Services Administration	36,000,000	273
16	Department of Energy	32,000,000	250
17	Agency for International Development	32,000,000	166
18	Federal Deposit Insurance Corporation	32,000,000	201
19	Department of State	29,000,000	234
20	National Aeronautics and Space Administration	24,000,000	200
21	Department of Commerce	21,000,000	136
22	Small Business Administration	12,000,000	108
23	Department of the Treasury	12,000,000	87
24	Office of Personnel Management	11,000,000	89
25	Tennessee Valley Authority	7,000,000	87
26	Nuclear Regulatory Commission	6,000,000	41
27	Railroad Retirement Board	6,000,000	51
28	Corporation for National and Community Service	5,000,000	16
29	Central Intelligence Agency ^b	na	na
Total		\$1,426,000,000	10,429

Source: Budget authority and FTEs from *Fiscal Year 2004 Budget of the U.S. Government*.

^aIncludes budget authority to combat health care fraud.

^bBudget and FTE information not available.

Appendix II
Inspector General Budgets and Staffing

Table 2: Inspectors General Appointed by Agency Heads, Fiscal Year 2002 Budgets and Full-Time Equivalents (FTEs)

Federal agencies		Budgets	FTEs
1	U.S. Postal Service	\$117,324,000	713
2	Amtrak	8,706,539	64
3	National Science Foundation	6,760,000	50
4	Federal Reserve Board	3,878,000	29
5	Government Printing Office	3,400,000	24
6	Legal Services Corporation	2,500,000	15
7	Peace Corps	2,006,000	16
8	Smithsonian Institution	1,800,000	17
9	Federal Communications Commission	1,569,000	10
10	National Archives and Records Administration	1,375,000	13
11	Securities and Exchange Commission	1,372,559	8
12	National Credit Union Administration	1,338,135	7
13	Pension Benefit Guaranty Corporation	1,300,000	11
14	Equal Employment Opportunity Commission	1,106,119	10
15	Federal Housing Finance Board	858,237	3
16	Farm Credit Administration	829,621	5
17	Commodity Futures Trading Commission	735,800	4
18	Corporation for Public Broadcasting	735,000	9
19	National Labor Relations Board	711,900	6
20	Federal Trade Commission	710,000	5
21	National Endowment for the Humanities	497,000	5
22	Appalachian Regional Commission	466,000	3
23	Federal Maritime Commission	441,034	3
24	Consumer Product Safety Commission	407,000	3
25	Federal Election Commission	392,600	4
26	National Endowment for the Arts	392,577	4
27	International Trade Commission	389,500	4
28	Federal Labor Relations Authority	222,500	2
Total		\$162,224,121	1,047

Source: As reported by the ECIE.

Appendix II
Inspector General Budgets and Staffing

Table 3: Inspectors General Appointed by the President with Four Comparable Agency-Appointed IGs Fiscal Year 2002 Budgets

Department/agency IG	Fiscal year 2002 budgets
1 Department of Health and Human Services ^a	\$227,000,000
2 Department of Defense	151,000,000
3 Treasury's IG for Tax Administration	130,000,000
4 U.S. Postal Service^b	117,324,000
5 Department of Housing and Urban Development	95,000,000
6 Department of Agriculture	75,000,000
7 Social Security Administration	75,000,000
8 Department of Labor	67,000,000
9 Department of Justice	65,000,000
10 Department of Veterans Affairs	57,000,000
11 Department of Transportation	50,000,000
12 Department of Homeland Security	47,000,000
13 Environmental Protection Agency	46,000,000
14 Department of Education	39,000,000
15 Department of the Interior	37,000,000
16 General Services Administration	36,000,000
17 Department of Energy	32,000,000
18 Agency for International Development	32,000,000
19 Federal Deposit Insurance Corporation	32,000,000
20 Department of State	29,000,000
21 National Aeronautics and Space Administration	24,000,000
22 Department of Commerce	21,000,000
23 Department of the Treasury	12,000,000
24 Small Business Administration	12,000,000
25 Office of Personnel Management	11,000,000
26 Amtrak^c	8,706,539
27 Tennessee Valley Authority	7,000,000
28 National Science Foundation^b	6,760,000
29 Nuclear Regulatory Commission	6,000,000
30 Railroad Retirement Board	6,000,000
31 Corporation for National and Community Service	5,000,000
32 Federal Reserve Board^b	3,878,000
33 Central Intelligence Agency ^c	na
Total	\$1,562,668,539

Source: Budget authority from Fiscal Year 2004 Budget of the U.S. Government.

Appendix II
Inspector General Budgets and Staffing

Note: The four comparable agency appointed IGs are in bold.

^aIncludes budget authority to combat health care fraud.

^bInformation supplied by the ECIE.

^cBudget information not available.

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The General Accounting Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to e-mail alerts" under the "Order GAO Products" heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
 TDD: (202) 512-2537
 Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548

CRS Report for Congress

Statutory Offices of Inspector General: A 20th Anniversary Review

Updated November 20, 1998

Frederick M. Kaiser
Specialist in American National Government
Government Division

Diane T. Duffy
Legislative Attorney
American Law Division



ABSTRACT

1998 marked the 20th anniversary of the Inspector General Act of 1978, the basic authority governing statutory office of inspector general (OIGs), and the 10th anniversary of the Inspector General Act Amendments of 1998, which added to their reporting requirements and extended such offices to an additional set of government organizations. Consolidating responsibility for auditing and investigations within an establishment or entity, statutory OIGs now exist in nearly 60 departments, agencies, commissions, boards, and government corporations. Despite their 20-year history, OIGs still face a number of concerns and proposals for change, some of which were included in bills or enactments in the 105th Congress. This report—and a companion one on the establishment and evolution of these offices (CRS Report 98-397 GOV)—will be updated as events require.

The Congressional Research Service provides expertise for the Congress, conducting research, analyzing legislation, and providing information to members of committees, Members, and their staffs.

The Service makes such research available, where possible, in many forms including studies, reports, compilations, digests, and background materials. Upon request, CRS assists committees in analyzing legislative proposals and issues, and in assessing the possible effects of these proposals and their alternatives. The Service's senior specialists and subject analysts are also available for personal consultations in their respective fields of expertise.

Statutory Offices of Inspector General: A 20th Anniversary Review

Summary

The year 1998 marked the 20th anniversary of the Inspector General Act of 1978, the basic authority governing statutory offices of inspector general (OIGs), and the 10th anniversary of the Inspector General Act Amendments of 1988, which added to their reporting requirements and extended such offices to an additional set of government organizations. Statutory OIGs now exist in nearly 60 federal establishments and entities, including all cabinet departments and the largest federal agencies as well as many smaller boards, commissions, corporations, and foundations. (These are covered in CRS Report 98-379 GOV, updated as events require.)

The President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) operate under the auspices of the Office of Management and Budget. They provide coordinating mechanisms, respectively, for the inspectors general (IGs) in the larger establishments, appointed by the President and confirmed by the Senate, and for IGs in the smaller designated federal entities, appointed by the agency head. A special integrity committee, under these councils, may be established to investigate alleged wrongdoing by IGs or senior staff.

Offices of inspector general consolidate responsibility for auditing and investigations within a federal department, agency, or other organization. Established by law as permanent, independent, nonpartisan, and objective units, OIGs are designed to combat waste, fraud, and abuse. To accomplish this broad mandate, IGs have been granted a substantial amount of independence and authority. Inspectors general are authorized to conduct audits and investigations of agency programs; have direct access to agency records and materials; issue subpoenas for all necessary information, data, reports, and other documentary evidence; hire their own staff; and request assistance from other federal, state, and local government agencies directly. Except under rare circumstances, spelled out in the law, an agency head provides only "general supervision" over the IG and may not interfere with any of his or her audits, investigations, or issuances of subpoenas. Inspectors general, moreover, report semiannually to the agency head and Congress regarding their findings, conclusions, and recommendations for corrective action and may issue immediate reports on particularly serious or flagrant problems they discover. Indeed, IGs are required to keep the agency head and Congress fully and currently informed about problems and deficiencies relating to the administration of programs in their agency through these reports and other ways, including testimony at congressional hearings.

Despite their 20-year evolution and substantial statutory revisions in 1988, offices of inspector general still face a number of concerns and proposals for change. Some of these were advanced in the 105th Congress through oversight hearings, the statutory establishment of a new Treasury Inspector General for Tax Administration and whistleblower provisions for employees in the intelligence community, and other proposed amendments to the IG Act. These changes tie into the IGs' institutional arrangements, authority and powers, perceived effectiveness and orientation, reporting requirements, personnel practices, and incentive awards.

Contents

Overview of Statutory OIGs	1
Purposes, Powers, and Protections	2
Purposes of Offices of Inspector General	2
Appointment, Removal, and General Supervision of IGs	2
IGs in Federal Establishments	2
IGs in Designated Federal Entities	3
Duties of IGs	4
IG Reporting to and Informing the Agency Head and Congress	4
Semiannual Reports	5
Seven-Day Letter Reports	5
Intelligence Community Whistleblower Reporting	5
Other Channels of Communication	6
Authority of IGs	6
Specific Powers	6
Prohibition on Program Operating Responsibilities	7
Law Enforcement Powers	7
Jurisdiction	8
Coordination Among and Investigations of IGs	8
Coordination	8
Administrative Investigations	9
Current Issues Affecting Inspectors General	9
Institutional and Procedural Arrangements	10
Authority of Inspectors General	12
Effectiveness and Orientation of IGs, PCIE, and ECIE	13
Reporting to the Agency Head and Congress	14
Personnel Practices	15
Incentive Awards	16
Legislative Initiatives	16
Proposed Inspector General Act Amendments of 1998	16
Proposed Inspector General for Medicare and Medicaid	16
Proposed Reform of the Justice Department Inspector General	17
Treasury Inspector General for Tax Administration	17
Intelligence Community Whistleblower Protection Act of 1998	17
Foreign Affairs Reform and Restructuring Act of 1998	18
Recognition of IG Accomplishments Since the 1978 Act	18

Statutory Offices of Inspector General: A 20th Anniversary Review

Overview of Statutory OIGs

Statutory offices of inspector general (OIGs) consolidate responsibility for auditing and investigations within a federal department, agency, or other organization. Established by law as permanent, independent, nonpartisan, and objective units, the OIGs are designed to combat waste, fraud, and abuse. The initial establishments occurred in the wake of major financial and management scandals, first in the Department of Health, Education, and Welfare (now Health and Human Services) in 1976 and next in the General Services Administration (GSA) in 1978. The latter episode provided a catalyst for an OIG in GSA and in each of 11 other departments and agencies. Reinforcing this, an even earlier scandal involving the Agriculture Department demonstrated the weaknesses in independence, authority, and resources of administratively created offices of inspector general. Statutory offices now exist in nearly 60 federal establishments and entities, including all cabinet departments and the largest federal agencies as well as many smaller boards, commissions, corporations, and foundations.¹

¹ Separate from the offices directly under the Inspector General Act of 1978, as amended, are two others, which, for the most part, have been modeled after the provisions of the basic IG act, as amended: in the Central Intelligence Agency, whose IG is a presidential appointee subject to Senate confirmation (103 Stat. 1711-1715); and in the Government Printing Office, the only legislative branch entity with a statutory IG; in this case, the inspector general is appointed by the head of the agency, the Public Printer (102 Stat. 2530).

For information on the history of OIGs and proposals for change, see: Michael Hendricks, *et al.*, *Inspectors General: A New Force in Evaluation* (San Francisco: Jossey-Bass, 1990); Paul C. Light, "Make the Inspectors General Partners in Reform," *Government Executive*, v. 25, Dec. 1993, and *Monitoring Government: Inspectors General and the Search for Accountability* (Washington: Brookings Institution, 1993); Frederick M. Kaiser, "The Watchers' Watchdog: The CIA Inspector General," *International Journal of Intelligence and Counterintelligence*, v. 3, 1989; Kathryn E. Newcomer, "The Changing Nature of Accountability: The Role of the Inspectors General in Federal Agencies," *Public Administration Review*, v. 58, March/April 1998; U.S. Congress, House Committee on Government Operations, *The Inspector General Act of 1978: A 10-Year Review*, H.Rept. 100-1027, 100th Cong., 2nd sess. (Washington: GPO, 1988); U.S. Congress, House Subcommittee on Government Management, Information, and Technology, *The Inspector General Act of 1978: Twenty Years After Passage, Are the Inspectors General Fulfilling Their Mission?*, Hearings, 105th Cong., 2nd sess., April 21, 1998 (not yet printed) and *Inspector General Act Oversight*, Hearing, 104th Cong., 1st sess. (Washington: GPO, 1996); and U.S. Library of Congress, Congressional Research Service, *Statutory Offices of Inspector General: Establishment and Evolution*, by Frederick M. Kaiser, CRS Report 98-379 GOV (Washington: 1998).

Under two major enactments—the Inspector General Act of 1978 (P.L. 95-452; 92 Stat. 1101-1109) and the Inspector General Act Amendments of 1988 (P.L. 100-504; 102 Stat. 2515-2530), codified at 5 U.S.C. Appendix—inspectors general (IGs) have been granted a substantial amount of independence and authority to carry out their basic mandate. Each office is headed by an inspector general who is appointed and removable in one of two ways: (1) presidential appointment, subject to the advice and consent of the Senate, and presidential removal in specified federal establishments, including all cabinet departments and larger federal agencies; and (2) agency head appointment and removal in designated federal entities, the usually smaller boards, foundations, commissions, and corporations.

The dual focus of OIG activities since their inception has been auditing and investigation. Indeed, the 1978 act requires each IG in a federal establishment to appoint two assistant inspectors general, one for auditing and one for investigations. More recently, the offices have added inspection, a short-hand phrase for a usually short-term evaluation of agency programs and operations and their impact.

Purposes, Powers, and Protections

The statutory offices of inspector general have been given a broad mandate, along with an impressive array of powers and protections to carry it out independently and impartially.

Purposes of Offices of Inspector General

Section 2 of the codified law specifies three broad purposes or missions of the OIGs:

- to conduct and supervise audits and investigations relating to the programs and operations of the establishment;
- to provide leadership and coordination and recommend policies for activities designed to: (a) promote economy, efficiency, and effectiveness in the administration of such programs and operations, and (b) prevent and detect fraud and abuse in such programs and operations; and
- to provide a means for keeping the head of the establishment and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations as well as the necessity for and progress of corrective action.

Appointment, Removal, and General Supervision of IGs

IGs in Federal Establishments. Section 3 of the codified law covers the appointment, removal, and general supervision of inspectors general in federal establishments. The President appoints the IGs in the federal establishments (*i.e.*, cabinet departments and larger federal agencies) by and with the advice and consent of the Senate. The statute also provides that the selection be done without regard to

political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations.

The IG Act, as amended, provides that an inspector general may be removed from office only by the President, who then must communicate the reasons for removal to both Houses of Congress. There are no explicit restrictions on the President's authority; removal may be with or without cause.

Each inspector general "must report to and be under the general supervision of" the establishment head or, to the extent this authority is delegated, to the officer next in rank below the head, and shall *not* report to or be subject to supervision by any other officer. The restriction on supervision is reinforced by another provision: "Neither the head of the establishment nor any other officer shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation, or from issuing any subpoena."

Exceptions to this prohibition are few; they are spelled out for only certain departments and for only specified reasons. Sections 8, 8D, and 8E of the IG Act, as amended, authorize the heads of the Departments of Defense, Treasury, and Justice, respectively, to prohibit an IG audit, investigation, or issuance of a subpoena which requires access to information concerning ongoing criminal investigations, sensitive operational plans, intelligence matters, counterintelligence matters, and other matters the disclosure of which would constitute a serious threat to national security. (Under separate statutory authority, the Director of Central Intelligence (DCI) has similar power over the Inspector General in the Central Intelligence Agency (CIA).) Should the agency head use this power to limit the IG's exercise of authority, the reasons must be communicated to the IG and then by the inspector general to specified committees of Congress.

Section 3 also provides for two assistant inspectors general within each IG office in the specified federal establishments: *i.e.*, an Assistant Inspector General for Audits and an Assistant Inspector General for Investigations.

IGs in Designated Federal Entities. Section 8G covers the same matters for offices of inspectors general in "Designated Federal Entities," a category of organization added by the 1988 Amendments. These entities include the Consumer Product Safety Commission, Federal Communications Commission, Federal Labor Relations Authority, and Securities and Exchange Commission, along with numerous other usually small boards, commissions, government corporations, and foundations.

In addition to these entities, the inspector general in the Government Printing Office (GPO)—the only legislative branch entity with a statutory office of inspector general—operates under similar guidelines. Because GPO is a legislative branch organization, however, its OIG was established under separate public law (44 U.S.C. 3901-3903).

The appointment and removal provisions for IGs in designated federal entities (and in GPO) differ from those which govern presidentially-appointed IGs. The inspectors general in designated entities are appointed by the agency head. Regarding

removal, the agency head may remove or transfer the IG, but must promptly communicate in writing the reasons for such action to both Houses of Congress.

As with the presidentially appointed inspectors general, however, the IGs in the designated federal entities are required to report to and be under the “general supervision” of the agency head. Furthermore, neither the head nor any other officer can interfere with an IG audit or investigation or issuance of a subpoena.

Duties of IGs

The broad mandates, highlighted in section 2, are spelled out in greater detail in section 4 of the codified law. Each inspector general is required to perform specific duties to achieve the goals of promoting economy and efficiency and of detecting and preventing waste, fraud, and abuse. These duties illustrate the IG’s unique role within the agency and the broad grant of authority delegated by Congress. The IGs are specifically directed to:

- provide policy direction for, conduct, supervise, and coordinate audits and investigations relating to the establishment’s programs and operations;
- review existing and proposed legislation and regulations relating to programs and operations and make recommendations in the semiannual reports concerning the impact of the laws or regulations on the economy and efficiency in the establishment’s programs and operations and on the prevention and detection of fraud and abuse;
- recommend policies for, conduct, supervise, or coordinate other relevant activities of the establishment;
- recommend policies for, conduct, supervise, or coordinate relationships with other federal agencies, with state and local governmental agencies, and with nongovernmental entities with respect to promoting economy and efficiency and preventing and detecting fraud and abuse in establishment programs and with respect to identifying and prosecuting participants in fraud or abuse; and
- report expeditiously to the Attorney General whenever the inspector general has reasonable grounds to believe that there has been a violation of federal criminal law.

IG Reporting to and Informing the Agency Head and Congress

Under section 5, inspectors general have two basic types of reporting requirements to the agency head and to Congress. These are: (1) semiannual reports and (2) seven-day letter reports dealing with particularly serious or flagrant problems, a reporting obligation that was supplemented in 1998, by legislation regarding allegations from whistleblowers in the intelligence community. These reporting obligations complement the section 4 requirement to keep the agency head and Congress “fully and currently informed.”

Semiannual Reports. IGs are directed to make semiannual reports that summarize the OIG's activities for the previous six months, itemizing waste, fraud, and abuse problems, and identifying proposals for corrective action. The 1988 amendments refined and enhanced several of the semiannual reports' ingredients. For example, the reports must contain certain entries, some of which include:

- a description of significant problems, abuses, and deficiencies relating to programs and operations;
- a description of recommendations for corrective action;
- an identification of each significant recommendation contained in the previous reports on which corrective action has not been completed; and,
- statistical information relating to costs, management of funds, and related matters.

These IG reports go directly to the agency head, who must transmit them unaltered to appropriate congressional committees within 30 days. After another 60 days, such reports are to be made available to the public. The agency head is authorized to append comments and specific data and information to the IG reports; this additional information includes statistical tables showing audit reports and dollar value of recommendations of disallowed costs and projected savings of recommendations for funds which could be put to a better use.

Seven-Day Letter Reports. The Inspector General Act, as amended, also requires the IG to report immediately to the agency head whenever the IG becomes aware of "particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations." Such communications must be transmitted—unaltered but allowing for comments the head deems appropriate—to the appropriate congressional committees within seven days.

Intelligence Community Whistleblower Reporting. A parallel provision affecting inspectors general in the intelligence community became law in 1998. The Intelligence Community Whistleblower Protection Act (P.L. 105-272) specifically authorizes intelligence community employees and contractors to submit an "urgent concern"—that is, a serious or flagrant problem, abuse, violation of law or executive order, or other specified wrongdoing—based on classified information to Congress.

This is to be accomplished by first notifying the inspector general in the relevant agency—the Central Intelligence Agency, Department of Defense, Department of Justice, or other organizations that conduct foreign intelligence or counterintelligence—who must determine within 14 days whether the allegation appears credible. If so, the IG notifies the agency head, who transmits the complaint, along with any comments the head deems appropriate, to the House and Senate Select Committees on Intelligence within seven days. If the IG does not transmit the complaint or does not do so "in an accurate form," then the whistleblower may contact the intelligence committees directly, following specified guidelines; these include notification to the agency head, through the inspector general, of the intent to contact the committees and a statement of the allegation.

Other Channels of Communication. The enactment provides for additional channels for IGs to communicate with the agency head and Congress. Section 4 requires the IG:

to keep the head of such establishment and Congress fully and currently informed, by means of the reports required by section 5 and otherwise, concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations administered or financed by such establishment, to recommend corrective action concerning such problems, abuses, and deficiencies, and to report on the progress made in implementing such corrective action.

The concept of keeping the head and Congress informed “otherwise” (separate from the required reports) allows for a variety of mechanisms for the inspector general or the office to communicate with Congress. These means extend to: testifying at congressional hearings; meeting with lawmakers and staff; and providing information and reports directly to Members of Congress, its committees and subcommittees, and other offices.

Authority of IGs

To carry out the purposes of the act, Congress has granted the inspectors general broad authority.

Specific Powers. Section 6 of the codified legislation authorizes the IGs, among other things:

- to conduct audits and investigations and make reports relating to the administration of programs and operations;
- to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material which relate to programs and operations with respect to which the IG has responsibilities under the act;
- to request assistance from other federal, state, and local government agencies;
- to issue subpoenas for the production of all information, documents, reports, answers, records, accounts, papers, and other data and documentary evidence necessary to perform the IG’s functions;²
- to administer to or take from any person an oath, affirmation, or affidavit;
- to have direct and prompt access to the agency head;
- to select, appoint, and employ officers and employees to carry out the functions, powers, and duties of the office of the inspector general;

² This section does not permit the IG to use the subpoena power to obtain documents and information from other federal agencies. 5 U.S.C. App. 3, §6.

- to obtain the services of experts and consultants on a temporary or intermittent basis, as authorized by 5 U.S.C. 3109; and
- to enter into contracts and other arrangements for audits, studies, and other services with public agencies as well as private persons and to make such payments as may be necessary to carry out the act.

The scope of an IG's investigative authority is seen further in the range of matters the inspector general may investigate stemming from an employee complaint or disclosure of information. Under section 7 of the act, the inspector general is authorized to receive and investigate complaints or information from an employee concerning the possible existence of an activity constituting: a violation of law, rules, or regulations; mismanagement, gross waste of funds, and abuse of authority; or a substantial and specific danger to the public health and safety. In such instances, the IG shall not disclose the identity of the employee without the employee's consent, unless the IG determines that such disclosure is unavoidable during the course of the investigation. The act, supplementing other "whistleblower" statutes,³ also prohibits reprisals against employees who properly make complaints or disclose information to the IG.

Prohibition on Program Operating Responsibilities. Notwithstanding the broad powers granted by the IG Act, as amended, inspectors general are prohibited from taking corrective action or instituting changes themselves. Indeed, section 9 of the act expressly forbids the transfer "of program operating responsibilities" to an IG. This prohibition is designed to ensure the integrity of an IG's audit or investigation; if an IG were to carry out programs or institute changes, he or she would not be able to audit or investigate them objectively or impartially in the future.

Law Enforcement Powers. Despite the broad range of investigative authority under the IG Act, as amended, law enforcement powers have *not* been granted across-the-board in public law. Instead, the OIGs that have such authority—to carry firearms, make arrests without warrants, and obtain and execute search warrants—have acquired them in one of four basic ways: through transfers of pre-existing offices which held relevant powers when the OIG was created, specific statutory grants to a particular office (*e.g.*, in the Agriculture and Defense Departments), delegation of relevant authority and jurisdiction by the agency head, and special deputation by the Department of Justice.

In the past, IGs have received *ad hoc*, temporary special deputation from the Justice Department when law enforcement powers were needed independently (that is, without relying upon other agencies to make arrests, carry firearms, or execute search warrants). Criticism arose from the IG community, however, over the costs associated with such deputation, delays in processing OIG applications for it, and its limited duration and extent. As a result, an alternative policy has since been devised to provide extended, blanket deputation to most offices of inspector general in federal

³ See, most importantly, the Whistleblower Protection Act of 1989 (103 Stat. 16 *et seq.*) and its companion legislation setting forth the Merit System Principles (5 U.S.C. 2301-2305), along with the Intelligence Community Whistleblower Protection Act of 1998 (P.L. 105-272).

establishments (in 23 of the 28 OIGs headed by presidentially appointed IGs). Memoranda of Understanding between the Justice Department and the qualified OIGs implement this program, which is limited to one year and thus must be renewed annually.

Jurisdiction

In nearly all cases, inspectors general have comprehensive jurisdiction over the establishment or entity in which they are located. The few exceptions—in the Departments of Justice and the Treasury—exclude from or circumscribe the department IG's jurisdiction over certain law enforcement agencies.

One of those bureaus excluded from its parent agency IG has been the Treasury Department's Internal Revenue Service (IRS), which has been criticized for abusive and arbitrary conduct, maladministration, and an absence of accountability, oversight, and controls. As a result, a Treasury Inspector General for Tax Administration, along with other new organizations, including an IRS Oversight Board, has been established to cover the Internal Revenue Service alone.⁴ The new IG for Tax Administration, who is a presidential appointee subject to Senate confirmation, operates independently of the Treasury Department OIG. This is the only case among all statutory offices in which an IG has jurisdiction for a part of an establishment or entity that has its own office of inspector general. As a corollary, the Treasury Department Office of Inspector General is the only statutory office whose jurisdiction has been subdivided to accommodate a separate statutory OIG within the same establishment or entity.

Coordination Among and Investigations of IGs

Inspectors general, along with other relevant agencies, are members of one of two coordinating mechanisms, which have been established by executive order and operate under the auspices of the Office of Management and Budget (OMB). In addition, allegations of wrongdoing against IGs themselves or other high ranking officers can be investigated by a special integrity committee consisting of members of these two councils.

Coordination

Two councils—the President's Council on Integrity and Efficiency (PCIE), for the presidentially appointed IGs, and the Executive Council on Integrity and Efficiency (ECIE), for agency-head appointees—provide a coordinating mechanism for the inspectors general, along with representatives from other appropriate organizations. The other members include the Deputy Director for Management of the Office of Management and Budget, who chairs both councils; the Associate Deputy Director for Investigations of the Federal Bureau of Investigation (FBI); the

⁴ Sections 1102 and 1103 of P.L. 105-206, enacted on July 22, 1998. U.S. Congress, Committee of Conference, *Internal Revenue Service Restructuring and Reform Act of 1998*, conference report to accompany H.R. 2676, H.Rept. 105-599, 105th Cong., 2nd sess., (Washington: GPO, 1998), pp. 211-225.

Controller of the Office of Federal Financial Management; the Director of the Office of Government Ethics; the Special Counsel of the Office of Special Counsel; and the Deputy Director of the Office of Personnel Management. Besides these individuals, the Vice Chairperson of the PCIE sits on the ECIE and the Vice Chairperson of the ECIE, on the PCIE.

The President's Council on Integrity and Efficiency, the older of the two councils, was established in 1981 by President Reagan through Executive Order 12301. Both councils are now governed by Executive Order 12805, issued by President Bush in 1992. Among their functions, the councils "shall continually identify, review, and discuss areas of weakness and vulnerability in Federal programs and operations to fraud, waste, and abuse, and shall develop plans for coordinated, Governmentwide activities that address these problems and promote economy and efficiency in Federal programs and operations."

Administrative Investigations

Allegations of wrongdoing by inspectors general or other high-ranking officers in an IG office may be investigated by a special Integrity Committee, following a process authorized by Executive Order 12993, issued by President Clinton in 1996. Such a committee, established by the Chairperson of the PCIE and ECIE (*i.e.*, the Deputy Director for Management from OMB), is to consist of at least the following PCIE and ECIE members: the FBI representative, who chairs the committee; the Special Counsel of the Office of Special Counsel; the Director of the Office of Government Ethics; and three or more IGs, representing both the PCIE and the ECIE. In addition, the Chief of the Public Integrity Section of the Criminal Division of the Department of Justice serves as an advisor to the Integrity Committee with respect to its responsibilities and functions.

Once it receives allegations of wrongdoing, the Integrity Committee reviews them and, where appropriate, refers them to one of two investigative entities: either to an agency with jurisdiction over the matter or to an investigative team composed of selected investigators supervised and controlled by the Integrity Committee's chairperson.

Current Issues Affecting Inspectors General

The issues affecting the statutory IGs can be grouped under six broad categories:

- institutional arrangements and procedures;
- changes in authority of the IGs;
- effectiveness and orientation of the IGs, as well as the PCIE and ECIE;
- reporting to the agency head and Congress;
- personnel practices; and
- incentive awards.

Each of these issues is connected to the need for additional information and study or to options for change. These have arisen because of perceived problems or

weaknesses in the existing offices' resources, capabilities, operations, or authority; a possible need for statutory OIGs in government organizations or entities which do not have them currently; initiatives from the inspectors general directly to enhance their powers; or recent studies of their operations and recommendations for change coming from Members and committees of Congress or from outside sources.

Underlying some of the issues and options for change are differences among the IGs, based in part upon the different needs and characteristics of the establishments where they serve as well as the characteristics, experience, and orientation of the IG; possible tension between the audit and investigation functions of the offices; differences in the IGs' focus between prevention and detection; concerns about IG independence (from the establishment officers) versus IG impact (by working closely with the same officials); and disputes between certain IGs and the Department of Justice over their authority and jurisdiction.

The following provides suggestions for each of the five broad issues, based on the public record since the IGs were established. The Congressional Research Service takes no position in support of or in opposition to these suggestions.

Institutional and Procedural Arrangements

- Changing the removal provision for IGs by requiring that any such action by the President or agency head be "for cause," such as neglect of duty, malfeasance, or serious disability.
- Setting a term of office (*e.g.*, 6, 8, or 10 years) for the IGs, to encourage longer service and greater stability in a single post than is now common.
- Establishing an inspector general in the Executive Office of the President (with jurisdiction, for instance, over statutorily created entities therein).
- Establishing by statute offices of inspectors general in congressional branch support agencies, particularly the General Accounting Office and the Library of Congress, modeled perhaps after the OIG in the Government Printing Office or in designated federal entities, where the IG is appointed by the agency head.
- Bringing the OIG in the Government Printing Office into closer conformity with the IG Act provisions affecting OIGs in designated federal entities.
- Adding IG positions in other entities which might now meet the criteria used in the 1988 amendments for the designated federal entities but did not then.
- Setting up a panel of PCIE members to make recommendations to the entity heads or screen possible candidates for the IGs in the smaller designated federal entities.
- Placing certain OIGs in designated federal entities under a statutory inspector general in a related major establishment. This might be considered because of the OIGs small size, limited resources, or problems with independence, capabilities, and effectiveness. Several precedents for a dual assignment or

shared jurisdiction exist. There has been only one dual inspector general assignment, however: i.e., the IG in the State Department also served as the IG in the Arms Control and Disarmament Agency, which has since been transferred to the State Department. Presently, the State Department IG also has jurisdiction over the Broadcasting Board of Governors and the International Broadcasting Bureau, while the IG in the Agency for International Development covers the Overseas Private Investment Corporation.

- Having one person be the inspector general for all or a number of smaller designated federal entities. For instance, one individual could be the inspector general in perhaps 10 or 11 small entities; thus, the so-called mini-IGs would have a combined total of three IGs, contrasted with the more than 30 presently. Because of this combination, the newly created posts could become presidential nominations subject to Senate confirmation, rather than remaining as agency head appointments. This might also be a way of overcoming the limitations of small size, few resources, and limited capabilities, by comparison to other statutory IGs.
- Examining the offices with presidentially appointed IGs established by the 1988 IG Act Amendments and since then. This review would look at the newest of the presidentially appointed IG positions with a view to assessing their performance and reviewing any concerns about their independence and their offices' capabilities.
- Reviewing the statutory limitations on the Treasury Department IG's jurisdiction and authority over the law enforcement organizations in the Department: i.e., Bureau of Alcohol, Tobacco and Firearms; Customs Service; Internal Revenue Service (IRS); and Secret Service. This could examine whether there is a need to modify the current relationship with the existing Treasury Department IG or possibly to create a separate IG for one or all of these organizations, if merited, because of concerns about their accountability, performance, and conduct. In 1998, such an effort led to establishing a new Treasury Inspector General for Tax Administration to cover the IRS (P.L. 105-206).
- Establishing a separate office of inspector general for the Federal Bureau of Investigation (FBI) and Drug Enforcement Administration (DEA) in the Department of Justice or, alternatively, augmenting the authority and jurisdiction of the Justice Department inspector general over them. These options might be considered because of the size and importance of DEA and FBI, sensitivity of their operations, criticisms of past performance, and their relative independence from the Justice Department office of inspector general by comparison to other bureaus and organizations within the Department.
- Examining and clarifying in statute the role and responsibilities of the Justice Department IG with regard to the Office of Professional Responsibility (OPR), an administratively created office, along with other internal investigative or audit units in the department. Currently, for instance, there is a dispute within

the Justice Department about the scope of the IG's jurisdiction vis-a-vis OPR's, regarding investigation of officers or employees in attorney positions.

- Clarifying or changing the relationship of the IGs in the individual Armed Services with the Department of Defense (DOD) IG. This might include placing the military IGs directly and explicitly under the control of the civilian DOD inspector general.
- Expanding or clarifying the jurisdiction and authority of the IG in the Central Intelligence Agency with respect to other intelligence agencies, for instance, those in the Departments of Defense and Justice. One option would be to extend the CIA IG's jurisdiction to mirror the jurisdiction of the Director of Central of Intelligence, resulting in an inspector general for the entire intelligence community.
- Examining the relationship of the IG with the Chief Financial Officer (CFO) in each establishment where both posts exist.
- Creating the post of assistant inspector general for inspections, to supplement the existing ones for auditing and investigations.

Authority of Inspectors General

- Reviewing and further clarifying, if necessary, the scope and tools of the IGs' regulatory investigation authority. Certain limits on this authority and jurisdiction were prescribed in a 1989 Justice Department Office of Legal Counsel memorandum, commonly known as the "Kmiec memo" for its author. The following year, the Acting Attorney General, based on discussions between the Department of Justice and the PCIE, issued a followup memorandum, establishing a set of principles that attempt to clarify the earlier opinion.
- Examining and possibly expanding and standardizing law enforcement authority for criminal investigators in the offices of inspector general. This area of inquiry could look at: whether the current arrangements, especially the long-term special deputation by the Marshals Service, have proven effective and at what costs and impact on the offices of inspector general; whether there should be across-the-board law enforcement powers in public law or whether law enforcement powers, if expanded by statute, should be granted selectively to specific agencies; and, most fundamentally, whether there is a need for independent law enforcement authority for OIG criminal investigators, by comparison to other mechanisms which rely upon the Marshals Service or other law enforcement entities, and what impact such a change would produce in the OIGs themselves, in their relationship with the Justice Department, and in crime control efforts at the federal level.
- Enhancing IG testimonial subpoena authority for all statutory inspectors general under the 1978 IG Act. This change could aid IGs especially in gathering information about alleged abuses of authority and evidence about suspected criminal wrong-doing.

- Examining and possibly clarifying the rights of employees who are interviewed by IG staff, such as the right to counsel or to union representation at such meetings.
- Clarifying or expanding IG access to certain private records of public officials. These might include such items as income tax records and other financial records.
- Protecting the confidentiality of “whistleblowers” and other employees who bring allegations of wrong-doing to the IGs’ attention. This might result in examining instances where such confidentiality has not been adequately protected, where the individual employee protested the disclosure, and where (alleged) reprisals resulted.
- Granting IGs authority to halt specific projects or operations which are found to have “particularly serious or flagrant problems” and which are reported to the agency head and within seven days to Congress. (Only the now-defunct Inspector General for Foreign Assistance has held authority to halt a project.) These new powers could help to improve agency responsiveness to IG findings of these serious problems and subsequent recommendations for corrective action.
- Providing prosecutorial authority for IGs in specified areas, possibly on a trial basis. This power could increase the impact of IG findings of criminal conduct. Currently, prosecutions based on such discoveries are conducted by U.S. Attorneys and the Department of Justice. These Justice Department prosecutors may be overwhelmed with other cases that have a higher priority, such as those involving illegal narcotics, thus, reducing the likelihood of prosecutions based on IG findings of wrongdoing (for instance, for Medicare or Medicaid fraud).

Effectiveness and Orientation of IGs, PCIE, and ECIE

- Measuring effectiveness and orientation of the offices and comparing them over time. This could include attempts to determine changes within and between the audit and investigation functions since the establishment of an OIG, between an IG’s prevention and detection focuses, or between his or her possible roles as an “outsider” (*e.g.*, an independent critic) or “insider” (*e.g.*, an ally of management). Other studies could focus on corrective action taken by an agency on IG recommendations, based in part on the semiannual statistical reporting provisions required by the 1988 Amendments to the IG Act; these studies might examine whether the proposed corrective actions have actually taken place, to what extent, and with what results. A related inquiry might question the budgetary impact of corrective recommendations that have been implemented, asking, for instance, whether the cost-savings resulted in a reduction of an agency’s budget requests.
- Using different measurements or bases to assess performance effectiveness and success. Different kinds of measurements than presently used might reveal different levels or rates of success and effectiveness of IGs.

- Assessing the role of OIGs in implementation of the Government Performance and Results Act, both for themselves and for the agencies in which they are located.
- Examining the role of OIGs in helping to determine, commenting upon, and recommending corrective action for the high risk or high vulnerability areas in federal programs that have been identified by GAO.
- Requiring that the summary reports on IG activities produced by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency be issued semiannually. The PCIE reports had been issued twice a year until the FY 1988 report. These accounts, along with the ECIE reports, now appear only once a year; and their release is often delayed by more than six months after the end of the fiscal year. This results not only in fewer summary accounts of IG activities but also in less timely information and data than would be available if they were issued semiannually.
- Examining the role and responsibilities of the President's Council on Integrity and Efficiency (PCIE), covering presidentially-appointed IGs, and the Executive Council on Integrity and Efficiency (ECIE), covering entity-head appointments. This effort could examine how the PCIE and ECIE have contributed to the effectiveness of the IGs, presumably through improved coordination; any OMB followup to such efforts; what other techniques or operations might be adopted along the same lines; and whether individual IG activities, operations, or independence might have been jeopardized or reduced because of PCIE or ECIE demands.
- Looking into the controls (via the PCIE/ECIE Integrity Committee) over alleged abuses of authority or other improprieties by IGs or their top assistants.
- Examining what has happened to IG findings of suspected criminal wrongdoing reported to the Attorney General. This might include comparing among the IGs the number and type of such reported suspicions, as well as the Justice Department's own followup investigations and prosecutions. This examination could lead to determining the reasons why the Justice Department followed up (or did not do so) with its own investigations and prosecutions and, thus, help to improve IG preliminary investigations and gathering of evidence, if that appears necessary.

Reporting to the Agency Head and Congress

- Enhancing and standardizing the data and information on investigations in the semiannual reports. This might follow the lines for audit statistics and data required by the 1988 IG Act Amendments.
- Improving communication surrounding the major findings, conclusions, and recommendations in the semiannual reports. This could occur through, for instance, regular hearings with relevant congressional subcommittees when the report is issued and in-person briefings by IG personnel for congressional staff on relevant panels.

- Consolidating or coordinating the semiannual reports from IGs with the periodic reports submitted under other relevant statutes, such as the Chief Financial Officers Act and the Federal Managers' Financial Integrity Act.
- Requiring that the IGs issue their summary activity reports only annually, rather than semiannually, as is the case now.
- Increasing the use of the seven-day letter reports about "particularly serious or flagrant problems." This might be accomplished by clarifying the meaning of the phrase in law, in a congressional report, or in a PCIE advisory opinion to the IGs. The effort might also lead to setting specific criteria and standards for submitting such reports. It might, for instance, require that any finding which is repeated in three successive semiannual reports be considered "particularly serious or flagrant" and automatically submitted to the agency head and then sent to Congress within seven days. This possible product could be based on an examination of the infrequent use of the seven-day letter reports—about once a year for all IGs—and a comparison of this use with episodes that appear to meet a common understanding of "particularly serious or flagrant problems" but were not reported under this provision.
- Examining systematically the agency heads' and Congress's response to seven-day letter reports about particularly serious or flagrant problems discovered by the IGs.
- Requiring the IG to issue a confidential report directly to the appropriate congressional committees whenever the head of the establishment is the subject of an IG investigation. Presently, only the CIA Inspector General has this authority (for the Director of Central Intelligence).

Personnel Practices

- Comparing personnel practices of IGs. This might include examining whether the IG hires his or her own staff or relies upon personnel rotating into and out of the office from other parts of the establishment. It could also involve a comparison of the recruitment practices and selection criteria for new hirings, promotional opportunities and practices, and complaints or grievances from IG personnel in this field.
- Comparing changes over time between the audit and investigative side of each OIG. This effort could help to determine whether any growth in one side has been accomplished at the expense of the other, and if so, why.
- Contracting out for activities and operations. This could involve a review of such contracting among IGs currently or for each IG over time, what types of activities are contracted for, actual costs and cost-benefits, and the possible loss of in-house capabilities through a reliance on such outsourcing of activities and operations, which might result in "hollow government" (that is, the inability of a government office to perform its basic functions or activities itself).

Incentive Awards

- Using “whistleblower” cash incentive awards. This effort could look at the extent of their use by the inspectors general to reward federal personnel for cost-saving disclosures, differences among the IGs, and changes in usage over time.
- Allowing IGs to be eligible for incentive awards or not. An examination of this matter might first of all review the differences in accepting incentive awards among IGs and then examine the differences of opinion over whether IGs should be eligible for such awards, particularly those granted by the establishment head or based on his or her recommendation. If these types of awards are found acceptable, attention might then be given to alternative arrangements for nominating IGs—possibly through a panel of PCIE or ECIE members or through a panel of experts set up under the Federal Advisory Committee Act—to avoid the appearance of a conflict of interest.

Legislative Initiatives

Several legislative initiatives in the 105th Congress have called for changes in the statutory offices of inspector general.

Proposed Inspector General Act Amendments of 1998

In the most far-reaching of these, Senator Susan Collins introduced legislation (S. 2167), for herself and Senator Grassley, that would have amended the Inspector General Act of 1978 in a number of ways. First of all, the proposal would consolidate seven of smaller IG offices in designated federal entities into larger OIGs in federal establishments with similar subject matter jurisdictions (*e.g.*, Peace Corps OIG into the State Department OIG). The initiative would also reduce the semiannual reporting by IGs (to the agency head and to Congress) to a single annual report.

In addition, inspectors general in larger federal establishments, who are appointed by the President and confirmed by the Senate, would be given a renewable nine-year term of office, in the expectation that this would encourage longer tenure. The bill would also require that all IGs undergo an external review or evaluation of their activities and operations at least every three years. Finally, S. 2167 would increase the salary level of IGs in the federal establishments from Executive Level 4 (\$118,400) to Executive Level 3 (\$125,900). Because IGs have generally refrained from receiving bonuses in order to avoid the appearance of a conflict of interest, this loss of bonuses (from the agency head) has resulted in some IGs receiving lower annual compensation than their subordinates, particularly assistant and deputy inspectors general, who have accepted such bonuses.

Proposed Inspector General for Medicare and Medicaid

H.R. 251, introduced by Representative Jack Quinn on January 7, 1997, would have created a statutory inspector general for medicare and medicaid. The new

inspector general would have the same responsibilities, duties, powers, and authorities as the other statutory IGs under the 1978 Inspector General Act, as amended.

Proposed Reform of the Justice Department Inspector General

The proposed Department of Justice Inspector General Reform Act, H.R. 2182, would have amended the IG Act of 1978, as it pertains to the Department of Justice (DOJ). Introduced by Representative Robert Wexler on July 7, 1997, the bill provided that the Inspector General in the Justice Department would have oversight responsibility for the internal investigations performed by any DOJ entity. The IG would also have authority to initiate, conduct, and supervise inspections (along with audits and investigations as it is now authorized), regarding any Department entity or organization. The head of each DOJ entity, moreover, would be required to report promptly to the IG such matters, and under the terms, that the IG determines are necessary to carry out the IG's responsibilities. The proposal would also ensure that an IG audit, investigation, or inspection would preempt that of any other DOJ entity on the same matter.

Treasury Inspector General for Tax Administration

The Internal Revenue Service Restructuring and Reform Act of 1998 (P.L. 105-206) established a new Treasury Inspector General for Tax Administration to cover the Internal Revenue Service. The law is to take effect within 180 days after its enactment, which occurred on July 22, 1998.⁵ (The enactment contained additional oversight mechanisms and procedures to help improve accountability and control over the IRS.)

The jurisdiction for the new IG is confined to the IRS and tax administration, while the Treasury Department IG is excluded from such matters. As a presidential appointee, subject to Senate confirmation, the Inspector General for Tax Administration is on a par with statutory IGs in other establishments, that is, all the cabinet departments and larger federal agencies. The new IG reports to and is under only the "general supervision" of the head of the establishment—the Secretary of the Treasury, here—as are the other inspectors general. The IG for Tax Administration also has the same duties, authorities, and requirements of the IGs in other establishments. In addition, the powers and responsibilities of the IRS Office of Chief Inspector, including access to tax records, are transferred to the new Inspector General for Tax Administration.

Intelligence Community Whistleblower Protection Act of 1998

The Intelligence Authorization Act for Fiscal Year 1999 (P.L. 105-272) contained the Intelligence Community Whistleblower Protection Act of 1998, which involves the inspectors general in relevant establishments, notably the Central Intelligence Agency, Department of Defense, and Department of Justice, along with other organizations that conduct foreign intelligence or counterintelligence. Based

⁵ Sections 1102 and 1103 of P.L. 105-206.

on H.R. 3829, introduced by Representative Porter Goss, Chairman of the House Permanent Select Committee on Intelligence, and modified by the conferees on the intelligence authorization bill, the new whistleblower statute is designed to promote and protect reporting to Congress by employees or contractors who have an "urgent concern" about a number of matters, based on classified information. Such concerns include: suspected serious or flagrant problems, abuses, violations of law or executive orders; false statements to Congress; a willful withholding of certain information from Congress; and reprisals or the threat of reprisals against a whistleblower. (A parallel proposal in the Senate—S. 1668, 105th Congress—by comparison, did not specifically involve the IGs, unlike the House proposal and the final version.)

The new whistleblower statute establishes a procedure whereby employees notify the inspector general in their establishment of such problems and concerns. The IG is to determine within 14 days, if the charge appears credible. If so, the inspector general then notifies the agency head, who must transmit the information, along with any comments the head deems appropriate, to the House and Senate Select Committees on Intelligence within seven days.

If the IG does not transmit the complaint to the agency head or does not do so in an "accurate form," the inspector general must report this to the whistleblower. If he or she does not agree with the IG's decision, then the whistleblower is allowed to submit the information to the intelligence committees directly, under prescribed conditions; these include notice to the agency head, through the IG, of the intent to contact the panels and a statement of the allegation.

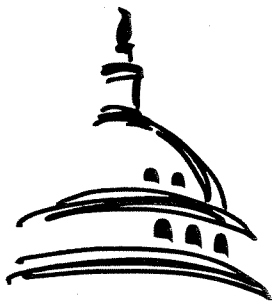
Foreign Affairs Reform and Restructuring Act of 1998

The Foreign Affairs Reform and Restructuring Act of 1998, a part of the Omnibus Consolidated and Emergency Supplemental Appropriations Act for Fiscal Year 1999 (P.L. 105-277), calls for the transfer of certain programs and agencies to the Department of State. Two of these—the Arms Control and Disarmament Agency (ACDA) and the United States Information (USIA)—are scheduled to be merged into the Department in 1999; consequently, the State Department IG will inherit jurisdiction for their programs and operations. (Previously, the State Department IG had a dual assignment as Inspector General in ACDA; this was the only case in which the same individual held two official inspector general positions, serving as the IG in two separate establishments.) In addition, the State Department inspector general, via P.L. 105-277, has been granted jurisdiction over the independent Broadcasting Board and the International Broadcasting Bureau, which had been under the USIA inspector general.

Recognition of IG Accomplishments Since the 1978 Act

In 1998, Congress recognized the accomplishments of the statutory inspectors general upon their 20th anniversary through P.L. 105-349. Introduced by Senator Glenn, for himself and six cosponsors, the joint resolution (S.J.Res. 58) commended the offices for their professionalism and dedication; recognized their accomplishments in combating waste, fraud, and abuse (resulting, for instance, in an estimated \$3 billion in returns and investigative recoveries and another \$25 billion in funds that could be

put to better use, in FY1997); and reaffirmed the role of the IGs in promoting economy, efficiency, and effectiveness in the administration of federal programs and operations.



CRS Report for Congress

Statutory Offices of Inspector General: Establishment and Evolution

Frederick M. Kaiser
Specialist in American National Government
Government and Finance Division

Summary

Statutory offices of inspector general (OIGs) consolidate responsibility for audits and investigations within a federal department, agency, or other organization. Established by public law as permanent, nonpartisan, independent offices, they now exist in nearly 60 federal establishments and entities, including all departments and the largest agencies as well as numerous boards and commissions. Under two major enactments—the Inspector General Act of 1978 and amendments of 1988—inspectors general (IGs) have been granted substantial independence and authority to carry out their basic mandate to combat waste, fraud, and abuse.¹ Recent statutes, moreover, have added three OIGs: for Tax Administration in Treasury, in Homeland Security, and in the Coalition Provisional Authority in Iraq (CPA). Other laws have codified Justice IG jurisdiction over the entire department and granted law enforcement powers to OIGs in establishments. This report will be updated as events require.

¹ 5 U.S.C. Appendix 3, which covers all but three statutory OIGs. These three operate under similar but not identical guidelines: in the Central Intelligence Agency (CIA); the Coalition Provisional Authority (CPA); and the Government Printing Office (GPO), a legislative branch entity. For further information, see the inspector general website at [<http://www.ignet.gov>], which provides access to their public reports and organizational structure, among other items; CRS Report 98-141, *Statutory Offices of Inspector General: A 20th Anniversary Review* (1998), by Diane T. Duffy and Frederick M. Kaiser; Frederick M. Kaiser, “The Watchers’ Watchdog: The CIA Inspector General,” *International Journal of Intelligence and Counterintelligence*, vol. 3, 1989, pp. 55-75; Paul C. Light, *Monitoring Government: Inspectors General and the Search for Accountability* (Washington: Brookings Institution, 1993); U.S. General Accounting Office, *Inspectors General: Office Consolidation and Related Issues*, GAO Report GAO-02-575 (August 2002); and numerous congressional hearings, including U.S. Congress, House Subcommittee on Government Efficiency, *25th Anniversary of the Inspector General Act*, hearings, 108th Cong., 1st sess., Oct. 8, 2003, available at [<http://www.house.gov/reform>]; House Subcommittee on Government Management, *The Inspector General Act of 1978: Twenty Years After Passage, Are The Inspectors General Fulfilling Their Mission?*, hearings, 105th Cong., 2nd sess. (Washington: GPO, 1999); and Senate Committee on Governmental Affairs, *The Inspector General Act: 20 Years Later*, hearings, 105th Cong., 2nd sess. (Washington: GPO, 1998).



Responsibilities

Inspectors general have three principal responsibilities under the Inspector General Act of 1978, as amended:

- conducting and supervising audits and investigations relating to the programs and operations of the establishment;
- providing leadership and coordination and recommending policies for activities designed to promote the economy, efficiency, and effectiveness of such programs and operations, and preventing and detecting fraud and abuse in such programs and operations; and
- providing a means for keeping the establishment head and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations, and the necessity for and progress of corrective action.

Authority and Duties

To carry out the purposes of the Inspector General Act, IGs have been granted broad authority to conduct audits and investigations; access directly all records and information of the agency; request assistance from other federal, state, and local government agencies; subpoena information and documents; administer oaths when taking testimony; hire staff and manage their own resources; and receive and respond to complaints from agency employees, whose confidentiality is to be protected. In addition, the Homeland Security Act of 2002 gave law enforcement powers to criminal investigators in offices headed by presidential appointees. Following the terrorist attacks on the Pentagon and World Trade Center on September 11, 2001, moreover, some IG staff were redeployed to assist in airline security and in terrorist investigations by the FBI and other agencies.

Notwithstanding these powers and duties, IGs are *not* authorized to take corrective action or make any reforms themselves. Indeed, the Inspector General Act, as amended, prohibits the transfer of “program operating responsibilities” to an IG (5 U.S.C. Appendix 3, Section 9(a)(2)). The rationale for this prohibition is that it would be difficult, if not impossible, for IGs to audit or investigate programs and operations impartially and objectively if they were directly involved in carrying them out.

Reporting Requirements

IGs also have important obligations concerning their findings, conclusions, and recommendations for corrective action. These include reporting: (1) suspected violations of federal criminal law directly and expeditiously to the Attorney General; (2) semiannually to the agency head, who must submit the IG report (along with his or her comments) to Congress within 30 days; and (3) “particularly serious or flagrant problems” immediately to the agency head, who must submit the IG report (along with comments) to Congress within 7 days. The IG for the Central Intelligence Agency (CIA), operating under a different statute, must also report to the House and Senate Select Committees on Intelligence if the Director (or Acting Director) of Central Intelligence is the focus of an investigation, audit, or inspection.

By means of these reports and “otherwise,” IGs are to keep the agency head and Congress fully and currently informed. Other means of communication include testifying at congressional hearings; meeting with legislators, officials, and staff; and responding to congressional requests for information and reports.

Independence

In addition to having their own powers (e.g., to hire staff and issue subpoenas), the IGs’ independent status is reinforced in a number of other ways: protection of their budgets, qualifications on their appointment and removal, prohibitions on interference with their activities and operations, and a proscription on being assigned any program operating responsibilities.

Appropriations. Presidentially appointed IGs in the larger federal agencies have a separate appropriations account (a separate budget account in the case of the CIA) for their offices. This situation prevents agency administrators from limiting, transferring, or otherwise reducing IG funding once it has been specified in law.

Appointment and Removal. Under the Inspector General Act, as amended, IGs are to be selected without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial and management analysis, law, public administration, or investigations. The CIA IG, who operates under a different statute, is to be selected under these criteria as well as prior experience in the field of foreign intelligence and in compliance with the security standards of the agency.

Presidentially appointed IGs in the larger federal establishments who are confirmed by the Senate can be removed only by the President. When so doing, the President must communicate the reasons to Congress. However, IGs in the (usually) smaller, designated federal entities are appointed by the agency head and can be removed by this officer, who must notify Congress in writing when exercising the power. In the U.S. Postal Service, by comparison, the governors appoint the inspector general — the only statutory IG with a set term (7 years). This IG can be removed with the written concurrence of at least seven of the nine governors, but only for cause — again, the only statutory IG having such a qualification governing removal.

Supervision. IGs serve under the “general supervision” of the agency head, reporting exclusively to the head or to the officer next in rank if such authority is delegated. With only a few specified exceptions, neither the agency head nor the officer next in line “shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation, or from issuing any subpoena during the course of any audit or investigation.”

Under the IG Act, as amended, the heads of only five agencies — the Departments of Defense, Homeland Security, Justice, and Treasury, plus the U.S. Postal Service — may prevent the IG from initiating, carrying out, or completing an audit or investigation, or issuing a subpoena, in order to preserve national security interests or to protect ongoing criminal investigations, among other specified reasons. When exercising this power, the department head must transmit an explanatory statement for such action to the House Government Reform Committee, the Senate Governmental Affairs Committee, and other appropriate congressional committees and subcommittees within 30 days.

Under the CIA IG Act, the Director of Central Intelligence may similarly prohibit the CIA IG from conducting investigations, audits, or inspections and then must notify the House and Senate Intelligence Committees of the reasons for such action within 7 days.

Coordination and Controls

Several presidential orders have been issued to improve coordination among the IGs and provide a means for investigating charges of wrongdoing by the IGs themselves and other top echelon officers. In early 1981, President Ronald Reagan established the President's Council on Integrity and Efficiency (PCIE) to coordinate and enhance efforts at promoting integrity and efficiency in government programs and to detect and prevent waste, fraud, and abuse (E.O. 12301). Chaired by the Deputy Director of the Office of Management and Budget, the PCIE was composed of the existing statutory IGs plus officials from the Office of Personnel Management, the Federal Bureau of Investigation (FBI), and the Departments of Defense, Justice, and the Treasury, among others. PCIE membership was expanded to include the subsequent IGs in establishments, the Controller of the Office of Federal Financial Management, the Director of the Office of Government Ethics, and the Special Counsel. In 1992, following the establishment of new IG offices in designated federal entities, a parallel Executive Council on Integrity and Efficiency (ECIE) was created for these new IGs and other appropriate officials. Both the PCIE and the ECIE currently operate under E.O. 12805, issued by President George H.W. Bush in 1992.

Concerns about the investigation of alleged wrongdoing by IGs themselves or other high-ranking officials in an office of inspector general prompted the establishment of a new mechanism to pursue such charges. In 1996, President Bill Clinton chartered an Integrity Committee, composed of PCIE and ECIE members and chaired by the FBI representative, to receive such allegations (E.O. 12993). If deemed warranted, the panel refers them for investigation to an executive agency — including the FBI — with appropriate jurisdiction or a special investigative unit composed of council members.

Establishment

Statutory offices of inspector general currently exist in 59 federal establishments and entities, including all 15 cabinet departments; major executive branch agencies; independent regulatory commissions; various government corporations and foundations; and one legislative branch agency: the Government Printing Office (GPO). All but three of the OIGs — in the CIA, CPA, and GPO — are directly and explicitly under the Inspector General Act of 1978, as amended.

Each office is headed by an inspector general, who is appointed in one of two ways:

- (1) 30 are nominated by the President and confirmed by the Senate in the federal establishments: all cabinet departments and the larger agencies. (See **Table 1**.)
- (2) 29 are appointed by the head of the entity in the 27 designated federal entities — usually smaller foundations, boards, and commissions — and in two other agencies, where the IGs operate under separate but parallel authority: CPA, whose IG is appointed by the Secretary of Defense after consultation with the

Secretary of State; and GPO, a legislative branch office, whose IG is appointed by the Public Printer. (See Table 2.)

Table 1. Statutes Establishing Inspectors General Nominated by the President and Confirmed by the Senate, 1976-Present^a
(current offices are in bold)

Year	Statute	Establishment
1976	P.L. 94-505	Health, Education, and Welfare (now Health and Human Services)
1977	P.L. 95-91	Energy
1978	P.L. 95-452	Agriculture, Commerce, Community Services Administration,^b Housing and Urban Development, Interior, Labor, Transportation, Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, Small Business Administration, Veterans Administration (now the Veterans Affairs Department)
1979	P.L. 96-88	Education
1980	P.L. 96-294	U.S. Synthetic Fuels Corporation ^b
1980	P.L. 96-465	State^c
1981	P.L. 97-113	Agency for International Development^d
1982	P.L. 97-252	Defense
1983	P.L. 98-76	Railroad Retirement Board
1986	P.L. 99-399	U.S. Information Agency ^{b,c}
1987	P.L. 100-213	Arms Control and Disarmament Agency ^{b,c}
1988	P.L. 100-504	Justice,^e Treasury, Federal Emergency Management Administration,^{b,f} Nuclear Regulatory Commission, Office of Personnel Management
1989	P.L. 101-73	Resolution Trust Corporation ^b
1989	P.L. 101-193	Central Intelligence Agency^a
1993	P.L. 103-82	Corporation for National and Community Service
1993	P.L. 103-204	Federal Deposit Insurance Corporation
1994	P.L. 103-296	Social Security Administration
1994	P.L. 103-325	Community Development Financial Institutions Fund ^b
1998	P.L. 105-206	Treasury Inspector General for Tax Administration^g
2000	P.L. 106-422	Tennessee Valley Authority^h
2002	P.L. 107-189	Export-Import Bank
2002	P.L. 107-296	Homeland Security^f

- a. All except the CIA IG are directly under the 1978 Inspector General Act, as amended.
- b. CSA, Synfuels Corporation, USIA, ACDA, RTC, CDFIF, and FEMA have been abolished or transferred.
- c. The State Department IG had also served as the IG for ACDA. In 1998, P.L. 105-277 abolished ACDA and USIA and transferred their functions to the State Department. The Act also brought the Broadcasting Board of Governors and the International Broadcasting Bureau under the jurisdiction of the State Department Inspector General.
- d. The Inspector General in AID may also conduct reviews, investigations, and inspections of the Overseas Private Investment Corporation (22 U.S.C. 2199(e)).
- e. In 2002, P.L. 107-273 expanded the jurisdiction of the Justice OIG to cover all department components, including DEA and the FBI.
- f. P.L. 107-296, which established the Homeland Security Department, transferred FEMA's functions to it and also granted law enforcement powers to OIG criminal investigators in establishments.
- g. The OIG for Tax Administration in Treasury now is the only case where a separate statutory OIG exists within an establishment or entity that is otherwise covered by its own statutory office.
- h. P.L. 106-422, which redesignated TVA as an establishment, also created, in the Treasury Department, a Criminal Investigator Academy to train IG staff and an Inspector General Forensic Laboratory.

Table 2. Designated Federal Entities and Other Agencies with Statutory IGs Appointed by the Head of the Entity or Agency^a
(current offices are in bold)

ACTION ^b	Federal Trade Commission
Amtrak	Government Printing Office^a
Appalachian Regional Commission	Interstate Commerce Commission ^f
Board of Governors of the Federal Reserve System	Legal Services Corporation
Board for International Broadcasting ^c	National Archives and Records Administration
Coalition Provisional Authority (in Iraq)^a	National Credit Union Administration
Commodity Futures Trading Commission	National Endowment for the Arts
Consumer Product Safety Commission	National Endowment for the Humanities
Corporation for Public Broadcasting	National Labor Relations Board
Equal Employment Opportunity Commission	National Science Foundation
Farm Credit Administration	Panama Canal Commission ^g
Federal Communications Commission	Peace Corps
Federal Deposit Insurance Corporation ^d	Pension Benefit Guaranty Corporation
Federal Election Commission	Securities and Exchange Commission
Federal Home Loan Bank Board ^e	Smithsonian Institution
Federal Housing Finance Board^e	Tennessee Valley Authority ^h
Federal Labor Relations Authority	United States International Trade Commission
Federal Maritime Commission	United States Postal Serviceⁱ

- a. All agencies — except CPA (P.L. 108-106) and GPO (P.L. 100-504) — are considered “designated federal entities” and placed directly under the 1978 IG Act by the 1988 Amendments (P.L. 100-504) or subsequent enactments.
- b. In 1993, P.L. 103-82 merged ACTION into the new Corporation for National and Community Service.
- c. The BIB was abolished by P.L. 103-236 and its functions transferred to the International Broadcasting Bureau within USIA, which was later abolished and its functions transferred to the State Department.
- d. In 1993, P.L. 103-204 made the IG in FDIC a presidential appointee, subject to Senate confirmation.
- e. In 1989, P.L. 101-73 abolished the FHLBB and placed the new FHFB the 1988 IG Act Amendments.
- f. The ICC was abolished in 1995 by P.L. 104-88.
- g. The Panama Canal Commission, replaced by the Panama Canal Commission Transition Authority, was phased out, when United States responsibility for the Canal was transferred to the Republic of Panama (22 U.S.C. 3611).
- h. P.L. 106-422 redesignated TVA as a federal establishment.
- i. In 1996, the U.S. Postal Service Inspector General was separated from the Chief Postal Inspector and now exists as an independent position. The IG is appointed by, and can be removed by, the governors.

Table 3. Tabulation of Existing Federal Establishments, Entities, or Agencies with Statutory IGs

Controlling statute	IGs nominated by President and confirmed by Senate	IGs appointed by head of entity or agency	Total
1978 IG Act, as amended	29	27	56
Other statutes	1 ^a	2 ^b	3
Total	30	29	59

a. CIA IG, P.L. 101-193.

b. CPA IG, P.L. 108-106, and GPO IG, P.L. 100-504.



**AN INTRODUCTION
TO THE
INSPECTOR GENERAL
COMMUNITY**



THE INSPECTOR GENERAL'S RESPONSIBILITIES

The 1978 IG Act charges the Offices of Inspector General to:

- ◆ **Detect fraud, waste, and abuse in their agency's programs**
- ◆ **Examine the efficiency and effectiveness of agency operations**

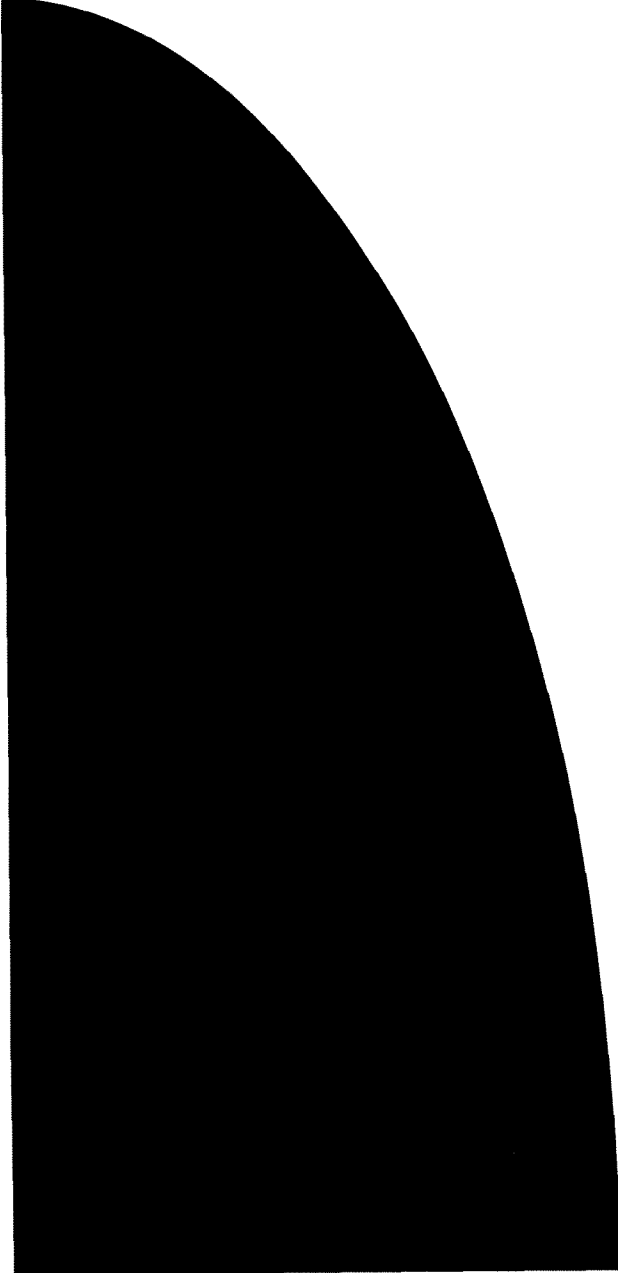


INSPECTOR GENERAL VISION STATEMENT

**We are agents of positive change
striving for improvement in our
agencies' management and program
operations and in our own offices.**



WHO BENEFITS FROM IG ACTIVITIES?

- 
- ◆ **Agency head - receives objective and independent information about the agency's performance, and on fraud, waste, and abuse in agency programs**
 - ◆ **Agency programs - IG activities can generate**
 - ◆ **Management improvements**
 - ◆ **Recoveries of overpaid funds**
 - ◆ **Future operating economies**
 - ◆ **Congress - IG reports assist in oversight and accountability**
 - ◆ **Taxpayers - receive more effective federal programs and services at a lower cost**



INSPECTOR GENERAL ACT - ORIGINS

Congressional hearings during the 1960's and 1970's identified

- ◆ **Inadequate coordination between agency management and law enforcement officials**
- ◆ **Lack of independence of agency's audit, investigative, and oversight components**
- ◆ **Inadequate coordination among auditors, investigators, and program managers**
- ◆ **Insufficient public accountability for fraud, waste, abuse, and inefficiency**



INSPECTOR GENERAL ACT

- ◆ **Originally enacted in October 1978**
- ◆ **Created Inspectors General in 12 of the largest federal agencies**
- ◆ **Amended several times, now provides for Inspectors General in 57 agencies**
- ◆ **Remains the cornerstone of every IG's organizational existence**

IMPACT OF IG ACTIVITIES

- ◆ **Recovering funds paid incorrectly or fraudulently**
- ◆ **Savings through more efficient and effective operations**
- ◆ **Prosecuting crimes against federal programs**
- ◆ **Sanctioning persons or entities that have violated program requirements**
- ◆ **Reports provide factual basis on which agency may discipline employees**

IMPACT OF IG ACTIVITIES FY 1991 - 1999

IMPACT MEASURE	TOTAL RESULTS
Recommendations in audit reports that costs be disallowed or funds be put to better use	\$106 billion
Financial recoveries resulting from IG investigative activities	\$13 billion
Successful prosecutions	122,000
Administrative sanctions	47,000
Personnel actions	19,000

Source: PCIE/ECIE Progress Reports to the President, FYs 1991 – 1999; all numbers cited include results reported by the Office of Inspector General of the U.S. Postal Service, in its oversight role regarding the Postal Inspection Service.

APPOINTMENT OF THE INSPECTORS

GENERAL

- ◆ **In 29 agencies - including every Cabinet department and the larger independent agencies - the Inspector General is appointed by the President, with advice and consent of the Senate**
- ◆ **In 28 other agencies, the Inspector General is appointed by the agency head**
- ◆ **No difference in the powers or authorities between the two categories of IGs**
- ◆ **If IG is removed from position, Congress must be informed promptly of reasons**

IG OPERATIONAL INDEPENDENCE

The IG Act contains provisions to assure the OIG's ability to carry out its activities

- ◆ **IG works under the “general supervision” of the agency head/deputy agency head, but is not subject to supervision from any other agency official**
- ◆ **OIG has full operational independence to select, plan, and conduct its work**
- ◆ **OIG conducts, coordinates, or oversees all audits and criminal investigations of agency's programs**



**IG OPERATIONAL INDEPENDENCE
(CONTINUED)**

- ◆ **IG may not manage any operational program of the agency or supervise non IG employees**
- ◆ **IG may not make policy for non-OIG programs**
- ◆ **IG has dual reporting responsibilities**
 - ◆ **Agency head**
 - ◆ **Congress**



IG OPERATIONAL INDEPENDENCE (CONTINUED)

- ◆ **“Seven day letter”**
 - ◆ **Special IG report to agency head**
 - ◆ **“Particularly serious or flagrant programs, abuses, or deficiencies”**
 - ◆ **Agency head must forward to Congress within 7 days, with comments**



IG ACCESS TO INFORMATION

- ◆ **Statutory right of access**
 - ◆ **All agency records and employees**
 - ◆ **Information needed for audits and investigations**

- ◆ **Subpoena authority under the IG Act**
 - ◆ **Non-agency documents**
 - ◆ **Enforceable in federal court**

ORGANIZATION OF OFFICES OF INSPECTOR GENERAL

- ◆ **Positions required by the IG Act for
Presidentially-appointed IGs**
 - ◆ **Assistant Inspector General for Audits -
manages all audit activities**
 - ◆ **Assistant Inspector General for Investigations
- manages all investigative activities**
- ◆ **Not required by the Act, but present in nearly
every Presidentialy-appointed IG**
 - ◆ **Deputy Inspector General**
 - ◆ **Legal Counsel to the IG**

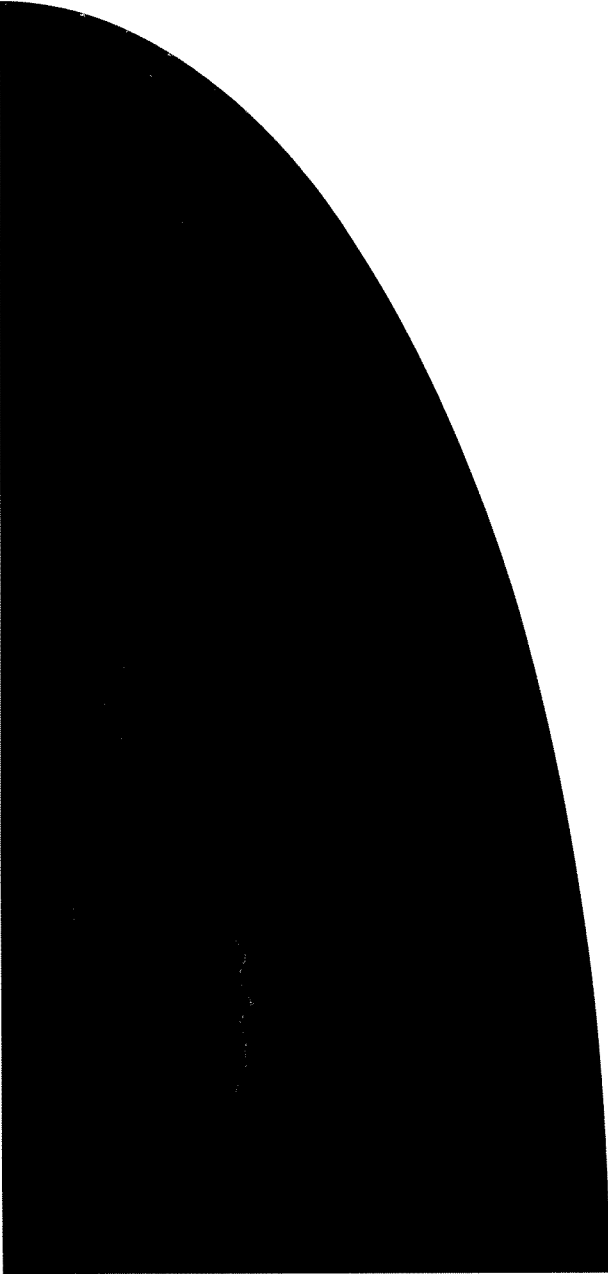


IG ACT - IG INFRASTRUCTURE

- ◆ **Assures the IG's objectivity and independence**
- ◆ **Independent management authority in several areas**
 - ◆ **Contract for goods and services, including offices, facilities, and equipment**
 - ◆ **Exclusive personnel management authority for IG employees (other than SES)**
 - ◆ **Separate appropriation account for IG funds**



OIG OPERATIONS - AUDITS

- 
- ◆ **Auditing the agency's financial statements**
 - ◆ **Identifying fraud, waste, and abuse in agency programs**
 - ◆ **Determining whether agency funds have been paid properly, and identifying payments that should be recovered**
 - ◆ **Identifying ways that agency funds can be put to better use**



OIG OPERATIONS - AUDITS (CONTINUED)

- ◆ **Identifying ways the economy and efficiency of programs can be improved**
- ◆ **Determining whether contractors and grantees have met their responsibilities to the government**
- ◆ **Determining whether agency programs are being administered in accordance with law, regulation, and policy**



OIG OPERATIONS - AUDIT STANDARDS AND TRAINING

- ◆ **General Accounting Office's Government Auditing Standards ("Yellow Book")**
 - ◆ **Professional standards for all government auditing**
 - ◆ **Foundation for training IG auditors**

- ◆ **Inspector General Auditor Training Institute**
 - ◆ **Operated on a cooperative basis by the IG community**
 - ◆ **Courses at introductory through advanced levels**



OIG OPERATIONS - INVESTIGATIONS

- ◆ **Criminal and civil investigations**
- ◆ **Fraud and abuse in agency programs**
- ◆ **Investigations of misconduct by agency personnel/contractors/grantees**
- ◆ **Law enforcement authority**
 - ◆ **Obtain and execute search warrants**
 - ◆ **Make arrests**
 - ◆ **Carry firearms**



OIG OPERATIONS - INVESTIGATIVE STANDARDS AND TRAINING

- ◆ **Quality Standards for Investigations**
 - ◆ **Developed by the President's Council on Integrity and Efficiency**

- ◆ **Federal Law Enforcement Training Center**
 - ◆ **Courses for investigators in 70 agencies and the IG community**
 - ◆ **IG agents receive basic investigator training**

- ◆ **Inspector General Criminal Investigator Academy**
 - ◆ **Meets specialized training needs of IG agents**



OIG OPERATIONS - INSPECTION AND EVALUATIONS

- ◆ **Not required by the IG Act, but present in many IG offices**
- ◆ **Complements audits and investigations**
- ◆ **Studies focus on a stated issue, topic, or program**
- ◆ **Timely reports with specific recommendations for program officials**
- ◆ **Professional standards developed by PCIE**



OIG PROGRAM REPORTS

- ◆ **Principal work product of IG activities**
- ◆ **Normally issued to the agency official responsible for the affected program area**
- ◆ **Investigative reports may also be sent to:**
 - ◆ **United States Attorney for prosecutorial consideration**
 - ◆ **Other federal law enforcement agencies for coordination**
- ◆ **Draft audit reports may be distributed for comment before final issuance**

IG SEMIANNUAL REPORTS

- ◆ **Reporting periods (each year)**
 - ◆ **October - March**
 - ◆ **April - September**
- ◆ **IG's dual reporting relationship to the agency head and Congress**
 - ◆ **Agency must forward the IG report to Congress, with agency response**
- ◆ **Both the IG report and agency response are in the public record**



IG SEMIANNUAL REPORTS - REPORTING TOPICS

Reflect congressional interest in fostering public accountability for integrity and efficiency issues

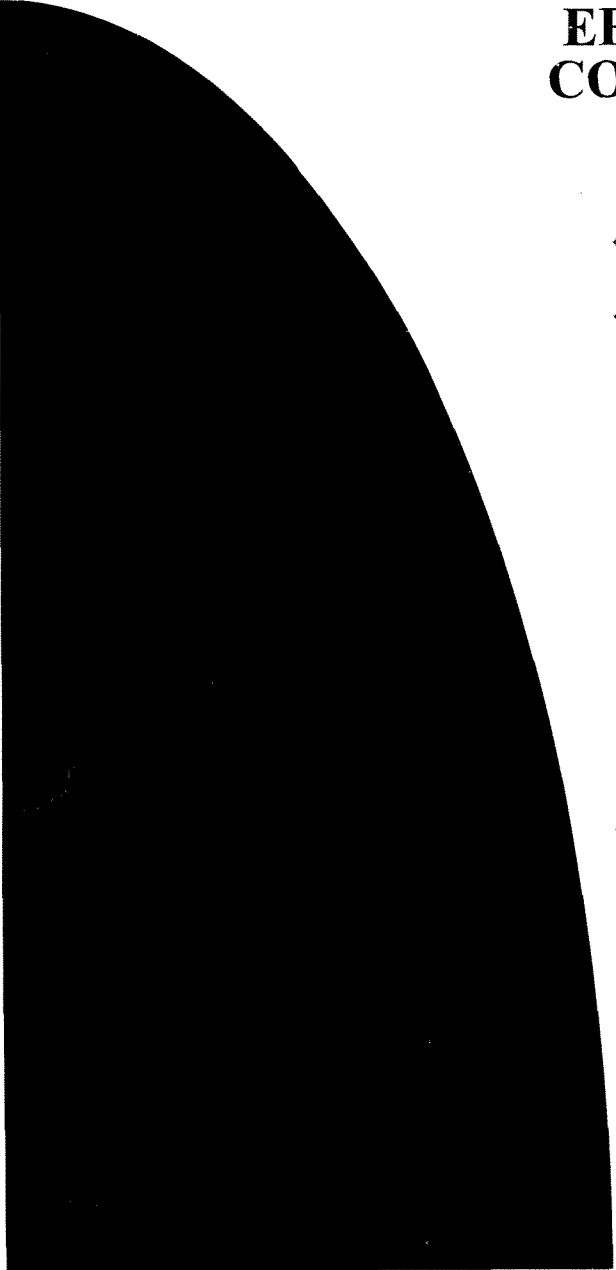
- ◆ **List of all audit reports issued**
- ◆ **Detailed accounting for financial impact of audit activities**
- ◆ **Narrative summaries of significant audits and investigations**



IG SEMIANNUAL REPORTS - REPORTING TOPICS

(CONTINUED)

- ◆ **Significant problems, deficiencies, or abuses in the agency**
- ◆ **Matters referred by the IG for prosecution**
- ◆ **Impact of proposed regulations and legislation on economy, efficiency, and integrity of agency programs**



**PRESIDENT'S COUNCIL ON INTEGRITY AND
EFFICIENCY (PCIE) AND THE EXECUTIVE
COUNCIL ON INTEGRITY AND EFFICIENCY
(ECIE)**

- ◆ **Established by Executive Order**
- ◆ **Coordinating bodies for the Presidentially appointed IGs (PCIE) and the agency-appointed IGs (ECIE)**
 - ◆ **Policy issues crossing agency lines**
 - ◆ **Professional standards for IG work**
 - ◆ **Studies on topics of government-wide concern**
 - ◆ **Training for executives, managers, and staff**
- ◆ **Chaired by OMB Deputy Director for Management**



PCIE - ECIE (CONTINUED)

- ◆ **PCIE Standing Committees**
 - ◆ **Audits**
 - ◆ **Investigations**
 - ◆ **Legislation**
 - ◆ **Professional Development**
 - ◆ **Integrity**

- ◆ **Each committee chaired by an IG, except FBI chairs the Integrity Committee**



INTEGRITY COMMITTEE

- ◆ **Recognizes IG community's own accountability**
- ◆ **Based on Executive Order developed by the PCIE**
- ◆ **Chaired by the FBI's Assistant Director for Criminal Investigations**



INTEGRITY COMMITTEE (CONTINUED)

- ◆ **Membership from within and outside the IG community**
 - ◆ **Director, Office of Government Ethics**
 - ◆ **Special Counsel, Merit Systems Protection Board**
 - ◆ **Chief, Public Integrity Section, Criminal Division, Department of Justice**
 - ◆ **Three or more sitting IGs drawn from the PCIE and ECIE**



INTEGRITY COMMITTEE OF PCIE (CONTINUED)

- ◆ **Reviews allegations of wrongdoing on part of IGs and senior executives in IG offices**
- ◆ **Conducts or arranges for investigations**
- ◆ **Provides findings to OMB**

PUBLICLY AVAILABLE SOURCES OF INFORMATION

- ◆ **IG Semiannual reports**

- ◆ **PCIE/ECIE Progress Report to the President**
 - ◆ **Compiled annually**
 - ◆ **Community-wide statistical and narrative information**

- ◆ **IGNet, the PCIE/ECIE website www.ignet.gov**
 - ◆ **Links and references to each IG's own website, and related sites**