GAO Highlights

April 10, 2014

INSPECTORS GENERAL

Oversight of Small Federal Agencies and the Role of the Inspectors General

Why GAO Did This Study

The IGs play a key role in federal agency oversight by enhancing government accountability and protecting the government's resources. This includes a strong leadership role in making recommendations to improve the effectiveness and efficiency of government offices and programs at a time when they are needed most.

This testimony focuses on (1) the creation of independent IG offices, (2) IG oversight of small agencies, and (3) IG independence and budgetary resources.

This testimony provides updates of current IG responsibilities; provisions of the IG Act, as amended; and draws on prior GAO reports and testimonies conducted in accordance with GAO's Quality Assurance Framework.

GAO has made numerous observations and provided matters for the Congress to consider in prior reports when addressing IG oversight at small federal agencies and IG independence.

What GAO Found

The Inspector General Act of 1978, as amended (IG Act), originally established inspectors general (IG) appointed by the President and confirmed by the Senate in 12 major departments and agencies of the government to conduct and supervise independent audits and investigations; recommend policies to promote economy, efficiency, and effectiveness; and prevent and detect fraud and abuse in their departments' and agencies' programs and operations. Based in part on GAO's findings that the internal audit offices of small federal agencies lacked independence and provided inadequate coverage of important programs, the Congress passed the IG Act Amendments of 1988 to establish IGs in designated federal entities (DFE), which are generally smaller agencies established in various statutes as commissions, boards, authorities, corporations, endowments, foundations, institutions, agencies, and administrations identified by the act. The DFE IGs are appointed by their respective entity heads with duties and responsibilities similar to those of IGs appointed by the President. The Congress used a budget threshold of $100 million to help determine which DFEs should have IGs. However, additional DFEs below this threshold were also included for specific reasons.

Significant federal programs and agencies should be subject to oversight by independent IGs; however, small IG offices with limited resources might not have the ability to obtain the technical skills and expertise needed to provide adequate, cost-effective oversight. GAO has previously found that alternative approaches exist to achieve IG oversight that may be appropriate for federal agencies with small budgets and few resources. For example, GAO has recommended on a case-by-case basis that specific small agencies could benefit by obtaining IG oversight from another agency's IG office where the missions of the two agencies are somewhat similar.

Independence is one of the most important elements of an effective IG function. The IG Act, as amended, provides specific protections to IG independence. The IG Reform Act of 2008 further enhanced the IGs' independence by providing specified pay levels, IG legal counsel, a process for handling allegations of IG wrong-doing, and required notification to the Congress before an IG is removed or transferred. The IG Reform Act also requires the IGs' budget requests to be visible in the budget of the U.S. government submitted by the President to the Congress. Additional provisions to enhance the independence of IGs in DFEs with boards or commissions were included in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Specifically, these IGs are to report organizationally to the entire board or commission rather than a single chairperson. In addition, the IG Act requires a two-thirds majority of the board or commission to remove the IG.

United States Government Accountability Office