

September 2011

INSPECTORS
GENERAL

Reporting on
Independence,
Effectiveness, and
Expertise

U.S. Government Accountability Office



YEARS

1921-2011

ACCOUNTABILITY ★ INTEGRITY ★ RELIABILITY

Why GAO Did This Study

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) required GAO to report on the relative independence, effectiveness, and expertise of the inspectors general (IG) established by the IG Act of 1978, as amended (IG Act), including IGs appointed by the President with Senate confirmation and those appointed by their agency heads in designated federal entities (DFE). GAO was also required to report on the effect that provisions in the Dodd-Frank Act have on IG independence.

The objectives of this report are to provide information as reported by the IGs on (1) the implementation of provisions intended to enhance their independence in the IG Reform Act of 2008 (Reform Act), the IG Act, and the Dodd-Frank Act; (2) their measures of effectiveness, including oversight of American Recovery and Reinvestment Act of 2009 (Recovery Act) funds; and (3) their expertise and qualifications in areas specified by the IG Act.

GAO relied primarily on responses to its survey received from 62 IGs established by the IG Act. GAO also obtained information from the President's fiscal year 2011 budget, the IGs' annual report to the President for fiscal year 2009, and the IGs' semiannual reports to the Congress.

GAO is not making any recommendations in this report. In comments on a draft of this report, the Council of the Inspectors General on Integrity and Efficiency (IG Council) stated the report contributes to a greater understanding of the work of the IGs in providing oversight to a wide range of government programs.

View [GAO-11-770](#) or key components. For more information, contact Susan Ragland at (202) 512-8486 or raglands@gao.gov.

INSPECTORS GENERAL

Reporting on Independence, Effectiveness, and Expertise

What GAO Found

Information from the 62 IGs in offices established by the IG Act and GAO's analysis showed that the IGs had (1) taken actions to implement statutory provisions intended to enhance their independence; (2) reported billions of dollars in potential savings and other measures of effectiveness, including actions taken to help prevent fraud in the distribution of Recovery Act funds; and (3) a range of expertise and qualifications in the areas specified by the IG Act.

With respect to independence, the IGs reported that

- statutory provisions regarding IG compensation have been implemented where applicable, thereby maintaining the independence of their work and enhancing their relative stature within their agencies;
- they had access to independent legal counsel who reports to an IG instead of an agency management official;
- only one IG used a statutory provision for IGs to report particularly flagrant problems through the agency head to the Congress in 7 days because issues are generally resolved before the report is needed; and
- of the affected 26 DFE IGs, 14 responded that their independence was enhanced by the Dodd-Frank Act provision that changed the designation of agency head from the chair to the entire board or commission, and 20 responded that their independence was enhanced by the provision requiring a two-thirds majority vote for IG removal.

Also, the IGs' budgets were not always identified separately in the President's fiscal year 2011 budget submission as required by the Reform Act provision intended to enhance the IGs' budget independence through transparent reporting. The IG Council is currently reviewing the matter.

The IGs reported various measures of effectiveness. The IGs reported potential savings of about \$43.3 billion resulting from their fiscal year 2009 audits and investigations. Given the IGs' fiscal year 2009 budget authority of about \$2.3 billion, these potential savings represent about an \$18 return on every dollar invested in the IGs. The IGs also reported about 5,900 criminal actions, 1,100 civil actions, 4,400 suspensions and debarments, and 6,100 indictments as a result of their work. In addition, the IGs reported enhanced effectiveness through additional actions taken to help prevent fraud in their agencies. For example, in fiscal year 2009 the Recovery Act created a requirement for the IGs to provide oversight of the economic stimulus funds disbursed by their agencies, and established the Recovery Accountability and Transparency Board of IG members to help carry out this oversight. As of June 2011, the IGs reported over 1,500 investigations opened, over 1,400 reviews completed, and over 2,000 training sessions provided to detect and prevent fraud, waste, abuse, and mismanagement in the use of Recovery Act funds.

With respect to expertise, the IGs reported having backgrounds, academic degrees, and certifications in a range of areas related to their statutory responsibilities. The IGs reported backgrounds and academic degrees in accounting, auditing, financial analysis, law, management analysis, public administration, and investigations. In addition, the IGs, particularly the DFE IGs, reported numerous professional certifications related to their responsibilities.

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Abbreviations:

IG	statutory federal inspector general
IG Act	Inspector General Act of 1978, as amended
IG Council	Council of the Inspectors General on Integrity and Efficiency
DFE	designated federal entity
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Recovery Act	American Recovery and Reinvestment Act of 2009
Recovery Board	Recovery Accountability and Transparency Board
Reform Act	IG Reform Act of 2008

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G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

September 21, 2011

Congressional Committees

The statutory federal inspectors general (IG) are instrumental in enhancing government accountability through the results of independent audits, investigations, and other reports on federal government programs and operations. Independence is one of the most important elements of a strong performing IG function, helping to ensure that the IGs' work is viewed as impartial by both their agencies and the Congress. In addition, IGs must be independent in order to effectively carry out their mission to help prevent and detect fraud, waste, abuse, and mismanagement and promote economy, efficiency, and effectiveness. Further, to lead these efforts, the IGs must bring the necessary expertise to bear on their work through experience and professional qualifications.

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act),¹ the Congress required GAO to report on the relative independence, effectiveness, and expertise of federal IGs appointed by the President and confirmed by the Senate (presidential) and those appointed by agency heads in designated federal agencies (DFE) as defined by the Inspector General Act of 1978, as amended (IG Act).² The Dodd-Frank Act also calls for GAO to report on the effect that provisions in the Dodd-Frank Act have on the independence of the IGs. Accordingly, the specific objectives of this report are to provide information as reported by the IGs on their relative (1) independence including the effect of provisions in the Dodd-Frank Act, (2) measures of effectiveness, and (3) expertise and qualifications.

Background

The IG Act created independent IG offices at 30 major departments and agencies with IGs appointed by the President, confirmed by the Senate, and who may be removed only by the President with advance notice to

¹The Dodd-Frank Act was enacted in response to the near collapse of the U.S. financial system in September 2008, to improve oversight of the financial markets and make the financial system more sound, stable, and safer for consumers and investors. Pub. L. 111-203, 124 Stat. 1376 (July 21, 2010).

²Pub. L. No. 95-452, 92 Stat. 1101 (Oct. 12, 1978) codified, as amended, at 5 U.S.C. App.

the Congress stating the reasons. (A listing of these 30 departments and agencies with presidential IG offices is provided in app. I.) In 1988, the IG Act was amended to establish additional IG offices located in 33 DFEs defined by the act.³ (A listing of the DFEs with IGs is provided in app. II.) Generally, the DFE IGs have the same authorities and responsibilities as those IGs originally established by the IG Act, but with the distinction that they are appointed and may be removed by their agency heads rather than by the President and are not subject to Senate confirmation. Although not in the scope of our review, there are 10 IGs established by other statutes with provisions similar to those in the IG Act. (A listing of the IGs established under other statutes is provided in app. III.)

The IGs appointed by the President are generally located in the largest departments and agencies of the government; the DFEs have smaller budgets and their IGs have correspondingly smaller budgets and fewer staff. The presidentially appointed IGs and the DFE IGs reported to us total budget authority for fiscal year 2010 of about \$2.2 billion with approximately 13,652 authorized full-time equivalent staff and 13,390 staff on board at the end of fiscal year 2010. The presidentially appointed IGs' budget authority constituted about 84 percent (about \$1.8 billion) of the total, and they had about 86 percent (11,564) of the total staff on board. The budgets of the DFE IGs made up about 16 percent (about \$352 million) of the total budget authority for IGs, and they had about 14 percent (1,826) of the total staff on board at the end of fiscal year 2010.

The IG Reform Act of 2008 (Reform Act) amended the IG Act by adding requirements related to IG independence and effectiveness.⁴ Among other provisions, the Reform Act requires the rate of basic pay of the IGs appointed by the President to be at a specified level, and for the DFE IGs, at or above a majority of other senior-level executives at their entities. The Reform Act also requires an IG to obtain legal advice from his or her own counsel or to obtain counsel from another IG's office or from the Council of the Inspectors General on Integrity and Efficiency (IG Council).⁵ The IG Act also provides protections to the independence of

³Pub. L. No. 100-504, 102 Stat. 2515 (Oct. 18, 1988).

⁴Pub. L. No. 110-409, 122 Stat. 4302 (Oct. 14, 2008).

⁵The IG Council was established by the Reform Act and consists mainly of IGs to address integrity, economy, and effectiveness issues that transcend individual government agencies and to increase the professionalism and effectiveness of personnel in the IG offices.

the IGs while keeping both their agency heads and the Congress fully and currently informed about particularly flagrant problems and deficiencies within their agencies through a 7-day process specified by the act.

In addition, the Dodd-Frank Act amended the IG Act with provisions to enhance the independence of IGs in DFEs with boards or commissions. Specifically, the Dodd-Frank Act changed who would be considered the head of the DFE for purposes of IG appointment, general supervision, and reporting under the IG Act. If the DFE has a board or commission the amendments would now require each of these IGs to report organizationally to the entire board or commission as the head of the DFE rather than an individual chairman. In addition, the Dodd-Frank Act requires the written concurrence of a two-thirds majority of the board or commission to remove an IG. Prior to this protection, most DFE IGs reported to, and were subject to removal by, the individual serving as head of the DFE.

The Reform Act also included a provision intended to provide additional IG independence through the transparent reporting of their budgets. Specifically, the Reform Act requires the President's budget submission to the Congress to have the IGs' requested budget amounts identified separately within their respective agency budgets, along with any comments provided by the IGs on the sufficiency of their budgets.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) is one of the federal government's key efforts to stimulate the economy in response to the most serious economic crisis since the Great Depression.⁶ The Recovery Act provided for IG oversight of the funds by creating the Recovery Accountability and Transparency Board (Recovery Board), which has an IG Chairman and 12 additional IG board members to prevent and detect fraud, waste, and abuse in the stimulus-funded programs. Altogether, there are 30 IGs involved with the oversight of Recovery Act funds. (A listing of the IGs providing oversight of Recovery Act funds is provided in app. IV).

Also, the IG Act includes a provision addressing the qualifications and expertise of the IGs by specifying that each IG appointment is to be without regard to political affiliation and solely on the basis of integrity and

⁶Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigation. The fields in which an IG can have experience are intended to be sufficiently diverse so that many qualified people could be considered, but also limited to areas relevant to the tasks considered necessary.⁷ The IG Act Amendments of 1988 created DFE IGs but did not specify that these IG appointments made by agency heads were to be without regard to political affiliation and on the basis of demonstrated ability in specified fields. The Reform Act addressed the differences in criteria for IG appointment by providing the same provisions for both the DFE IGs and the IGs appointed by the President.

Scope and Methodology

We addressed our reporting objectives through our summary of responses to a survey sent to the federal statutory IGs established by the IG Act regarding their activities for fiscal year 2010, and additional analysis. We obtained and analyzed survey responses from 62 IGs established by the IG Act: including 30 IGs who were appointed by the President and confirmed by the Senate, and 32 DFE IGs.⁸ We augmented the survey data with information obtained from prior GAO reports, the President's budget submission to the Congress for fiscal year 2011, and the IGs' semiannual reports to the Congress.

For our discussion of the independence of the IGs, we summarized information from the responses to our survey questions about the implementation of selected provisions in the Reform Act, the IG Act, and the Dodd-Frank Act that are intended to enhance IG independence. Specifically, we asked all of the 62 IGs about the implementation of Reform Act provisions intended to keep IG pay and salaries at a specified level for IGs appointed by the President and consistent with other senior-level executives for the DFE IGs, and about the IGs' sources of legal counsel. Our survey also obtained information about the extent to which the IGs found it necessary to communicate particularly flagrant problems

⁷U.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).

⁸The 10 IGs established by other statutes are outside the scope of this report. Also, one DFE IG did not respond to our survey.

to their agency heads and the Congress within 7 days as prescribed by the IG Act. These IG reports are commonly referred to as 7-day letters.

Regarding the effect of Dodd-Frank Act provisions to enhance independence, we obtained the views of the 26 DFE IGs with boards or commissions on whether their independence was enhanced by these provisions designating their boards and commissions as DFE heads rather than individual chairmen, and the requirement for the concurrence of a two-thirds majority of the board or commission for removal of an IG. We also obtained information from the President's budget submission to the Congress for fiscal year 2011, to determine whether the IG budget amounts were separately identified along with any comments by the IGs regarding the sufficiency of their budgets.

To address the effectiveness of the IGs, we obtained information on the accomplishments of the IGs as reported to the IG Council for fiscal year 2009, in preparation for their annual report to the President.⁹ We also obtained information reported by the Recovery Board on its mission and accomplishments in providing oversight of Recovery Act funds. In addition, our survey questionnaire obtained information for fiscal year 2010 on management challenges identified by the IGs reporting under requirements of the Reports Consolidation Act of 2000.¹⁰ To identify the extent of oversight provided by the IGs, we summarized the reported management challenges to identify the major focus of these issues and obtained IG reports relevant to these issues provided by the IGs to our survey and from our review of the IGs' semiannual reports to the Congress.

To address the IGs' qualifications and expertise we summarized the 62 IGs' survey information provided on the background of each IG, including professional experience, academic degrees, and professional certifications obtained prior to being appointed to an IG position. We compared this information to the areas of demonstrated ability specified by the IG Act and summarized the number of IGs in each area.

⁹We obtained information from the Council of the Inspectors General on Integrity and Efficiency, *A Progress Report to the President: Fiscal Year 2009* (Washington, D.C.: Nov. 15, 2010). As of August 1, 2011, the IG Council was reviewing the fiscal year 2010 information of the IGs' accomplishments and the fiscal year 2009 information was the most current.

¹⁰Pub. L. No. 106-531 114 Stat. 2537 (Nov. 22, 2000).

We conducted our work from November 2010 to September 2011 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions.

We requested comments on a draft of this report from the IG Council. Written comments from the IG Council are reprinted in appendix V and summarized in the "Agency Comments" section of this report. We also received and incorporated as appropriate technical comments from several IG offices.

Independence

Our survey obtained information from 62 federal IGs appointed under the IG Act on actions taken concerning legislative provisions in the Reform Act and the IG Act intended to enhance IG independence. The IGs reported

- pay that was at the specified levels required by the Reform Act for IGs appointed by the President and consistent with those of other senior-level officials as required for DFE IGs, thus helping to maintain IG independence and enhance their relative stature within their agencies by increasing their fixed compensation and eliminating discretionary compensation that could create a conflict of interest;
- having access to independent legal counsel reporting to an IG instead of an agency management official, thus helping to ensure the independence of legal advice available to the IG; and
- rarely using 7-day letters as a way to independently inform agency heads and the Congress of serious problems concerning agency operations because such issues were resolved without the need for such a letter.

We also surveyed the 26 DFE IGs affected by the Dodd-Frank Act provisions intended to enhance IG independence for those IGs reporting to boards or commissions.¹¹ Just over half of these IGs responded that the change of agency head to the full board or commission increased

¹¹Twenty-six of the 33 DFE IGs are affected by the Dodd-Frank Act provisions because their DFEs have either boards or commissions. The 26 DFE IGs are a subset of the 62 IGs who responded to our survey.

their independence and most responded that the requirements for a two-thirds concurrence among the board or commission members prior to an IG's removal increased their independence.

In addition, based on our review of the President's fiscal year 2011 budget submission to the Congress, the IGs' budget amounts were not always separately identified as required by the Reform Act. To the extent the IGs' budgets are separately identified, the added transparency of these amounts to the Congress can help increase IG independence. After we informed the IG Council about the results of our review concerning the IGs' budgets, they agreed to review and assess the matter.

IGs Reported Having Pay at Required Levels

The Reform Act addressed the compensation of IGs and requires that IGs appointed by the President have their pay adjusted from Executive Schedule IV to Executive Schedule III plus 3 percent. In addition, the Reform Act requires that the grade, level, or rank designation for the DFE IGs be set at or above that of a majority of the senior-level executives of the agency, such as the general counsel, chief acquisition officer, chief information officer, chief financial officer, and the chief human capital officer at that agency. In addition, the DFE IG pay cannot be less than the average total compensation (including bonuses) of the senior-level executives at that agency calculated on an annual basis.

Of the 30 IGs appointed by the President, 27 reported being at or even above the required pay level; with the remaining 3 IGs reporting that they were in acting positions and the requirement was not currently applicable to them. Of the 32 DFE IGs who responded to our survey, 29 reported that their pay and salaries were consistent with those of the senior-level executives of their agencies. Of the remaining 3 DFE IGs, 1 was newly established in fiscal year 2011 and had not yet determined an amount of pay consistent with senior-level executives, 1 IG reported having the correct salary but not the corresponding grade level, and 1 IG was in an acting capacity and reported the requirement was not currently applicable.

IGs Reported Having Access to Independent Legal Counsel

The Reform Act also requires that each IG established by the IG Act have his or her own legal counsel or obtain necessary legal counsel from another IG office or from the IG Council. In a March 1995 report, we reported that the IG community expressed concerns that IGs with

attorneys located organizationally in their agencies' offices of general counsel would not always receive independent legal advice and that the IGs' own independence could be compromised.¹²

The results from our survey show that all the IGs established by the IG Act reported having access to a legal counsel that is organizationally independent, and none of the IGs rely on the general counsel offices of their agencies. For the 30 IGs appointed by the President, 29 employ their own legal counsel while 1 IG uses the legal services of another IG. All 32 DFE IGs who responded to our survey indicated that they obtain independent legal counsel, with 26 employing their own counsel, 5 using the legal counsels of other IGs' offices, and 1 using the legal resources of the IG Council.

IGs Reported Rarely Using the 7-Day Letter

The IG Act provides a reporting tool that can protect the independence of the IGs who report immediately to the agency head particularly serious or flagrant problems, abuses, or deficiencies relating the administration of programs or operations. The IG Act requires the agency head in turn to transmit the IG report, with the agency head's comments, to the appropriate committees or subcommittees of the Congress within 7 calendar days.

We asked whether any of the 62 IGs we surveyed had used the 7-day letter at any time during fiscal years 2008, 2009, and 2010. Only one, a presidentially appointed IG, had used the 7-day letter during this time frame. Specifically, on May 6, 2009, the IG delivered a report to the acting head under the IG Act provisions for a 7-day letter, in which the IG disagreed with the terms of a settlement reached by the agency with a grantee. The acting head provided the IG's report to the chairmen of numerous congressional committees on May 12, 2009, which was within the 7-day time frame. The IG's report gained the interest of congressional members and the issues were resolved by the President.

Generally, issues have been resolved more informally before getting to the point of using a 7-day letter. In 1999 we reported that no IGs had used the 7-day letter during the period of January 1990 through April

¹²GAO, *Inspectors General: Independence of Legal Services Provided to IGs*, GAO/OGC-95-15 (Washington, D.C.: Mar. 1, 1995).

1998.¹³ In addition, we reported that a 10-year review of the IG Act by the House Committee on Government Operations in 1988 found that the IGs viewed the use of the 7-day letter as a last resort to attempt to force appropriate action by the agency.

IGs in DFEs with Boards and Commissions Generally Responded That the Dodd-Frank Act Provisions Enhance Independence

Provisions of the Dodd-Frank Act amending the IG Act are intended to provide an additional degree of independence to those IGs in DFEs with boards or commissions. Specifically, the Dodd-Frank Act provides that the head of the DFE¹⁴ with a board or commission will be the board or commission and consequently, the IG appointment is no longer subject to the judgment of a single individual.¹⁵ In addition, the Dodd-Frank Act requires the written concurrence of two-thirds of the members of these DFE boards and commissions for the removal or transfer of their IGs.

Twenty-six of the 33 DFE IGs are in DFEs with boards and commissions.¹⁶ Of these 26 DFE IGs, 14 reported that the act's provision designating the boards and commissions as the DFE heads enhances their independence, and 20 responded that their independence is enhanced by requiring a two-thirds majority for their removal. A smaller number of affected IGs stated that these provisions had no effect on their independence, with 10 stating that the provision specifying the board or commission as the head had no effect and 5 reporting that the removal provision had no effect.

One DFE IG affected by the provisions did not respond to these survey questions. Also, a former DFE IG stated that reporting to his commission would reduce his independence because the commission has both federal and state members. However, the current IG who took office

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

¹⁴The head of the DFE means the person or persons that the IG is under the general supervision of, for purposes of the IG Act, as amended.

¹⁵Where there is no board or commission, the head is the person or persons designated by statute or the chief policymaking officer if not defined in statute.

¹⁶The Dodd-Frank Act specifically designates the Council of the Arts as the head of the National Endowment for the Arts and the Council of the Humanities as the head of the National Endowment for the Humanities; therefore these IGs are included in our survey results.

during our review stated that the primary concern is how nonfederal members would exercise their authority over a federal IG.

IG Budget Amounts Are Not Always Identified in the President's Budget Submissions

The Reform Act amended the IG Act to require that IG budget requests include certain information and be separately identified in the President's budget submission to the Congress. In addition, along with the separately identified IG budgets, the IGs may include comments with respect to the budget if the amount of the IG budget submitted by the agency or the President would substantially inhibit the IG from performing the duties of the office. These budget provisions are intended to help ensure adequate funding and additional independence of IG budgets by providing the Congress with transparency into the funding of each agency's IG while not interfering with the agency head's or the President's right to formulate and transmit their own budget amounts for the IG.

The fiscal year 2011 budget included amounts for 28 of the 30 presidentially appointed IGs. One presidentially appointed IG office was newly established and not included in the full fiscal year 2011 budget process. However another IG subject to these requirements did not have a specific budget amount separately disclosed in the President's budget. Of the 28 presidential IGs with budget amounts separately disclosed in the President's budget, 1 included comments indicating that the IG's fiscal year 2011 budget would substantially inhibit the IG from performing the duties of the office.

Regarding the DFE IGs, the President's budget had specific budget amounts for only 7 of the 33 DFE IGs. There were four newly established DFE IGs that were not part of the full fiscal year 2011 budget process. The President's budget did not contain specified budget amounts for the 22 remaining DFE IGs subject to these requirements. We notified the IG Council that most of the DFE IGs and one presidentially appointed IG did not have separate budget amounts included in the President's budget submission to the Congress. The IG Council has responded that it will review and assess this matter and, if necessary, work with congressional and administration officials to resolve this issue.

Effectiveness

The IGs' effectiveness was reflected in a range of reported accomplishments, such as potential dollars to be saved by the government through the results of federal IG audits, investigations, and other reports.¹⁷ In addition, IG effectiveness was demonstrated in their efforts to help prevent fraud, waste, and abuse. For example, IGs in agencies receiving Recovery Act funds have reported providing oversight in the areas of establishing and maintaining controls to help ensure the funds are used properly. Also, the IGs' effectiveness was demonstrated by their reporting on oversight of management challenges identified at their agencies.

IGs Reported Significant Measurable Accomplishments

In their annual report to the President, the IGs established by the IG Act identified billions of dollars in savings and cost recoveries and other accomplishments resulting from their work in fiscal year 2009.¹⁸ As part of this report for fiscal year 2009, these IGs identified \$43.3 billion in potential savings from audits and investigations; and reported over 5,900 criminal actions, 1,100 civil actions, 4,460 suspensions or debarments, and over 6,100 indictments resulted from their work.¹⁹ Based on this information, the potential dollar savings reported by these IGs represent a return on investment of approximately \$18 for every IG dollar spent when compared to total IG fiscal year 2009 budget appropriations of \$2.3 billion.

Recovery Board Reports of IG Effectiveness

In addition to measurable accomplishments, IGs also reported actions taken to prevent problems within their agencies, although these outcomes are more difficult to measure. For example, the IGs assisted in the oversight of expenditures authorized by the Recovery Act by reporting on preventive measures taken to help reduce the vulnerability of Recovery Act disbursements to fraud, waste, and abuse. The Recovery Act requires IG reviews of concerns raised by the public about investments of stimulus funds and provides IGs the authority to examine records and interview

¹⁷Potential savings reported by the IGs includes investigative receivables and actual recoveries.

¹⁸In fiscal year 2009 there were 59 IG offices established by the IG Act.

¹⁹At least one IG refers to these reported accomplishments as "production figures."

Recovery Act fund contractors and grantees. The Recovery Act established the Recovery Board whose members include 12 IGs and an additional IG as the chair, to coordinate and conduct oversight of funds distributed under the act in order to prevent fraud, waste, and abuse. In addition, the board is charged under the act with establishing and maintaining a user friendly website to foster greater accountability and transparency in the use of Recovery Act funds. To help prevent fraud and other potential wrongdoing, the IGs offered training to federal, state, and local employees, as well as contractors, private entities, and award recipients. The IGs' training was intended to improve awareness of the legal and administrative requirements of the Recovery Act programs.

As of June 2011, the Recovery Board reported that the IGs received over 7,000 complaints of wrongdoing associated with Recovery funds, opened over 1,500 investigations, and completed over 1,400 reviews of activities intended to improve the use of Recovery Act funds. In addition, the Recovery Board reported that IGs have provided over 2,000 training sessions to almost 139,000 individuals on the requirements of Recovery Act programs, how to prevent and report fraud, and how to manage grant and contract programs to meet legal and administrative requirements.

Management Challenges Emphasize Agency Mission Issues

The management challenges reported annually by federal agencies in their performance and accountability reports along with relevant IG reports to address these challenges are key to focusing on effective IG oversight. The identification of management challenges by the IGs began in 1997 when congressional leaders asked the IGs to identify the 10 most serious management problems in their respective agencies. This request began a yearly process that continues as a result of the Reports Consolidation Act of 2000. This act calls for executive agencies to include their IGs' lists of significant management challenges in their annual performance and accountability reports to the President, the Office of Management and Budget, and the Congress.²⁰

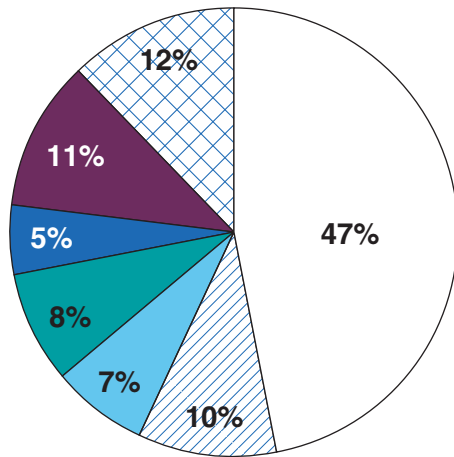
²⁰The Reports Consolidation Act requirements do not apply to all agencies with IGs; therefore, our survey obtained the management challenges as reported by 27 DFE IGs and 27 IGs appointed by the President.








Not all agencies with IGs have requirements to report management challenges. Fifty-four of the IGs we surveyed reported having certain responsibilities for identifying management challenges in their agencies for fiscal year 2010. Through our survey, 27 of the IGs appointed by the President and 27 of the DFE IGs reported their agencies' management challenges and provided examples of audit reports that addressed about 90 percent of those challenges reported.

The responses from the IGs appointed by the President show that most of the 203 management challenges they reported for fiscal year 2010 focused on issues specific to their agencies' missions and performance management. (See fig. 1.) For example, the National Aeronautics and Space Administration's IG reported that major changes to the direction of the nation's space program present several management challenges, and the Department of Health and Human Services IG cited the management challenges associated with delivery of the nation's health care. The other management challenges addressed by the IGs relate to information technology, procurement, financial management, and human resources.

In addition, to provide oversight coverage of management challenges, the presidential IGs issued reports that addressed about 93 percent of the management challenges identified. These reports contained recommendations for improving the weaknesses specified by the management challenges. For example, the Federal Deposit Insurance Corporation IG recommended strengthening specific controls over managing the closing process for failed financial institutions which is a key aspect of FDIC's mission regarding insured depository institutions. Also, the Social Security Administration IG identified transparency and accountability issues as an agency management challenge and provided report recommendations for improved performance in this area.

Figure 1: Management Challenges Reported by IGs Appointed by the President



-  Agency mission
-  Performance management
-  Financial management
-  Grants and procurement
-  Human resources
-  Information technology
-  Other

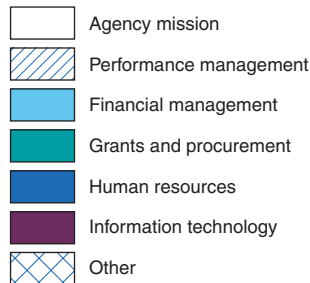
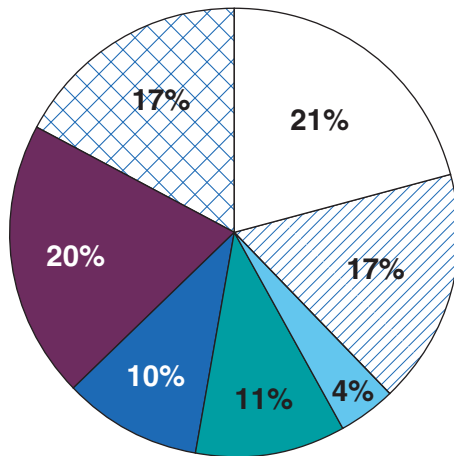
Source: GAO analysis of IG survey information.

The DFE IGs reported 124 management challenges for fiscal year 2010, with a focus on their agencies' missions, information technology, and performance management. (See fig. 2.) For example, the Farm Credit Administration's IG reported management challenges related to the safety, soundness, and mission accomplishment of the Farm Credit System. In addition, information technology, including information security, was often identified as a management challenge. For example, the Federal Maritime Commission's IG and the National Labor Relations Board's IG identified challenges in upgrading their agencies' management systems. The performance management issues the DFE IGs identified as management challenges included timely implementation of IG recommendations by the Peace Corps and expanding public access at the National Archives and Records Administration. The management

challenges included in the “other” category included concerns over internal controls, improper payments, and the security of federal property.

In addition, the DFE IGs issued reports that addressed almost 90 percent of the management challenges identified and contained recommendations for corrective actions. For example, the Farm Credit Administration IG assessed the agency’s readiness to take enforcement actions related to its mission. In another example, the Postal Service IG provided recommendations to improve the efficiency of postal operations related to performance management in sorting the mail.

Figure 2: Management Challenges Reported by DFE IGs

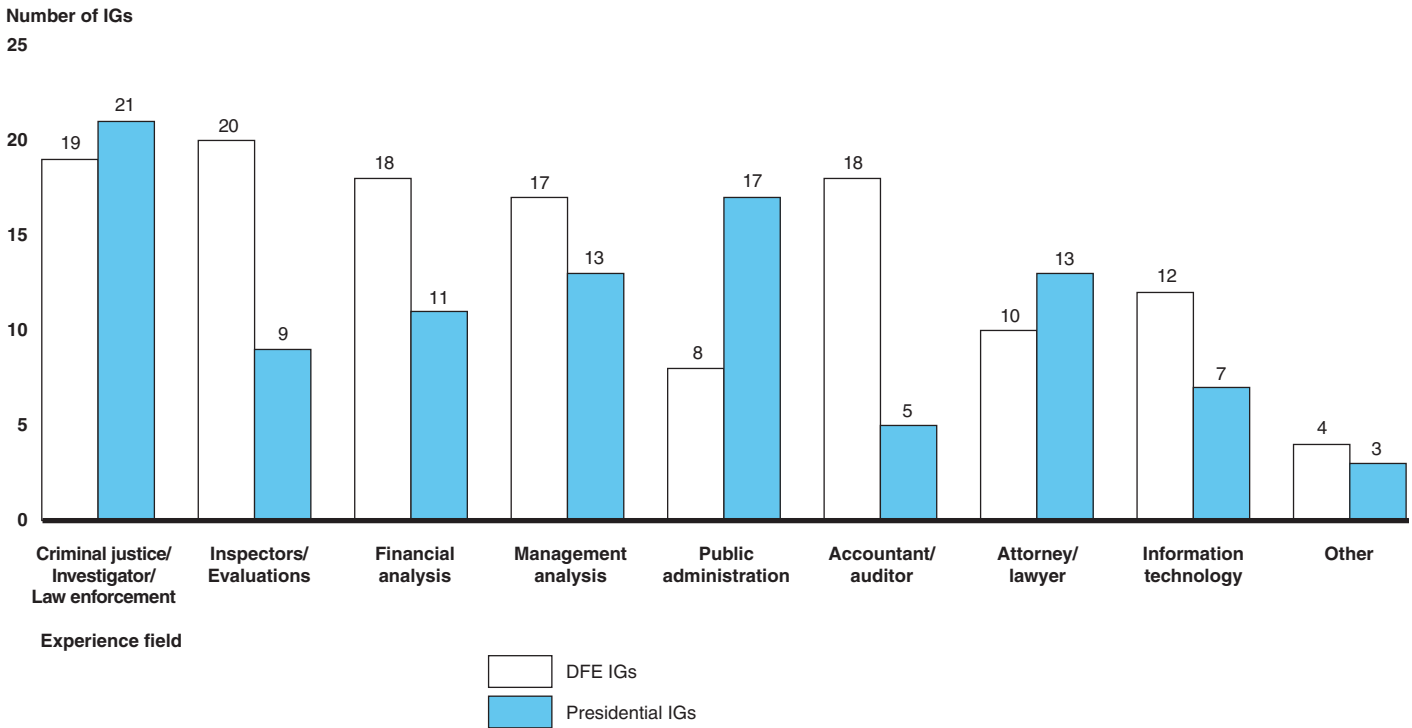


Source: GAO analysis of IG survey information.

Expertise

The 62 federal IGs responding to our survey reported information on their expertise and qualifications including the backgrounds, academic degrees, and professional certifications. The IGs' information showed a wide range of backgrounds, skills, and professional certifications relevant to their work consistent with the areas of demonstrated experience specified by the IG Act. Figure 3 summarizes the background experiences of the 62 IGs who responded to our survey. Most of the IGs appointed by the President reported that they had a background in criminal justice, investigations, law enforcement, and public administration, while most of the DFE IGs had backgrounds in inspections and evaluations, criminal justice, investigations, law enforcement, accounting and auditing, and financial analysis.

Figure 3: Background Experience Reported by the IGs

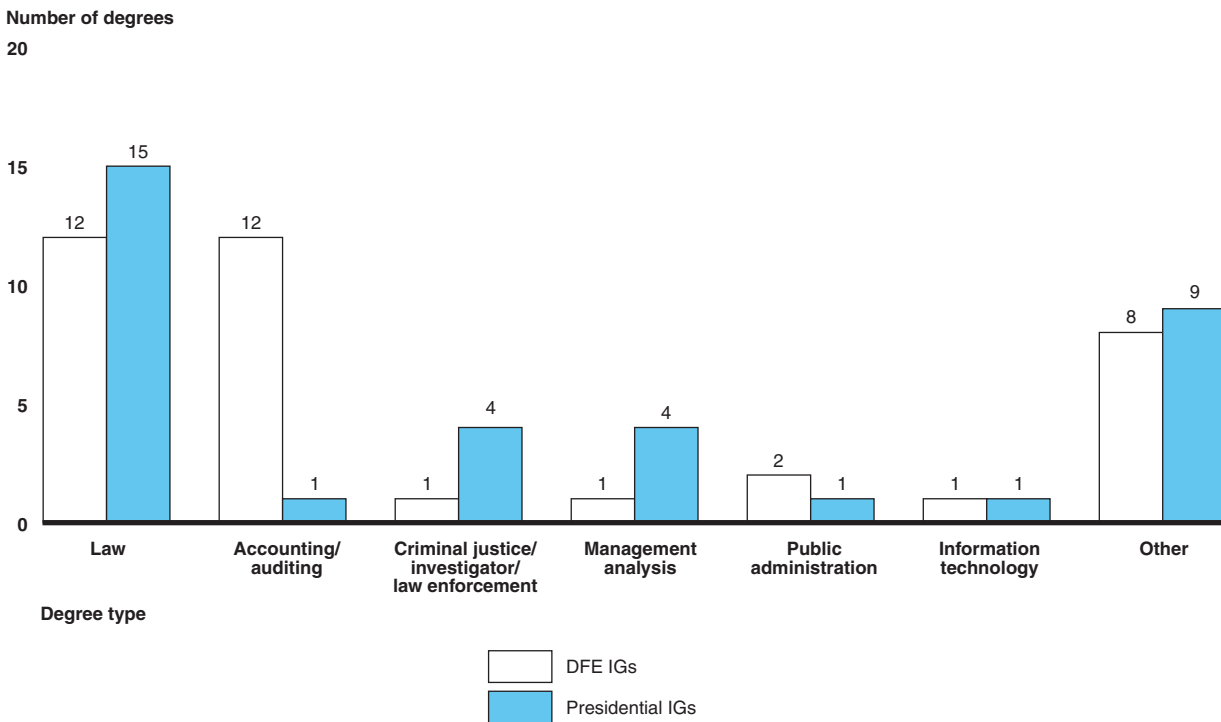


Source: GAO analysis of IG survey information.

As summarized in figure 4, we also obtained information on the academic degrees obtained by the 62 IGs. Most of the IGs reported having degrees in areas that are relevant to performing in an IG position and in areas of

demonstrated experience specified by the IG Act. To illustrate, 15 (about half of the IGs appointed by the President) had law degrees and 1 presidential IG had a degree in an accounting and auditing area. Twelve DFE IGs had law degrees and an equal number of DFE IGs had degrees in accounting and auditing related areas. Additional degrees were reported by both presidential and DFE IGs in areas of criminal justice, investigations, law enforcement; management analysis; and public administration. Other academic degrees reported by presidential and DFE IGs included mathematics, science, sociology, education, psychology, and English.

Figure 4: Academic Degrees Held by the IGs

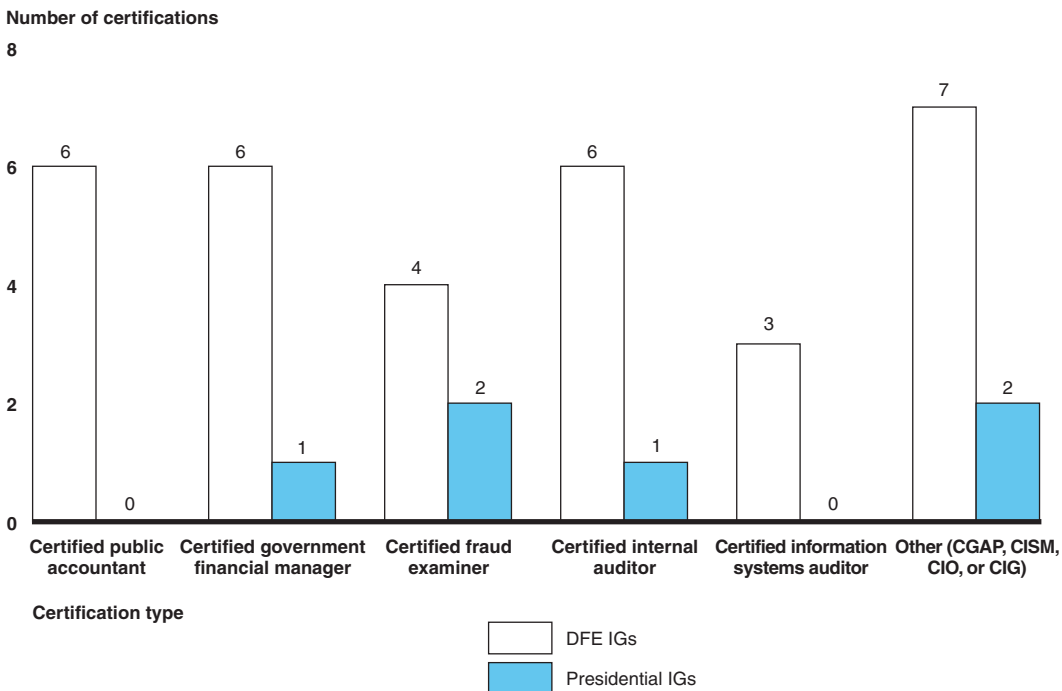


Source: GAO analysis of IG survey information.

With respect to professional certifications, 6 IGs appointed by the President reported having professional certifications and 28 DFE IGs reported they possessed at least one professional certification related to their IG responsibilities. For the presidential IGs, 2 were certified fraud examiners, 1 reported being a certified internal auditor, 1 reported being a

certified government financial manager, and 2 had certifications in additional separate areas. Of the DFE IGs, 6 reported they are certified public accountants and 6 reported that they are certified internal auditors. Additional certifications reported by the DFE IGs include 6 certified government financial managers, 4 fraud examiners, 3 certified information systems auditors, and 7 with other certifications such as a certified government auditing professional, certified information security manager, certified information officer, and certified inspector general. (See fig. 5.)

Figure 5: Certifications Held by the IGs



Source: GAO analysis of IG survey information.

Note:

CGAP = certified government auditing professional; CISM = certified information security manager; CIO = certified information officer; CIG = certified inspector general.

Agency Comments

We received comments from the IG Council (reprinted in app. V), on September 13, 2011. The council commented that the draft provided useful information on the independence, activities, and accomplishments of the federal inspectors general and, as such, will contribute to a greater understanding of the work of the IGs in providing oversight to a wide range of government programs. We also received, and incorporated as appropriate, technical comments from several IG offices.

We will send copies of this report to members of the IG Council, including the Office of Management and Budget's Deputy Director for Management, the Chairperson, the Vice Chairperson, and the IGs who participated in our survey. We will also send copies of the report to the Chairman and the Ranking Member of the Senate Committee on Finance.

If you have any questions or would like to discuss this report, please contact me at (202) 512-8486 or raglands@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.



Susan Ragland
Director, Financial Management and Assurance

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United States Senate

The Honorable Darrell Issa
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The Honorable Elijah Cummings
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Spencer Bachus
Chairman
The Honorable Barney Frank
Ranking Member
Committee on Financial Services
House of Representatives

Appendix I: Departments and Agencies with Inspectors General¹

1. Agency for International Development
2. Department of Agriculture
3. Department of Commerce
4. Corporation for National and Community Service
5. Department of Defense
6. Department of Education
7. Department of Energy
8. Environmental Protection Agency
9. Export-Import Bank of the United States
10. Federal Deposit Insurance Corporation
11. Federal Housing Finance Agency
12. General Services Administration
13. Department of Health and Human Services
14. Department of Homeland Security
15. Department of Housing and Urban Development
16. Department of the Interior
17. Department of Justice
18. Department of Labor
19. National Aeronautics and Space Administration
20. Nuclear Regulatory Commission
21. Office of Personnel Management
22. Railroad Retirement Board
23. Small Business Administration
24. Social Security Administration
25. Department of State
26. Tennessee Valley Authority
27. Department of Transportation
28. Department of the Treasury
29. Treasury Inspector General for Tax Administration
30. Department of Veterans Affairs

¹IGs established by the IG Act of 1978, as amended, with appointment by the President and Senate confirmation.

Appendix II: Designated Federal Agencies with Inspectors General¹

1. Amtrak
2. Appalachian Regional Commission
3. Commodity Futures Trading Commission
4. Consumer Product Safety Commission
5. Corporation for Public Broadcasting
6. Defense Intelligence Agency
7. Denali Commission
8. Election Assistance Commission
9. Equal Employment Opportunity Commission
10. Farm Credit Administration
11. Federal Communications Commission
12. Federal Election Commission
13. Federal Labor Relations Authority
14. Federal Maritime Commission
15. Federal Reserve Board
16. Federal Trade Commission
17. U.S. International Trade Commission
18. Legal Services Corporation
19. National Archives and Records Administration
20. National Credit Union Administration
21. National Endowment for the Arts
22. National Endowment for the Humanities
23. National Geospatial-Intelligence Agency²
24. National Labor Relations Board
25. National Reconnaissance Office
26. National Science Foundation
27. National Security Agency
28. Peace Corps
29. Pension Benefit Guaranty Corporation
30. Postal Regulatory Commission
31. U.S. Postal Service
32. Securities and Exchange Commission
33. Smithsonian Institution

¹IGs established by the IG Act of 1978, as amended, with appointment by the agency head. In addition, the Department of State IG provides oversight of the Broadcasting Board of Governors, which is a designed federal entity.

²No responses were provided to our survey.

Appendix III: Agencies and Offices with Inspectors General Established by Various Statutes

1. Architect of the Capitol¹
2. Central Intelligence Agency²
3. Government Accountability Office³
4. Government Printing Office⁴
5. Library of Congress⁵
6. Office of Director of National Intelligence⁶
7. Special Inspector General for Afghanistan Reconstruction⁷
8. Special Inspector General for Iraq Reconstruction⁸

¹Consolidated Appropriations Act, 2008, Pub. L. No. 110-161, § 1301, 121 Stat 1844, 2240 (Dec. 26, 2007), *classified at* 2 U.S.C. § 1808 (appointed by the agency head in consultation with the Inspectors General of the Library of Congress, Government Printing Office, Government Accountability Office, and United States Capitol Police).

²Intelligence Authorization Act, Fiscal Year 1990, Pub. L. No. 101-193, § 801, 103 Stat 1701, 1711 (Nov. 30, 1989) *codified at* 50 U.S.C. § 403q (appointed by the President with Senate confirmation).

³Government Accountability Office Act of 2008, Pub. L. No. 110-323, § 5, 122 Stat 3539, 3543 (Sept. 22, 2008) *codified at* 31 U.S.C. § 705 (appointed by the agency head).

⁴Government Printing Office Inspector General Act of 1988, Pub. L. No. 100-504, § 201–206, 102 Stat 2515 (Oct. 18, 1988) *codified at* 44 U.S.C. § 3901–3903 (appointed by the agency head).

⁵Library of Congress Inspector General Act of 2005, Pub. L. No. 109-55, § 1307, 119 Stat 565, 582 (Aug. 2, 2005) *classified at* 2 USCA § 185 (appointed by the agency head).

⁶Intelligence Authorization Act for Fiscal Year 2010, Pub. L. No. 111-259, § 405, 124 Stat 2654, 2709 (Oct. 7, 2010) *codified at* 50 U.S.C. § 403-3h (appointed by the President with Senate confirmation, but an IG is not yet appointed).

⁷National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 1229, 122 Stat 3, 378 (Jan. 28, 2008) *codified at* 5 U.S.C. App. § 8G note (appointed by the President only).

⁸Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, Pub. L. No. 108-106, § 3001, 117 Stat 1209, 1234 (Nov. 6, 2003) *as amended by* Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Pub. L. No. 108-375, § 1203, 118 Stat 1811, 2078 (Oct. 28, 2004) *codified at* 5 U.S.C. App. § 8G (appointed by the Secretary of Defense in consultation with the Secretary of State).

**Appendix III: Agencies and Offices with
Inspectors General Established by Various
Statutes**

-
9. Special Inspector General for the Trouble Asset Relief Program⁹
10. U.S. Capitol Police¹⁰

⁹Emergency Economic Stabilization Act of 2008, Pub. L. No. 110-343, § 121, 122 Stat 3765, 3788 (Oct. 3, 2008) codified at 12 U.S.C. § 5231 (appointed by the President with Senate confirmation).

¹⁰Legislative Branch Appropriations Act, 2006, Pub. L. No. 109-55, § 1004, 119 Stat 565, 572 (Aug. 2, 2005) *classified at* 2 U.S.C. § 1909 (appointed by agency head in consultation with the Inspectors General of the Library of Congress, Government Printing Office, and the Government Accountability Office).

Appendix IV: Departments and Agencies with Inspectors General Responsible for Oversight of Recovery Act Funds

Agency for International Development
Amtrak
Corporation for National and Community Service
Department of Agriculture¹
Department of Commerce¹
Department of Defense¹
Department of Education¹
Department of Energy¹
Department of Health and Human Services¹
Department of Homeland Security¹
Department of Housing and Urban Development
Department of Justice¹
Department of Labor
Department of State
Department of the Interior¹
Department of Transportation¹
Department of the Treasury¹
Department of the Treasury – Treasury Inspector General for Tax Administration¹
Department of Veterans Affairs
Environmental Protection Agency
Federal Communications Commission
General Services Administration
National Aeronautics and Space Administration
National Endowment for the Arts
National Science Foundation
Office of Personnel Management
Railroad Retirement Board
Small Business Administration
Smithsonian Institution
Social Security Administration

¹The IG is a member of the Recovery Accountability and Transparency Board.

Appendix V: Comments from the Council of the Inspectors General on Integrity and Efficiency



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

September 13, 2011

Ms. Susan Ragland
Director
Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, NW.
Washington, D.C. 20548

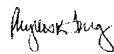
Dear Ms. Ragland:

On behalf of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), we appreciate the opportunity to provide this response to the Government Accountability Office (GAO) draft report, *Inspectors General: Reporting on Independence, Effectiveness, and Expertise*, report number GAO-11-770.

The report provides useful information on the independence, activities, and accomplishments of the Federal Inspectors General (IG). As such, we believe this report will contribute to a greater understanding of the work of the IGs in providing oversight to a wide range of government programs.

We deeply appreciate the professionalism and cooperation demonstrated by your staff during the course of this review. They have provided timely information and briefings to CIGIE's members and have addressed the technical comments provided by individual IGs who reviewed the draft report. Should you have questions regarding these comments, or if we can provide any additional information, please contact us.

Sincerely,



Phyllis K. Fong, Chair



Carl Clinefelter, Vice Chair

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

Susan Ragland, (202) 512-8486 or raglands@gao.gov

Staff Acknowledgments

In addition to the contact named above, Jackson W. Hufnagle, Assistant Director; Jacquelyn Hamilton; Werner F. Miranda Hernandez; Rebecca Shea; and Clarence A. Whitt made key contributions to this report.

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