BY THE COMPTROLLER GENERAL

Report To The Chairman, Subcommittee On Legislation And National Security, House Committee On Government Operations OF THE UNITED STATES

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GAO/AFMD-83-56
JUNE 2, 1982

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JUNE 2, 1982

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-207032

The Honorable Jack Brooks
Chairman, Subcommittee on Legislation
and National Security
House Committee on Government Operations

Dear Mr. Chairman:

This report is in response to your February 9, 1982, request that we review the operations of the Department of State Inspector General's office. The report discusses (1) differences between the Inspector General Act of 1978 (Public Law 95-452), under which most statutory inspectors general operate, and section 209 of the Foreign Service Act of 1980 (Public Law 96-465), which established the State Inspector General; (2) how differences between the two acts affect State Inspector General operations; (3) problems with the State Inspector General's independence and effectiveness; and (4) the need for the Congress to either place the State Department IG under the Inspector General Act of 1978 or conform the IG's authorizing legislation to the 1978 act.

We did not obtain official agency comments on this report. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its date. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Charles A. Bowsher

Comptroller General
of the United States

COMPTROLLER GENERAL's REPORT TO THE SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY, HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

STATE DEPARTMENT'S OFFICE OF INSPECTOR GENERAL SHOULD BE MORE INDEPENDENT AND EFFECTIVE

D I G E S T

In recent years, the Congress has enacted several public laws to establish statutory inspector general (IG) offices in 18 major Federal departments and agencies. The basic duties and responsibilities of 17 of the IGs conform to the provisions of the Inspector General Act of 1978, which sets forth uniform principles and standards for these offices. The State Department's IG is the only one whose authorizing legislation--section 209 of the Foreign Service Act of 1980--continues to differ significantly from the 1978 act.

At the request of the Chairman, Subcommittee on Legislation and National Security, House Committee on Government Operations, GAO reviewed the State Department's IG operations to determine, among other things, how these differences affect the IG's work.

GAO found that the 1980 legislation included several important differences from the basic IG concept embodied in the 1978 act (see p. 2 and app. II). These differences permit the new statutory State IG to continue to operate in essentially the same manner as the previous administratively established IG rather than functioning like the independent statutory IGs in other agencies.

For example, the 1980 act, among other things:

--Allows the State IG to use temporarily assigned Foreign Service officers and other persons from operational units within the Department to staff the IG office. Other statutory IGs rely primarily on permanently assigned staff.

--Requires the State IG to conduct reviews routinely of all overseas posts and domestic operations, which is normally considered a management function. Other statutory IGs are not required to review all organizational units within their respective agencies.

GAO/AFMD-83-56
JUNE 2, 1982

Tear Sheet

--Permits the State IG to use a unit of management (the State Department's Office of Security) to conduct investigations of fraud, waste, and abuse. Other statutory IGs conduct their own investigations.

These differences affect the independence and effectiveness of the statutory State IG.

MORE INDEPENDENCE IS NEEDED IN THE IG'S OFFICE

Provisions of the Foreign Service Act of 1980 and its legislative history raise questions about the degree of independence the Congress expected of the State IG. One committee report said the State IG was not expected to be as independent as the IGs established under the Inspector General Act of 1978. On the other hand, several provisions of the 1980 act indicate the State IG was to be independent. For example, one section prohibits any State official from preventing or restricting an IG audit. Accordingly, congressional intent regarding the degree of independence has been unclear. (See p. 9.)

Government audit standards, which the State IG is required by the 1980 act to follow, emphasize that in all matters relating to audit work, the audit organization and the individual auditors "must be free from personal or external impairments to independence, must be organizationally independent, and shall maintain an independent attitude and appearance." Although there are no Government-wide investigative standards, GAO believes investigations should also be carried out by personnel and organizations that are independent of department operations. GAO found, however, a number of situations in which the independence of the State Department IG's inspection, audit, and investigative functions has been or could be impaired.

For example, the State Department IG relies on a temporary staff of Foreign Service officers and audit-qualified professionals to conduct its inspections and audits. Although the use of temporarily assigned staff from operational units is expressly authorized by the Foreign Service Act of 1980, GAO believes the IG's extensive use of temporary or rotational staff affects the IG office's independence because (1) these staff members routinely rotate between the IG office and management positions within the organizations they review, and (2) major decisions affecting their careers are determined by the State Department rather than by the IG office. The IG's own staff, State Department

officials they audit, and officials from other statutory IGs interviewed by GAO have raised questions about the State IG office's independence. (See pp. 7-11.)

Although IG officials acknowledged that major career decisions concerning their staff are decided by State Department management rather than by the IG office, they did not believe this represented an impairment to the IG staff's independence. (See p. 8.)

STATE IG IS PERFORMING A MANAGEMENT FUNCTION--INSPECTIONS

The Foreign Service Act of 1980 requires that the State Department IG, in addition to doing traditional audit functions, inspect and audit each foreign post and domestic unit at least once every 5 years. The statutory IGs under the Inspector General Act of 1978, on the other hand, are not required to review all organizational units within their respective agencies, nor are they required to conduct their reviews and evaluations within a legislatively mandated time frame. GAO believes that management, not the State IG, should be responsible for these routine inspections.

One of the fundamental responsibilities of agency management is to routinely monitor and assess its operations to determine whether its programs are meeting intended objectives efficiently and economically and to render a full account of its activities to the public. The inspections currently performed by the IG represent the only comprehensive review of foreign post activities. Until 1980--when the Foreign Service act established the new statutory State IG--these inspections had always been performed by departmental management.

The role of the independent audit organization, on the other hand, should be to evaluate how well agency management is carrying out its basic management responsibilities, including its routine monitoring and assessment functions. (See ch. 3, p. 15.)

STATE'S MANAGEMENT IS PERFORMING AN IG FUNCTION--INVESTIGATIONS

GAO found that the State Department IG has little operational control over investigations into allegations of fraud, waste, and abuse. Instead, the IG relies on State's Office of Security to assign the case, plan the approach, and conduct the investigation.

Although the legislative history for the 1980 act indicates that the IG could continue conducting investigations jointly with the Office of Security to ensure that the investigations do not jeopardize national security, GAO believes the present arrangement constitutes an organizational impairment to the independence of the investigative process because the investigative entity--the Office of Security--is located within State's management hierarchy. Also, both the timeliness and quality of investigations have suffered because the Office of Security has other high-priority responsibilities and its staff are not adequately trained to handle IG investigations.

State officials told GAO that the Department is acting to improve investigative timeliness and quality (primarily by reorganizing the Office of Security and establishing a new General Fraud and Malfeasance Branch staffed with experienced investigators). However, this will not eliminate GAO's concern about management investigating itself. (See ch. 4, p. 19.)

GREATER EMPHASIS IS NEEDED ON COMPLIANCE WITH GOVERNMENT AUDIT STANDARDS

Although the Foreign Service Act of 1980 requires that IG inspections and audits comply with Government audit standards, GAO found the standards are not being complied with and the quality of the IG's work has been adversely affected by the State IG (1) using staff who do not have adequate audit experience and training, (2) requiring staff to operate under severe time constraints, and (3) not requiring staff to adequately document their work.

IG officials maintain that the use of Foreign Service officers who have not received adequate audit training, and the time constraints under which the staff are required to operate, have not adversely affected the quality of the IG office's work. Although IG officials acknowledge their staff's workpapers do not meet Government audit standards they believe the workpapers are adequate for their purposes. (See ch. 5, p. 23.)

RECOMMENDATION TO THE CONGRESS

GAO believes the exceptions contained in the 1980 legislation to the basic IG concept embodied in the Inspector General Act of 1978 have contributed to problems GAO found with the State IG's independence and effectiveness. (See p. 29.) Accordingly, GAO

recommends that the Congress either (1) repeal section 209 of the Foreign Service Act of 1980 and place the State Department IG under the Inspector General Act of 1978 or (2) conform section 209 to the Inspector General Act of 1978.

RECOMMENDATIONS TO THE SECRETARY OF STATE AND THE INSPECTOR GENERAL

GAO recommends that the Secretary of State and the Inspector General work together to establish a permanent IG staff of qualified auditors, and discontinue the IG office's reliance on a temporary staff whose tenure, promotions, and reassignments are decided by departmental managers.

GAO also recommends that the Secretary and the Inspector General establish an investigative capability within the IG office to enable the IG office to conduct its own investigations. In this regard, they should consider transferring from the Office of Security to the IG office those qualified investigators assigned to the Office of Security's new General Fraud and Malfeasance Branch.

In addition, GAO makes other recommendations to the Inspector General to improve the office's independence and effectiveness. (See p. 30.)

AGENCY COMMENTS

GAO did not obtain official State Department comments on the report but discussed the issues in the report with State IG officials and incorporated their views where appropriate.

Contents

ABBREVIATIONS

GAO	General Accounting Office
IG	Inspector General

CHAPTER 1

INTRODUCTION

In recent years, the Congress has enacted several public laws establishing independent statutory inspector general (IG) offices in 18 major Federal departments and agencies. Of the 18 offices, 15 were established pursuant to the Inspector General Act of 1978 (Public Law 95-452, Oct. 12, 1978), as amended,[1] which contains uniform principles and standards for the operation of these offices.

Each of the other three IG offices was established pursuant to its own specific authorizing legislation, the provisions of which differ in some respects from those contained in the 1978 act. However, conforming amendments enacted in 1980 brought the authorizing legislation for two[2] of these three IG offices into line with the Inspector General Act of 1978, in terms of the IG's legislatively mandated duties and responsibilities. Only the authorizing legislation[3] for the Department of State's IG office (State IG) continues to differ in several major respects from the 1978 act.

In recognition of these differences, and in keeping with (1) the House Government Operations Committee's responsibility to oversee legislation creating statutory IG offices and (2) the Legislation and National Security Subcommittee's jurisdiction over the Department of State, the Subcommittee Chairman asked us to help the Subcommittee compare the State IG with the IGs of other departments

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[1]Public Law 95-452 initially established statutory IG offices in 12 Federal departments and agencies including Agriculture, Commerce, Housing and Urban Development, Interior, Labor, Transportation, Community Services Administration, Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, Small Business Administration, and the Veterans Administration. It was subsequently amended to include the Department of Education (Public Law 96-88, Oct. 17, 1978), the Agency for International Development (Public Law 97-113, Dec. 29, 1981), and the Department of Defense (Public Law 97-252, Sept. 8, 1982), for a total of 15 statutory IGs under the 1978 act.

[2]Public Law 94-505 (Oct. 15, 1976) and Public Law 95-91 (Aug. 4, 1977), which established statutory IG offices within the Department of Health, Education, and Welfare (now Health and Human Services) and the Department of Energy, respectively, were amended by Public Law 96-226 (Apr. 3, 1980) to conform their legislatively mandated duties and responsibilities in certain respects to those contained in the 1978 act.

[3]Sec. 209 of the Foreign Service Act of 1980 (Public Law 96-465, Oct. 17, 1980).

and agencies. (See app. I.) Among other things, the Chairman specifically requested that we compare section 209 of the Foreign Service Act of 1980 with the Inspector General Act of 1978, and determine how significant differences in the two acts affect the work of the State IG. A more detailed discussion of our review objectives, scope, and methodology is included at the end of this chapter.

STATE IG LEGISLATION DIFFERS FROM THE 1978 INSPECTOR GENERAL ACT

The inspector general concept, as set forth in the 1978 Inspector General Act, consolidates auditing and investigative responsibilities under a single senior official who reports directly to the agency head or officer next in rank below the head. This results in independent and objective units which conduct and supervise audits and investigations relating to programs and operations of their respective departments and agencies. The inspectors general are intended to provide leadership and coordination and recommend policies (1) to promote economy and efficiency in the administration of programs and operations and (2) to prevent and detect fraud and waste. They also provide a means for keeping agency heads and the Congress informed about administrative problems and deficiencies, the effectiveness of programs and operations, and the need for and progress of corrective action.

The State Department was initially included in the proposed legislation to create independent statutory IGs in major Federal departments and agencies (subsequently enacted as the Inspector General Act of 1978). The Department argued that it should not be included in the legislation because of its unique foreign policy responsibilities. In 1980, the Congress again considered amendments to include the State Department under the 1978 act; it subsequently chose to accept an alternative proposal to allow State to have its own special IG legislation--section 209 of the Foreign Service Act of 1980.

Section 209 of the Foreign Service Act of 1980 has several features that set it apart from the 1978 IG legislation. A detailed analysis of the differences and similarities between the two acts is in appendix II. Some of the more important differences are summarized below:

--The 1978 IG legislation makes IGs responsible for performing audits and investigations and other activities related to economy, efficiency, and effectiveness in the administration of programs and operations. In addition to the duties and responsibilities outlined in the 1978 legislation, the 1980 Foreign Service Act requires that the State IG inspect and audit each Foreign Service post, bureau, and other operating units within the Department to determine whether they are complying with U.S. foreign policy objectives.

--The 1980 Foreign Service Act requires that these inspections and audits of posts, bureaus, and other operating units be done at least once every 5 years. The 1978 legislation establishes no such audit cycle for the other inspectors general, nor does it require that they audit each organizational entity.

--Because of the need to perform the inspection and audit function discussed above, the 1980 Foreign Service Act requires that the State IG staff have, in addition to the individual qualifications required of an agency IG in the 1978 legislation, knowledge and experience in foreign affairs.

--Both the 1978 and 1980 acts authorize the inspectors general to select, appoint, and employ such persons as necessary to carry out their statutory responsibilities. The 1980 act additionally authorizes the State IG to assign persons from operational units within the State Department and the Foreign Service to the IG office.

--Both the 1978 and 1980 acts authorize inspectors general to investigate allegations of waste, fraud, and mismanagement. However, the 1980 act's legislative history indicates the State IG could continue conducting investigations jointly with the Department of State's Office of Security to ensure that the investigations do not jeopardize national security.

STATE IG RESPONSIBILITIES, ORGANIZATION, AND STAFFING

All audit, inspection, and investigation activities within the Department of State are performed by or under the direction of the Office of Inspector General, which is in Washington, D.C. The State IG has two Deputy Inspectors General, an Assistant Inspector General for Audits, and an Assistant Inspector General for Investigations.

In fiscal 1982, the State IG was authorized 76 positions: 11 managers, 50 inspectors, and 15 support staff. The total fiscal 1982 IG budget was $3.5 million, of which $2.6 million was for salaries.

The State IG is staffed with both temporarily assigned Foreign Service officers and audit-qualified professionals. The Foreign Service officers generally serve 2-year tours in the IG office, after which they rotate to other positions in the Department. The audit-qualified professionals have been hired primarily for their audit skills from various Government audit agencies, including the General Accounting Office (GAO). They initially serve 4-year tours in the IG office and then rotate into other positions in the Department.

OBJECTIVES, SCOPE, AND METHODOLOGY

At the request of the Chairman, Subcommittee on Legislation and National Security, House Committee on Government Operations, we reviewed the operations of the Department of State Inspector General's office to determine (1) how the differences between the Inspector General Act of 1978 (Public Law 95-452) and the Foreign Service Act of 1980 (Public Law 96-465) affect the State IG's work and (2) whether the IG is meeting GAO's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (hereafter referred to as Government audit standards). Our review focused on the State IG operations since passage of the Foreign Service Act of 1980.

We made our review at the State IG office and at other departmental bureaus in Washington, D.C.; and at U.S. missions in Belgium, Denmark, Mali, Norway, Pakistan, Senegal, Tunisia, and Turkey.

We analyzed the legislative histories of the Inspector General Act of 1978 and section 209 of the Foreign Service Act of 1980 to compare and contrast the similarities and differences between the two acts. We reviewed Federal laws, regulations, and implementing instructions relating to the IG's audit, inspection, and investigative responsibilities. We also reviewed the organization and functions of the State IG in relation to the 1980 Foreign Service Act and Government audit standards.

To evaluate the adequacy and usefulness of the State IG inspections and to determine whether they comply with Government audit standards, we reviewed recent IG inspection reports on seven foreign posts (Belgium, Denmark, Mali, Norway, Pakistan, Senegal, and Turkey). These posts were selected in consultation with State IG management to provide a cross-section of foreign posts inspected by the IG and of the problems and issues an inspector might find. We visited each foreign post to discuss the adequacy and value of IG inspections with mission officials including ambassadors, deputy chiefs of mission, and section heads.

In Washington, we reviewed the IG workpaper files to determine whether findings, conclusions, and recommendations contained in the inspection reports were adequately supported. We discussed the IG inspection concept and process with Department of State managers including desk officers, executive directors, directors, and deputy assistant secretaries of regional bureaus. In addition, we accompanied an IG inspection team to Tunis, Tunisia, to observe an inspection that was underway.

To determine whether the IG audits complied with Government audit standards we judgmentally selected and reviewed IG working papers and reports for seven audits conducted during calendar 1981 and 1982. We discussed four of these audits with the State Department officials responsible for the audited area to obtain their views on the adequacy and value of the IG audit.

To evaluate the State IG's investigative responsibilities we judgmentally selected 20 investigations from the IG's log of about 300 open and closed case files. We later selected nine additional investigations after interviews and discussions with IG and departmental officials. We reviewed both the correspondence and investigative files in the IG's office, and the investigative files in the special assignment staff and passport and visa branches of State's Office of Security.

We interviewed officials in the IG office and the Office of Security to obtain their views on the investigative process. We did not verify the statistics on investigations provided to us by the IG and we accepted the IG staff's judgments about the quality of the investigative work done by Office of Security personnel.

We reviewed the personnel summaries of the training and experience of Foreign Service officers assigned to the State IG office as of April 1982 to evaluate whether their experience and training sufficiently qualified them to serve as auditors/inspectors in accordance with Government audit standards.

We interviewed officials from 15 other statutory inspector general offices to compare their operations to that of the State IG and to obtain their views on activities we had observed there. Finally, we interviewed selected former and current IG staff members to discuss issues raised during our review.

The scope of our efforts to comprehensively review the State IG's operations was impaired because the IG workpapers we reviewed, which were intended to support selected inspection and audit reports, were generally inadequate. This prevented us from determining whether the findings, conclusions, and recommendations contained in IG reports were valid.

Our review was made in accordance with Government audit standards except for the limitation discussed above. Also, we did not obtain official State IG comments on our report, although we did discuss the issues in the report with appropriate IG officials.

CHAPTER 2

MORE INDEPENDENCE IS NEEDED

WITHIN STATE'S OFFICE OF INSPECTOR GENERAL

Section 209 of the Foreign Service Act of 1980 requires that the Department of State's Office of Inspector General comply with Government audit standards in carrying out its inspection and audit functions. Regarding the issue of independence, these standards state:

> "In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, must be free from personal or external impairments to independence, must be organizationally independent, and shall maintain an independent attitude and appearance."

These standards place the responsibility for maintaining independence upon auditors and audit organizations. Auditors should consider not only whether they are independent and their own attitudes and beliefs permit them to be independent, but also whether there is anything about their situation that might lead others to question their independence.

Our review disclosed, however, a number of situations in which the independence of the State IG's inspection, audit, and investigative[1] functions has been or could be perceived as impaired. Most of the examples we identified fall within three broad areas. First, the State IG relies on a temporary staff comprised of both Foreign Service officers and audit-qualified professionals to conduct its inspections and audits even though these staff members routinely rotate among IG and management positions within the organizations they review, and major decisions affecting their careers--such as tenure, promotions, and future assignments within the Department--are determined by State Department management rather than by the IG office.

Secondly, the State IG relies upon the Department's Office of Security to conduct most of the investigations of fraud, waste, and abuse. Because most State investigations involve overseas locations, the Office of Security uses its overseas security staff to

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[1]Section 209 of the Foreign Service Act of 1980 does not require that the State IG's investigations comply with Government audit standards. In fact, there are no Government-wide investigative standards. We believe, however, as we stated in our report "DOD Can Combat Fraud Better By Strengthening Its Investigative Agencies" (AFMD-83-33, Mar. 21, 1983), that investigations should be carried out by personnel and organizations that are independent of department operations.

perform the investigative work. These personnel, however, face personal and external impairments to their independence when they are assigned to investigate their own supervisors, other senior post officials, and individuals with whom they live and socialize at foreign posts.

Finally, the Inspector General's active participation on departmental policy and decisionmaking committees could lead others to question the IG office's independence on subsequent reviews of the programs or organizations affected by these committees.

STAFFING AND PERSONNEL PRACTICES IMPAIR INDEPENDENCE OF STATE IG

Government auditing standards state that when auditors encounter any situations that affect their ability to work and report findings impartially, they should consider their independence impaired and decline to perform the audit. The standards describe several circumstances in which an auditor cannot be impartial. These include the following:

--Official, professional, personal, or financial relationships that might cause the auditor to limit the extent of the inquiry, to limit disclosure, or to weaken the audit findings in any way.

--Previous involvement in a decisionmaking or management capacity that would affect current operations of the entity or program being audited.

--Biases that result from employment in, or loyalty to, a particular group, organization, or level of government.

--Influences that jeopardize the auditor's continued employment for reasons other than competency or the need for audit services.

All these criteria appear to be directly applicable to staffing and personnel practices discussed in this section.

IG staff face impairments to their independence

Unlike other statutory inspectors general, the State IG does not have a permanent staff. Approximately half the State IG staff are Foreign Service officers on 2-year details. The other half are audit-qualified professionals hired from other auditing organizations, who rotate in 2- to 4-year cycles between the IG office and administrative positions in the Department and at foreign posts. We believe their previous involvement in decisionmaking and management positions could affect the objectivity and impair the independence of such individuals.

These Foreign Service officers and audit-qualified staff face further impairments to their independence: major decisions

affecting their careers are controlled by management rather than by the IG. For example, we were told that promotions for Foreign Service personnel, including both audit-qualified staff and Foreign Service officers assigned to the State IG, are based on annual evaluations by promotion boards set up by the Department's personnel office. These boards, which consist of Foreign Service officers and non-State Department officials, select the people who will be promoted. This means that IG staff promotions are determined or influenced by individuals whose functions and activities may have been inspected or audited by the IG staff. Awareness of this could impair the independence of the staff in carrying out inspections and audits.

Along the same vein, audit-qualified professionals hired initially as IG inspectors must receive Foreign Service tenure after 3 to 5 years or leave the State Department. The tenuring process is also administered by the Department's personnel office. It involves tenuring boards consisting entirely of Foreign Service personnel who evaluate a candidate's suitability for the Foreign Service and, in the case of audit-qualified individuals, the candidate's ability to perform auditing work. Again, the State IG office has no control over this process. This situation is similar to that of the promotion boards and could adversely affect the objectivity and impartiality of the audit-qualified staff.

Finally, reassignments from the State IG office of both Foreign Service officers and audit-qualified professionals are determined by the Department's personnel office. Decisions are based on expressed preferences and the needs of the Department. The State IG office has no control over the process. The desire of IG staff to receive favorable assignments after their State IG tour could, again, influence their objectivity.

In discussing these issues with the IG management, the Inspector General told us he firmly believes in using rotational or temporary staff. He said he would not want a staff of only audit-qualified professionals or only Foreign Service officers. He believes both types are needed. Further, the Inspector General felt his office was too small to be able to have a career ladder for a permanent staff. He said that only by rotating the audit-qualified professionals into departmental positions can he offer them career opportunities.

Although IG officials acknowledge that major career decisions concerning their staff are decided by State Department management rather than by the IG office, they did not believe this represented an impairment to the IG staff's independence. The officials further noted that the Foreign Service places a high premium on integrity.

We believe the various staffing and personnel practices discussed above represent impairments to the independence of the State IG office and its staff, and are contrary to Government audit standards.

Subsection 209 (c)(1) of the Foreign Service Act of 1980 states that the State IG shall comply with generally accepted Government audit standards in carrying out the inspection and audit activities under the act. Although this subsection does not mention any specific exceptions to this requirement, subsection 209 (e)(2) provides that at the IG's request, State employees and Foreign Service officers may be assigned to the Inspector General. It expressly states, however, that the individuals so assigned "shall be responsible solely to the Inspector General, and the Inspector General or his or her designee shall prepare the performance evaluation reports for such individuals." The latter provision appears to indicate that the Congress wanted to provide at least some degree of independence to these individuals while assigned to the IG's office. Other indicators in the legislation of congressional intent regarding independence include: (1) the requirement that only the President may appoint or remove the State IG; (2) the restriction against the assignment of general program operating responsibilities to the State IG; and (3) the prohibition against any State official preventing or restricting the State IG from initiating, carrying out, or completing any audit or investigation.

However, the House Committee report on the 1980 act states that:

> "* * * Due to the peculiar nature of the office of the Inspector General of the Foreign Service and its responsibilities concerning the activities and operations of Foreign Service posts overseas, the committee believes that it is not only unnecessary but also undesirable to legislate the kind of independence which is contained in the Inspector General Act of 1978.* * *"

The Committee report was silent as to the specific application of this statement. Accordingly, we believe there is some question as to the intent of the Congress regarding the degree of independence expected of the State IG.

We firmly believe independence is the cornerstone of any audit organization, and as long as the State IG is allowed to continue the staffing and personnel practices described in this chapter it will never achieve the degree of independence needed to function as an effective audit entity. Moreover, we found nothing peculiar or unique about the State IG office's responsibilities that would justify its having less independence than other statutory IGs.

Others also acknowledged impairments to independence in State IG office

The State IG's own staff, the State Department officials they audit, and officials from other statutory IGs we interviewed have also raised questions about the State IG office's independence because of its staffing and personnel practices.

State IG staff

Some State IG staff members acknowledged that they face potential impairments to their independence. For example, we asked 14 current and former Foreign Service officer inspectors to comment on whether they consider themselves independent and whether they believe others view them as independent.[2] Although all said they believe they personally are independent, seven acknowledged that their independence could be questioned by others. One of the seven told us that Foreign Service officers have an inherent conflict of interest in auditing or inspecting activities they previously performed, and that the IG's audit-qualified staff are also put into compromising positions because of their desire to rotate into the Foreign Service. Another officer told us that while auditing a particular departmental bureau, he was in the process of trying to arrange for his rotation out of the IG office. He noted that since the bureau he was auditing had input into the assignment selection process, others could question his independence.

Eight out of nine current and former audit-qualified professionals whom we asked to comment on their independence acknowledged that their rotation in and out of management positions within the department could raise independence questions.

For example, one staff member stated that "the name of the game" in the IG office is making contacts to try to get a good assignment after leaving that office. It was his opinion that, as a result, no one in the IG office wants to push big problems through the system because it would be like "shooting yourself in the foot" (that is, jeopardizing your chances of getting a good assignment after the IG tour). This staff member further stated that he does not believe he is as independent as he was at a previous audit agency because of this need to make contacts within State.

Another staff member said that from a professional audit organization standpoint, the State IG office is not independent because staff tenure, promotions, and reassignments are decided outside the IG office. He also said Foreign Service officers temporarily assigned to the IG office might not be objective.

Departmental officials

Some departmental officials who were audited by the State IG also believed the IG's staff faces impairments to its independence.

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[2]At the time we initiated our review, the IG's inspection staff consisted of about 27 Foreign Service officers (including 4 retired officers brought back to serve as inspectors for a temporary period) and 21 audit-qualified professionals. We selected staff for interviews on this and other issues discussed in this report primarily based on their availability. Most of the former IG staff members we contacted were located in Washington, D.C.

Six out of 12 departmental officials we asked to comment on the IG's use of temporary staff, particularly the use of Foreign Service officers, said that the use of temporary staff did raise questions about the State IG's independence.[3] For example, one official stated that, in his opinion, the IG office could never be independent or objective because no matter what assignment Foreign Service officers were currently in--whether in the State IG, an embassy, or a departmental bureau--they were always considering promotion potential and their next possible assignment. He observed that when Foreign Service officers are assigned to the IG office, the Department has Foreign Service officers auditing themselves.

Other statutory IGs

All officials from the other 15 statutory IGs we contacted said that, in their opinion, relying primarily on temporary staff who rotate back and forth between management and the IG's office would create serious impediments to any IG's independence. Further, officials from these IGs stated that they would not staff their offices with temporary or rotational staff because of the potential independence problems.

Earlier GAO report questioned practice of using temporary staff in State IG office

In a 1978 report to the Congress, we pointed out that the practice of detailing Foreign Service officers to the State IG for temporary tours as inspectors raised questions about their independence.[4] Specifically, we noted that:

> "The fact that Foreign Service Officers are detailed as inspectors for temporary tours of 2 years and then reassigned to activities which they may have evaluated has negative as well as positive aspects. On the one hand, the Foreign Service Officer has extensive experience in the foreign affairs area, but on the other hand, this same experience could lead the officer to accept the present operating methods without raising questions that might occur to independent observers. The likelihood and the awareness that an inspector will later become one of the inspected officers in a new role as an Ambassador, deputy chief of mission, political officer, or economic/commercial officer could constrain him from reporting as candidly as he otherwise might. These circumstances and the inspectors' own close relationships with the Foreign Service

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[3]The departmental officials we interviewed were familiar with the five IG domestic reviews we judgmentally selected for review.

[4]"State Department's Office of Inspector General, Foreign Service, Needs to Improve Its Internal Evaluation Process" (ID-78-19, Dec. 6, 1978).

and its functions tend to dilute their independence and lessen others' confidence in the completeness and objectivity of their inspections and reporting* * *."

At the time of our earlier review, the Foreign Service Act of 1946, as amended, required that Foreign Service officers be detailed to the State IG office as inspectors. Based on our findings in the 1978 report, we recommended that the Congress amend the 1946 act to eliminate this requirement.

When the Congress enacted the Foreign Service Act of 1980, the requirement was dropped; however, as previously discussed, the act allows the State IG to continue to use temporarily assigned Foreign Service officers. In summary, the 1980 act permits the new statutory IG to follow the same staffing practices as the predecessor IG organization which was an integral part of management's internal review process.

INDEPENDENCE IMPAIRMENTS ALSO HAMPER STATE IG INVESTIGATIONS CONDUCTED BY THE OFFICE OF SECURITY

As discussed in more detail in chapter 4, the State IG relies upon the Department's Office of Security to investigate most charges of fraud, waste, and abuse rather than establishing its own in-house investigative capability as the other statutory IGs have done. Because most State investigations involve overseas locations, the Office of Security uses its overseas security staff to perform the investigative work. We found, however, that these investigators face serious personal and external impairments to their independence.

Although they officially report to the Office of Security in Washington, D.C., the security officers are subject to the administrative direction of the chief of mission or his designee, and receive performance appraisals from senior post officials. Sometimes they are put in the precarious position of having to investigate their own supervisors or other high ranking post officials. Also, the security officers live and socialize with individuals whom they may have to investigate. We believe these personal relationships could affect their ability to conduct impartial investigations.

Our review of investigative case files and discussions with Office of Security personnel disclosed several examples that illustrate the seriousness of the impediments confronting these investigators. In one case, post officials refused to allow a security officer to send investigative information to headquarters superiors. The security officer attempted to cable to headquarters superiors information on the investigation's status and the anticipated investigative approach. The security officer was informed by post officials that the cable could not be sent as written. According to the investigator, post officials wanted to delete a great deal of information because they did not want their "dirty laundry" seen by everyone. The investigator told us he was instructed by post officials not to communicate in any way with

Office of Security officials. The officer had to make a special trip to Washington to brief headquarters superiors.

In another case, a security officer who was asked to help investigate an allegation involving an administrative consular, deputy chief of mission, and ambassador, was subjected to "verbal and cryptic threats" from the officials implicated in the investigation. He was told that eventually he was going to pay for his involvement and that his future career in the Department was dead. He told us that after the investigation was completed, working and socializing with employees at the embassy became very difficult because people were always wondering if he was looking over their shoulders. The officer said that because he was continually harassed and threatened, and because he was ostracized by many employees, he rotated to another post.

In a third case, the Office of Security did not use the local security officer to conduct an investigation at a particular post because it recognized that the officer's involvement would place him in an unfavorable light with post personnel. The investigation was delayed about 9 months while the Office of Security made arrangements for another officer to investigate the case.

Office of Security officials acknowledged that this type of conflict is inherent in their investigative process. They pointed out, as an example, that special investigator communications channels used for contacting Office of Security headquarters supervisors are routinely monitored by post officials. In June 15, 1982, testimony before the Senate Permanent Subcommittee on Investigations, a former Department of State security officer confirmed this when he stated:

> "* * *Many of my confidential telegrams to the Office of Security in Washington regarding the status and direction of this investigation had received unnecessary distribution within the embassy. Consequently, my activities were compromised to the suspects early in the investigation."

We believe the problems discussed in this section help support the position we take in chapter 4 regarding the need for the State IG office to develop its own in-house investigative capability. Officials from all the other statutory IG offices we contacted stated that the independence of investigations would always be subject to question if the IG did not conduct its own investigations.

THE INSPECTOR GENERAL'S INVOLVEMENT IN DEPARTMENTAL DECISIONMAKING PROCESSES IMPAIRS HIS OFFICE'S INDEPENDENCE

As discussed earlier in this chapter, generally accepted Government audit standards identify circumstances in which auditors cannot be impartial because of their view or personal situation, including previous involvement in a decisionmaking or management

capacity that would affect current operations of the entity or program being audited.

We believe the Inspector General's involvement with two key State Department committees--the Priorities Policy Group and the Committee on Foreign Service Posts--places him in a situation where his independence could be questioned.

The Priorities Policy Group, chaired by the Under Secretary for Management, formulates the Department's budget, prepares options and recommendations, and implements major management decisions. In addition to the Inspector General, we were told other members include the Comptroller, Director General of the Foreign Service, Director for Policy and Planning, and the Director of Management Operations.

Also, the Inspector General is a voting member of the Committee on Foreign Service Posts which acts in an advisory capacity on any proposal to open, close, or change the status of a diplomatic mission or a consular post. Other committee members include the Director General of the Foreign Service; Assistant Secretary for Administration; Assistant Secretary for Consular Affairs; and the Director for Management Operations. The committee forwards its recommendations to the Under Secretary for Management for consideration.

The Inspector General maintains that his role on both committees is strictly advisory and that his office's independence is not impaired by his participation. He said he serves on the two committees to help ensure compliance with his office's inspection and audit report recommendations.

While we agree that IG recommendations should be considered by these committees, we do not believe it is necessary for the Inspector General to participate on them to ensure compliance. Further, we believe the IG office's independence is impaired by the Inspector General's participation. In the case of the Priorities Planning Group, by participating on a group that is involved in the Department's budget process, the Inspector General is taking the role of a departmental manager thereby impairing his office's independence. For example, one departmental manager who attends the group's meetings commented to us that the Inspector General is a respected committee member who actively participates in the committee's deliberations.

While the other committee's function is advisory, the Under Secretary for Management told us he places a great deal of reliance on the committee's recommendations. We believe the Inspector General is assuming a role similar to that of other committee members--his involvement can be perceived as being that of a decisionmaker or manager and not that of an independent auditor.

The independence problems caused by the Inspector General's involvement in departmental decisionmaking processes are not unique to the State IG. We have noted similar situations involving other IGs.

CHAPTER 3

STATE'S INSPECTION FUNCTION SHOULD BE PERFORMED BY DEPARTMENTAL MANAGEMENT RATHER THAN BY THE OFFICE OF INSPECTOR GENERAL

For many years, the State Department had been required by law to conduct "inspections" of each foreign post at least once every 2 years, and to use Foreign Service officers to conduct these inspections. According to State officials, these periodic inspections are the only comprehensive means it has for routinely monitoring and assessing the operations of its overseas posts. Prior to the Foreign Service Act of 1980, this function was performed by agency management, primarily through one or more of the agency's internal review organizations (including an "inspector general" administratively established by State within the Foreign Service).

However, when the Congress enacted the Foreign Service Act of 1980 it required that routine inspections of all foreign posts and domestic bureaus be performed by the new statutory IG. We believe this legislatively mandated responsibility is a program function that more properly belongs to agency management--not to an independent statutory IG.

Government managers, as an inherent part of their basic management responsibility, are expected to routinely monitor and assess their own operations to assure themselves, their superiors, legislators, and the public that their programs and operations are well controlled and meet intended goals and objectives. The role of the independent audit organization, on the other hand, is to evaluate how well agency management is carrying out its basic management responsibilities, including its routine monitoring and assessment function.

INSPECTIONS HAVE TRADITIONALLY BEEN PERFORMED BY DEPARTMENTAL MANAGEMENT

The inspection function began at the Department of State in 1906 as a means of checking on consular activities abroad. At that time, departmental management had no means of knowing whether the consuls at a station were doing their work properly, except from information that casually found its way to the Department from letters or conversations of American travelers.

Legislation enacted in 1906 established five "Consuls General at Large" to inspect consular offices at least once every 2 years. The Rogers Act of 1924 changed the title "Consuls General at Large" to "Inspectors" and required that Foreign Service officers be detailed to inspect foreign post activities. The Foreign Service Act of 1946 continued this activity and further required that diplomatic and consular posts be inspected in a substantially uniform manner at least every 2 years.

In 1957, the State Department administratively established an inspector general office within the Foreign Service, and assigned to it the responsibility for the overseas inspections. Basically, this office was an internal review organization which received day-to-day guidance from the Deputy Under Secretary for Management and was, in effect, agency management's mechanism for routinely monitoring and assessing foreign post activities.

After several reorganizations to streamline and improve its internal review and evaluation activities, the Foreign Service Inspector General began using "conduct of relations" teams in 1973 to perform the legislatively mandated inspection function.

In our 1978 report, we noted that the conduct of relations teams usually consisted of two or three Foreign Service officers and one auditor. The Foreign Service inspectors examined economic, commercial, and political affairs and related policies, programs, and objectives; while the auditor generally reviewed budget and finance, administrative, and general services activities. The team then issued a single report covering all aspects of the inspection (the term "inspection" includes all monitoring activities performed by the team, including the auditor). Our 1978 report criticized both the inspection process and the resulting reports on several important issues. Among other things:

--The inspections focused mainly on individual posts and followed the same fixed guidelines year after year.

--The inspectors tried to cover too many areas in too little time, and did not cover any of them in depth.

--The inspectors did not do sufficient work to identify the underlying causes and make meaningful recommendations to correct the problems noted during the inspection.

--The inspectors seldom dealt with substantive matters. For example, in one case concerning an economic/commercial section at one embassy, inspectors reported numerous factual and evaluative comments on the staffing, experience, dedication, and competence of personnel in the section. They also reported the section was engaged in economic reporting on a wide range of subjects of keen interest to the United States. The inspectors, however, did not evaluate any of the economic reporting subjects from the standpoint of (1) relationship to overall U.S. interests, (2) specific projects or efforts being undertaken or planned, (3) actual or potential issues, problems, and controversies involved, (4) possible solutions, and (5) obstacles that might be impeding selection. Such information would provide a better insight into how the section was accomplishing its purpose.

Finally, we reported that about 68 percent of the Foreign Service Inspector General's staff resources and about 75 to 80 percent of its other expenses were being devoted to conduct of

relations inspections, and that there was a need for the Inspector General to concentrate on more substantive work, including (1) regional or worldwide expanded-scope efficiency and economy audits, and (2) program results reviews of agency programs and activities.

1980 ACT REQUIRES THAT INSPECTION FUNCTION BE PERFORMED BY NEW STATUTORY IG

In addition to the normal IG functions outlined in the 1978 act, the 1980 act requires that the State IG inspect and audit each Department of State foreign post and domestic unit at least once every 5 years. Our review disclosed that the routine inspection function performed by the new statutory IG has not changed significantly from the way it was handled by agency management's internal review organization, and that most of the problems discussed in our 1978 report still exist.

As discussed elsewhere in this report, the authorizing legislation for State's new statutory IG office contains several exceptions and deviations from the provisions of the 1978 act. These allow it to continue to operate in essentially the same manner as the old Foreign Service Inspector General office, which was an internal review organization under agency management. One of the most significant deviations is that the 1980 act requires State's statutory IG to inspect and audit all foreign posts and domestic bureaus at least once every 5 years.

The statutory IGs under the 1978 act, on the other hand, are not required to review all organizational units within their respective agencies, nor are they required to conduct their reviews and evaluations within a legislatively mandated period. Instead, they have the discretion to spend their resources on the reviews and evaluations that have the greatest potential payoff in improved agency programs and operations. Only 5 of 15 other statutory IGs we contacted performed any type of inspection function. However, they said their inspection activities were very limited in relation to their total resources, and were performed as an integral part of their independent audit responsibilities rather than through routine management-type monitoring of agency program activities. In this regard, we noted that about 50 percent of the State IG's staff resources and about 75 percent of its travel resources were being devoted to overseas inspections.

ROUTINE INSPECTIONS OF OPERATIONS SHOULD BE PERFORMED BY DEPARTMENTAL MANAGEMENT

We do not believe the State's statutory IG should be specifically charged with routinely inspecting the Department's overseas and domestic operations. Instead, this function should be performed by agency management.

One of the fundamental responsibilities of agency management is to routinely monitor and assess its operations to determine

whether its programs are meeting intended objectives efficiently and economically and to render a full account of its activities to the public. Also, feedback obtained through this process gives management essential information it needs to carry out other basic management functions, such as planning, staffing, taking needed corrective actions, and redirecting program operations.

State Department management has not established an internal review mechanism to routinely assess its operations since the inspection function was transferred to the new statutory State IG office. Department managers told us they rely heavily on the State IG inspections because they are the only comprehensive source of information about foreign posts' operations.

While the information obtained through the inspection function may be very important to the departmental managers in making day-to-day decisions concerning program operations as noted above, agency management--not an independent IG--has the primary responsibility for routinely obtaining this type of data. The primary role of the State IG should be to evaluate how well agency management is carrying out its various management functions--one of which is to routinely monitor and assess its operations. This does not preclude the State IG from conducting inspections. The inspection technique may be used by the IG office to check on how well management conducts its inspections or to periodically survey foreign post activities to identify potential audit areas.

In support of our position on the distinction between the respective roles of agency management versus independent audit organizations, it should be noted that when the Congress recently created an independent statutory IG office at the Department of Defense, it did not require that the new IG take over the traditional military inspection function. Although the military services, like the State Department, have a long tradition of performing routine inspections of their various installations and operations, the Congress evidently recognized that military inspections are an internal review and monitoring function that should be performed by management--not by an independent statutory IG. Accordingly, it left the responsibility for these traditional inspections with the individual services.

CHAPTER 4

THE OFFICE OF INSPECTOR GENERAL SHOULD CONDUCT ITS OWN INVESTIGATIONS

State's Office of Inspector General should establish an in-house investigative capability and begin conducting its own investigations of fraud, waste, and abuse like the other statutory inspectors general. The present arrangement wherein the State IG relies upon the Department's Office of Security to conduct most of its investigations presents a number of problems which limit the overall independence and effectiveness of the investigative function within the Department.

As already discussed in chapter 2, the personal and external impairments to independence faced by post security officers when they must investigate their supervisors, peers, or other individuals with whom they work and associate, raise serious questions about their ability to conduct the investigations and report their findings objectively and impartially. We believe the present arrangement also constitutes an organizational impairment to independence because the investigative entity--the Office of Security--is located within State's management hierarchy. Finally, both the timeliness and quality of investigations have suffered because the Office of Security has responsibilities of higher priority and its staff are not adequately trained in IG-type investigations.

OTHER STATUTORY IG OFFICES CONDUCT THEIR OWN INVESTIGATIONS

Officials at the 15 statutory IG offices we contacted said they each have their own trained criminal investigators to review allegations of fraud, waste, abuse, and mismanagement. Moreover, their investigators are directly involved in all aspects of assigned cases--from initial processing and planning to investigating and reporting.

These officials said it was their understanding that the Congress intended, under the Inspector General Act of 1978, for each IG office to establish its own independent in-house investigations staff. They explained that unless this function was located within the IG's office, the independence and objectivity of the investigations could be open to question.

STATE IG INVESTIGATIONS ARE CONDUCTED BY THE DEPARTMENT'S OFFICE OF SECURITY

Prior to the establishment of State's statutory IG by the Foreign Service Act of 1980, allegations of fraud, waste, abuse, and mismanagement within the State Department were routinely referred to the Office of Security for investigation. Under the 1980 act, the State IG was given responsibility for conducting these investigations; however, the legislative history of the act indicates that

the IG could continue conducting investigations jointly with the Office of Security to ensure that the investigations do not jeopardize national security.

We found that the new statutory IG has continued to operate essentially in the same manner as the previous IG organization by relying almost exclusively upon the Department's Office of Security to conduct its investigations.

Rather than establish an in-house investigative capability like that of the other statutory IGs, the State IG told us he decided to continue using the Department's Office of Security for this purpose on the grounds that it would be more cost effective. He explained that the Office of Security personnel who were conducting most of the investigations were already located at overseas posts, where most of the allegations of fraud, waste, and abuse occur.

The State IG's use of the Office of Security to conduct investigations results in an organizational impairment to the IG's investigative operation because the Office of Security reports to the Department's Under Secretary for Management--a line management unit. In effect, having the Office of Security conduct IG investigations allows a management unit to investigate allegations against management.

The State IG office has generally limited its involvement in investigations to a monitoring and oversight role. This role has been handled by the IG's Office of Investigations since its establishment in June 1981. The office is staffed by two former Office of Security investigators who serve as Assistant and Deputy Assistant Inspectors General for Investigations. However, the IG's Office of Investigations has little operational control over investigations because the Office of Security assigns the staff, plans the approach, and supervises the job.

PROBLEMS EXIST WITH TIMELINESS AND QUALITY OF INVESTIGATIONS DONE BY OFFICE OF SECURITY

Although the Office of Security has agreed to give a high priority to IG requests for investigation, it has been unable to do so because its primary mission of protecting life and property has a higher priority. The Office has four major responsibilities which it considers to be of higher priority than conducting IG investigations: (1) protecting the Secretary of State, (2) providing security for U.S. diplomatic personnel and facilities abroad, (3) protecting foreign dignitaries, and (4) conducting background investigations on presidential appointees.

The Office of Security's inability to promptly initiate investigations for the IG is reflected in its investigative workload statistics. An analysis by the IG staff showed that the overall backlog of cases pending investigation had grown from 34 on

January 1, 1981, to 156 as of June 1, 1982. The analysis also showed that many of the cases assigned to the Office of Security had no recorded investigative activity for long periods of time. For example, about 40 percent of the June 1, 1982, pending Office of Security investigations showed no investigative effort in the previous 30 days; approximately 24 percent had no recorded investigative activity in the past 60 days; and approximately 14 percent showed no activity in 90 days or more.

Office of Security officials acknowledge the problem. In its 1983 budget request the Office asked for additional investigators, noting that

> "With the recent implementation of the Foreign Service Act there has been an increase in emphasis on the prevention, detection, and investigation of Waste, Fraud, and Mismanagement (WFM) cases * * *. However, under our current staffing, we have been unable to provide the requested support to the IG in all instances. Unfortunately, the demands of the other priority cases have created situations in which we are unable to support the IG * * *."

State IG officials identified several cases for us that show that some investigations are delayed for months. For example, in May 1982 the IG requested that the Office of Security reinvestigate a January 1982 case because the final investigative report had "developed nothing of value." However, the IG's office finally did the investigation itself when it became evident that the Office of Security would be unable to provide an investigator for at least 5 months. Its resources were committed to "heavy protective requirements" through July 1982, and to the United Nations General Assembly session scheduled for September and October 1982.

The quality of investigations performed for the IG has also suffered. According to State IG officials, approximately 40 percent of the 62 investigations completed from January 1 to June 1, 1982, had to be returned to the Office of Security for additional work because the investigative effort was not considered adequate. For example, in some cases basic investigative leads had not been pursued and fundamental questions had not been asked; in others, investigative inquiries were superficial.

State IG officials attribute the inadequate work to a lack of proper investigative training. They said although the security officers receive training in protective and physical security, and in background/suitability investigations, few receive appropriate training in Federal criminal investigations, particularly in white collar crime and cash flow analysis.

Office of Security officials told us that while it would be desirable for their investigators to attend appropriate investigative training programs offered by the Federal Law Enforcement

Training Center and the Federal Bureau of Investigation, they had been unable to do so because of other high priority responsibilities.

ACTIONS TO IMPROVE INVESTIGATIONS DO NOT GO FAR ENOUGH

According to the State IG, the Office of Security is taking action--principally through a reorganization of its investigative functions--to improve investigative timeliness and quality.

Under the new organization, IG investigations will be conducted by the Office of Security's recently established General Fraud and Malfeasance Branch. Office of Security officials said this branch will be staffed with about 17 personnel who have had extensive experience in various phases of law enforcement and criminal investigative work. The staff will also receive specialized training in fraud and white collar crime, which should improve the quality of IG investigations. The General Fraud and Malfeasance staff will be "principally devoted" to IG investigations, according to the officials, and this should improve timeliness.

We agree that the above action could improve the overall quality and timeliness of IG investigations. We note, however, that the specially trained staff could still be diverted to other Office of Security duties (such as protective detail), which could continue to affect investigative timeliness.

In addition to improving quality and timeliness, the planned action should remove some of the investigators' personal and external impairments discussed in chapter 2, since most investigations would be handled out of the Office of Security headquarters. However, the reorganization will not eliminate our concern about the organizational impairment to the independence of the IG's investigative process--that is, having management investigate itself. Until the State IG assumes complete responsibility for its investigations, the independence of the investigative process will always be open to question. We believe this issue can be resolved easily by the State Department permanently transferring to its IG office those Office of Security personnel who have been selected to conduct IG investigations. This action would also give the State IG complete operational control over its own investigative activities and bring the State IG into conformance with the other statutory IGs who conduct their own investigations.

CHAPTER 5

GREATER EMPHASIS IS NEEDED ON COMPLIANCE WITH GOVERNMENT AUDIT STANDARDS

The Foreign Service Act of 1980 requires that the State IG's inspections and audits comply with Government audit standards. We found, however, that several standards are not being complied with. As a result, the quality of the State IG's work has been adversely affected by (1) Foreign Service officers being assigned to the IG office without receiving adequate audit training; (2) IG staff being required to operate under severe time constraints, which impairs the scope of their work; and (3) IG staff not being required to adequately document their work.

FOREIGN SERVICE OFFICERS DO NOT RECEIVE ADEQUATE AUDIT TRAINING

Government audit standards place upon the audit organization and the auditor the responsibility for ensuring that the audit is conducted by personnel who collectively have the skills necessary for the type of audit to be done. This standard states, however, that those possessing special skill in a field other than accounting and auditing, as is the case with Foreign Service officers, must receive appropriate audit training.

The State IG does not provide its Foreign Service officers with sufficient audit training to meet the standard. The training provided consists of four basic courses: (1) a 2-day course on auditing methods and Government auditing standards, (2) a 2-day course on interviewing skills, (3) a 3-day inspectors' management seminar, and (4) a 2-day seminar on Government fraud. While these courses provide audit-related information, their length and depth are not adequate to develop the specific skills necessary to be an effective auditor.

Further, as we noted in our 1978 report, training sessions alone do not produce proficient management auditors any more than college courses do. Proficiency in management auditing skills and techniques is acquired and developed mainly through regular exposure on the job. Two-year terms for inspectors, in our opinion, are not long enough to allow the acquisition of skills essential for effective management review and analysis.

Of the 10 Foreign Service officers we interviewed on this issue, 9 did not believe the training they received prepared them adequately for their IG duties. Furthermore, all of the nine audit-qualified professionals we interviewed believed that Foreign Service officers did not receive sufficient audit training to function effectively.

The Inspector General maintains that Foreign Service officers can learn auditing in two years. He said that officers selected for IG assignments are "top-notch" personnel and serve in an on-the-job training capacity for their first few assignments. He also noted their review teams are a mix of both new and experienced staff. He acknowledged that the actual training is less than desirable because of their travel requirements and that Foreign Service officer training is mostly on-the-job, supplemented by classes when time permits. However, he contends there is no evidence that his staff is not doing an adequate job.

We believe insufficient audit training can seriously affect the quality of the State IG's work, particularly in view of the fact that Foreign Service officers were team leaders on about 70 percent of the IG's overseas and domestic reviews during calendar 1981 and 1982. We question the ability of Foreign Service officers, who have received virtually no audit training, to provide proper supervision and ensure that the State IG's work is performed in accordance with Government audit standards.

TIME CONSTRAINTS ADVERSELY AFFECT THE IG'S WORK

Government audit standards state that when an audit's scope is impaired, the audit is adversely affected and the auditor(s) will not have complete freedom to make an objective judgment. According to the standards, an unreasonable restriction on the time allowed to competently complete an audit is considered a scope impairment.

The Foreign Service Act of 1980 requires that the State IG review at least once every 5 years the administration of activities and operations of 253 overseas U.S. diplomatic and consular activities, as well as numerous State Department domestic bureaus and other headquarters operating units. To meet this requirement, the IG schedules three 14-week cycles each year during which selected foreign posts and domestic units are reviewed. These 14-week cycles, however, severely limit the IG staff's ability to adequately review assigned areas and hamper their ability to comply with Government audit standards.

IG staff acknowledge adverse effects of time constraints

Some IG staff members acknowledged that the scope of their work has been frequently reduced because of the 14-week work cycles and that this time constraint, among other factors, affected their ability to comply with generally accepted Government audit standards.

For example, the team leader and several team members responsible for a 1982 review of a major State Department activity felt the time allowed for the review was insufficient. The team leader wrote on his end-of-assignment evaluation form that one cycle was

insufficient to perform necessary tests, complete evaluation of data compiled during the audit, and adequately support recommendations. A team member commented that a single cycle did not allow the team sufficient time to validate its findings and verify its conclusions through visits to selected overseas sites.

In another example, an IG staff member commented that he did not have enough time to cover most assigned areas on overseas reviews and that many times he had to drop areas that should have been audited. Another member told us he was part of a team that reviewed all foreign post operations in six Central American countries during an 8-week period in 1982. He stated he could not adequately review post administrative operations because too many posts had to be covered in the limited time available.

Finally, one IG staff member told us that on several reviews he had to cut back on the number of issues being looked at to accommodate the 14-week cycle. He acknowledged that this is a scope impairment and not in accordance with Government audit standards.

In March 1981, the Assistant IG for Audits asked an experienced audit-qualified professional to estimate the staff and time requirements needed to comprehensively review the administrative operations of a foreign post.[1] The estimates far exceed the resources and time the State IG currently devotes to these areas. For example, according to the estimate the IG would need about 72 audit-qualified professionals to review each post's administrative functions within the required 5-year period. In addition, about 380 staff days would be needed to review the administrative operations of an individual post.

We noted, however, that the IG's office had only about 20 audit-qualified professionals as of December 1982 and some of these do not work full time on foreign post reviews. Also, during our observation of an actual IG review in Tunis, Tunisia (discussed below), we noted that the IG team spent the equivalent of about 50 staff-days reviewing the post's administrative operations. This was only about 13 percent of the estimated staff-days needed to adequately perform such a review.

In discussing the issue of time constraints with the IG management, the Inspector General acknowledged they are working close to the limits but doubted his staff is missing anything major. The other IG officials maintained the office is doing all it can within the available time and resources.

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[1]This is just one aspect of a foreign post operation reviewed by IG staff. It includes such functions as contracting, supply management, personnel, and budget and fiscal matters.

GAO's observations confirm that time constraints adversely affect the IG's work

We observed during the Tunis review that the IG's staff did not conduct a comprehensive review of the post's administrative operations because of insufficient time.

For example, we noted that the staff member responsible for reviewing the post's general services operations had to limit testing and rely largely on testimonial evidence to support the final conclusions and recommendations. The staff member spent about 30 minutes at the post's nonexpendable property warehouse verifying the existence of only six items costing about $3,100 out of an inventory that the general services officer estimated at approximately $2 million. Although the inspection report concluded that "The operations of the General Service unit are exceptionally well managed and the services provided to the mission community are generally timely and efficient," we believe sufficient testing was not done to reach this conclusion.

In another case, we noted that although a staff member believed the post had an excessive number of Foreign Service nationals in one section, time did not permit pursuance of the issue. The staff member could only recommend that the post study its use of these employees.

Foreign post officials believe some IG reviews were not adequate

Some officials at six of the seven foreign posts we visited, which were previously reviewed by the State IG, told us the IG reviews of their operations were superficial or lacked depth. The administrative officer at one post stated he believed the IG staff got bogged down in the routine of their work and did not have time to do an adequate management evaluation. For example, the officer claimed the IG staff overlooked a serious management problem in the personnel section, which he did not disclose to us, and did not adequately analyze his general services operations for evidence of potential fraud, waste, and abuse.

At another post, the budget and management officer also told us he did not believe the State IG staff had done enough to adequately review the post's internal controls. Consequently, we reviewed one of the post's petty cash funds and found the following internal control weaknesses: (1) the responsible U.S. officer was not conducting required cash counts, (2) an unauthorized employee was in charge of the fund, (3) the fund was not properly safeguarded, and (4) cash disbursements were being made from the fund for supplies and materials before the items were actually received. Our review indicated that the first three weaknesses existed at the time of the State IG review but were not detected. We could not determine whether the fourth problem existed at the time of the IG review. We were also unable to determine the extent of the IG's

testing in these areas or identify possible reasons why these internal control weaknesses went undetected because the supporting documentation for this portion of the audit was inadequate.

IG STAFF DO NOT ADEQUATELY DOCUMENT THEIR WORK

Government audit standards require that sufficient, competent, and relevant evidence be obtained to support the auditor's reported findings, conclusions, and recommendations, and that a record of the auditor's work be retained in the form of workpapers. However, we could not determine whether sufficient, competent, and relevant evidence was obtained by the IG staff for 11 of 12 reports we reviewed because the workpapers contained numerous deficiencies. For example:

--Several IG reviews appeared to rely extensively on interviews; however, we found no written memorandums of these interviews. Instead, the workpapers contained only handwritten notes which, in some cases, were illegible or not readily understandable without additional explanation. We therefore could not determine how this information was used to support the report.

--Most workpapers included numerous documents such as cables and internal memorandums written by the auditee. However, the IG staff usually had not labeled these documents or identified the reason for obtaining them. We again could not readily determine the relevance of these documents. In addition, the workpapers rarely had a table of contents for individual files.

We took workpapers for two IG reports and asked the appropriate staff to identify the workpapers supporting their findings, conclusions, and recommendations. Both persons said they did not have enough time to develop workpapers that met prescribed auditing standards. In addition, they said it was neither necessary nor cost beneficial--in terms of staff time--to create workpapers merely to satisfy GAO review needs. They further questioned the need to meet workpaper standards when

--quality control over report accuracy is limited to the post officials' review of the IG draft report prior to the team's departure,

--no supervisory review of their workpapers has ever been done, and

--IG reports are for internal departmental use rather than for external congressional or public use.

One Deputy Inspector General said that the IG office did not follow workpaper standards because (1) although audit-qualified

professionals are familiar with the standards, Foreign Service officers assigned to the IG office are not; and (2) IG staff, unlike GAO staff members, seldom get arguments from the auditee, so the IG believes extensive documentation isn't needed. The Assistant IG for Audits told us that, due to the time constraints under which their work is performed, preparing workpapers according to Government audit standards is not a high priority. We also noted that although this official (who is the IG's highest ranking audit professional) is responsible for arranging internal reviews to determine if the IG staff are operating, documenting, and reporting in accordance with Government audit standards, he actually serves in a staff position and has no line authority over the quality of IG work.

We cannot agree with the IG staff's statements questioning the general need to prepare workpapers that meet Government audit standards. The Foreign Service Act of 1980 requires that the State IG comply with these standards. Furthermore, adequately prepared workpapers are essential to give the IG a basis for assuring the quality of its staff's work. For all intents and purposes, the State IG does not have a quality review process.

The Inspector General acknowledged that his staff's workpapers are less than adequate. However, he emphasized that because the Department complies with most IG recommendations, workpapers are desirable but not extremely necessary. IG officials further noted they are trying to improve their workpapers.

We believe the factors identified in this chapter adversely affect the quality of the IG's work. They clearly illustrate the need for the State IG to implement a quality review system to ensure that its reviews comply with generally accepted Government audit standards.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

In recent years, the Congress has enacted several public laws to establish statutory IG offices in 18 major Federal departments and agencies. The basic duties and responsibilities of 17 of the 18 IGs generally conform to the provisions of the Inspector General Act of 1978, which sets forth uniform principles and standards for the operation of these offices. However, when the Congress established a statutory IG office in the State Department through the Foreign Service Act of 1980, the authorizing legislation and the legislative history included several important exceptions to the basic IG concept embodied in the 1978 act.

We found that these exceptions permit the new statutory State IG to continue to operate in essentially the same manner as the previous administratively established IG rather than functioning like the other independent statutory IGs, particularly in three major areas. Specifically, the statutory State IG has continued to

--make extensive use of temporarily assigned Foreign Service officers and other persons from operational units within the Department to staff the IG office, even though their independence is seriously impaired and many lack proper audit experience and training;

--conduct routine cyclical inspections of all overseas posts and domestic bureaus, even though this function is a more proper role for agency management than for an independent IG;

--use a unit of management to perform a major IG responsibility: conducting investigations of fraud, waste, and abuse in agency programs. This limits the overall independence and effectiveness of the IG investigative function within the Department.

In summary, we found that little has changed in the State IG's operation since our 1978 report.

We believe the exceptions contained in the 1980 legislation to the basic IG concept embodied in the Inspector General Act of 1978 have contributed to the above deficiencies which impair the independence and effectiveness of the new statutory State IG. Accordingly, we believe section 209 of the 1980 act should be repealed and the State IG brought under the 1978 IG act. In our opinion, all statutory IGs should operate under the same basic authorizing legislation with uniform principles and standards. However, an acceptable alternative would be for the Congress to amend section 209 of the Foreign Service Act to make it conform to the 1978 IG act.

RECOMMENDATION TO THE CONGRESS

We recommend that the Congress either (1) repeal section 209 of the Foreign Service Act of 1980 and create an independent Inspector General in the State Department by placing the Department under the Inspector General Act of 1978 or (2) conform section 209 of the Foreign Service Act of 1980 to the Inspector General Act of 1978.

RECOMMENDATIONS TO THE SECRETARY OF STATE AND THE INSPECTOR GENERAL

We recommend that the Secretary of State and the Inspector General work together to establish a permanent IG staff of qualified auditors, and discontinue the IG office's reliance on a temporary staff whose tenure, promotions, and reassignments are decided by departmental managers.

We also recommend that the Secretary and the Inspector General establish an investigative capability within the IG office to enable the IG office to conduct its own investigations. In this regard, they should consider transferring from the Office of Security to the IG office those qualified investigators assigned to the Office of Security's new General Fraud and Malfeasance Branch.

We further recommend that the Inspector General:

--Stop participating in departmental decisionmaking processes such as the Department's Priorities Policy Group and Committee on Foreign Service Posts.

--Establish a quality review system to ensure that the work of the office complies with Government audit standards.

APPENDIX I

NINETY-SEVENTH CONGRESS

Congress of the United States

House of Representatives

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE
OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
RAYBURN HOUSE OFFICE BUILDING, ROOM B-373
WASHINGTON, D.C. 20515

February 9, 1982

Honorable Charles A. Bowsher
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear General:

In keeping with the Government Operations Committee's oversight responsibilities over legislation creating statutory Offices of Inspector General and the Legislation and National Security Subcommittee's oversight jurisdiction over the Department of State, the Subcommittee is this year beginning a comparison of the Department of State Office of Inspector General with the Offices of Inspector General of other departments and agencies. It would be helpful if the General Accounting Office could provide the Subcommittee with background information for this comparison.

With enactment of the Foreign Service Act of 1980, on October 17, 1980, a statutorily-created Office of Inspector General was established in the Department of State. The language of the Inspector General Act of 1978 is substantially incorporated in Section 209 of the Foreign Service Act which established that Office. However, certain provisions in the Foreign Service Act are unique to the State Department Inspector General. We would like the General Accounting Office to compare Section 209 of Public Law 96-465 with Public Law 95-452 and determine how the significant differences in the two Acts impact on the work of the Department of State Office of Inspector General.

In addition, please advise us whether the auditors of the Department of State Office of Inspector General meet the qualifications required by the General Accounting Office standards and whether Foreign Service Officers serving temporary duty assignments meet the GAO standards. Is the Office as currently established meeting required inspection and audit standards? As the study develops, other questions will arise. From time to time it would most probably be helpful for your study team to get together with Subcommittee staff to review progress made and to receive additional details as may be necessary for a mutually beneficial effort.

I would appreciate having this review completed by July 31, 1982. In addition, I would appreciate GAO not discussing the findings, conclusions or recommendations with the Department of State. Thank you for your consideration.

Sincerely yours,

JACK BROOKS
Chairman

DIFFERENCES AND SIMILARITIES

BETWEEN THE INSPECTOR GENERAL ACT OF 1978

AND THE FOREIGN SERVICE ACT OF 1980

The Inspector General Act of 1978 (Public Law 95-452, 92 Stat. 1101) sets forth uniform practices and procedures to be followed by the inspectors general established in 12 executive departments and agencies. This act makes the agency inspectors general primarily responsible for (1) audits, investigations, and other activities related to economy, efficiency, and effectiveness in the administration of programs and operations, and (2) detecting and preventing fraud and abuse in programs and operations.

The 1978 act did not establish inspectors general in the Departments of Defense, Justice, Treasury, or State. The legislative history of the 1978 act indicates doubt about whether to include the Department of State. Instead, the Department was given more time to address the concerns identified by the Congress.

The Foreign Service Act of 1980 (Public Law 96-465, Title 1, sec. 209, 94 Stat. 2080, 22 U.S.C. 3929) established the Inspector General of the Department of State and the Foreign Service (State Inspector General).

The following summarizes the major differences and similarities between the 1978 and 1980 acts.

DUTIES AND RESPONSIBILITIES

The 1978 act assigns broad duties and responsibilities to the agency inspectors general, including the duty to (1) establish policy for and conduct, supervise, and coordinate audits and investigations relating to agency programs and operations; (2) review existing and proposed legislation and regulations relating to programs and operations; (3) recommend policy for and conduct, supervise, or coordinate other activities carried out or financed by the agency to promote economy and efficiency or prevent and detect fraud and abuse in programs and operations; (4) recommend policy for and conduct, supervise, or coordinate relationships between the agency and other Federal agencies, State and local government agencies, and nongovernment entities on the matters detailed in item (3); and (5) keep the agency head and the Congress fully and currently informed concerning fraud and other serious problems, abuses, and deficiencies relating to programs and operations, and recommend corrective action therefor (sec. 4(a)).

The 1980 act does not contain a separate section setting forth the duties and responsibilities of the State Inspector General. The State Inspector General, unlike the IGs established in the 1978 act, is not specifically required to recommend corrective action for identified problems, abuses, and deficiencies. Nor is he required to review legislation and regulations related to programs and operations.

The 1980 act does assign more detailed responsibilities to the State Inspector General as to the timing and scope of its inspections, audits, and investigations. The State Inspector General is required to inspect and audit the activities and operations of each Foreign Service post and bureau and other operating unit of the State Department at least once every five years (sec. 209(a)(1)). The act also requires that any inspection, investigation, and audit conducted by or under the direction of the Inspector General shall include the systematic review and evaluation of these units, including an examination of:

> "(1) whether financial transactions and accounts are properly conducted, maintained, and reported;
>
> (2) whether resources are being used and managed with the maximum degree of efficiency, effectiveness, and economy;
>
> (3) whether the administration of activities and operations meets the requirements of applicable laws and regulations and specifically, whether such administration is consistent with the requirements of section 105 [of the 1980 act concerning merit principles; protection for members of service; and minority recruitment];
>
> (4) whether there exist instances of fraud or other serious problems, abuses, or deficiencies, and whether adequate steps for detection, correction, and prevention have been taken; and
>
> (5) whether policy goals and objectives are being effectively achieved and whether the interests of the United States are being accurately and effectively represented" (sec. 209(b)).

Although the 1978 act does not contain comparable provisions regarding the audit responsibilities of agency inspectors general, the above paragraphs (1) to (4) are traditional audit functions. That is, paragraph (1) is analogous to a financial audit; (2) to economy and efficiency audits; and (3) to a compliance audit.

Paragraph (5) above is characteristic of a program results or effectiveness audit, requiring the State Inspector General to determine whether the United States foreign policy objectives are being achieved. The legislative history indicates that the uniqueness of this requirement sets the State Inspector General apart from the inspectors general established by the 1978 act. The following comment on this requirement appears in the House report:

> "* * * In the view of the committee, the historically dual responsibility of the office of the Inspector General to prevent waste and misuse of funds and also to

determine compliance with U.S. foreign policy objectives sets this office apart from other Inspectors General. It is not enough to know that a bureau or office in Washington or a post overseas is functioning efficiently and that its accounts are accurate, for at the same time, that post, bureau, or office may not be effectively representing U.S. foreign policy interests."

AUTHORITY

The 1978 act vests the agency inspectors general with broad authority so that their statutory responsibilities can be effectively carried out (sec. 6). This authority is made applicable to the State Inspector General by reference (sec. 209(e)(1)). The authority includes (1) having access to all records, reports, audits, documents, recommendations, and other relevant materials available to the department or agency concerned; (2) making such investigations and reports relative to the department or agency as the Inspector General deems necessary; (3) requesting necessary information or assistance from Federal, State, or local governments; (4) subpenaing suchdocuments, reports, accounts, and other information the Inspector General deems necessary; and (5) having direct and prompt access to the head of the department or agency when the Inspector General deems necessary.

QUALIFICATIONS

Both the 1978 and 1980 acts provide that the Inspector General possess certain qualifications, namely: integrity and demonstrated ability in accounting, financial analysis, law, management analysis, public administration, or investigation (secs. 3(a) and 209 (a)(1), respectively). The 1980 act imposes an additional requirement that the State Inspector General should have knowledge and experience in the conduct of foreign affairs. This requirement of course reflects the State Inspector General function to determine whether policy goals and objectives are being effectively achieved and whether the interests of the United States are being accurately and effectively represented (sec. 209(b)(5)). The legislative history also states that the auditors, investigators, and inspectors who serve the State Inspector General should collectively possess auditing and foreign policy training.

INDEPENDENCE

Appointment and removal

Both the 1978 and 1980 acts provide that the inspector general shall be appointed by the President, by and with the advice and consent of the Senate, without regard to political affiliation (secs. 3(a) and 209(a)(1), respectively). Further, both acts provide that only the President can remove an inspector general, and that the President must communicate the reasons therefor to both Houses of Congress (secs. 3(b) and 209(a)(2), respectively.)

Supervision and performance of duties

Both the 1978 and 1980 acts require that the inspectors general report to and be under the general supervision of the head of the department or agency concerned (secs. 3(a) and 209(a)(1), respectively.) The 1978 act further states, however, that an agency inspector general may be required--pursuant to the exercise of a delegation of authority from the head of an agency--to report to and be under the general supervision of the officer next in rank below such head, but "shall not report to, or be subject to supervision by, any other office of such establishment" (sec. 3(a)).

The 1980 act does not contain a similar provision limiting the Secretary's authority to delegate his reporting and supervisory authority over the State Inspector General. In view of the broad authority the Secretary of State has to delegate the functions he is required to perform (5 U.S.C. 301), the Secretary has more discretion than the heads of other departments and agencies in placing the Inspector General under the supervision of another departmental official.

Concerning the performance of a specific audit or investigation, both the 1978 and 1980 acts prohibit the head of the department or agency concerned, or any other officer therein, from preventing or prohibiting an "Inspector General from initiating, carrying out, or completing any audit or investigation, or from issuing any subpena during the course of any audit or investigation" (secs. 3(a) and 209(a)(1)).

Assignment of additional functions

The 1980 act specifically requires that the State Inspector General shall perform such functions as the Secretary of State may prescribe, except that the Secretary cannot assign any general program operating responsibilities (sec. 209(a)(1)). The House Committee Report provides the following comment as to the intended meaning of this provision:

> "This subsection also provides that the Inspector General shall perform other functions prescribed by the Secretary of State. These other functions will be limited to evaluatory and advisory functions to improve the effectiveness and efficiency of the management of foreign affairs, and will not include substantive responsibilities for any programs, activities, or operations which are themselves subject to independent audit or review."

The 1978 act also precludes the assignment of program responsibilities to the department or agency inspectors general, but contains no provision for the assignment of additional functions. However, the legislative history clearly shows the Congress intended that agency inspectors general would perform audits and investigations at the request of the head of the department or

agency, depending upon the availability of staff resources:

> "Generally, the committee envisions that if the agency head asked the Inspector and Auditor General to perform an audit or an investigation or to look at certain areas of agency operations during a certain year, the Inspector and Auditor General should do so, assuming staff resources were adequate. However, the Inspector and Auditor General's authority to initiate whatever audits and investigations he deems necessary or appropriate cannot be compromised. If the head of the establishment asked the Inspector and Auditor General not to undertake a certain audit or investigation or to discontinue a certain audit or investigation, the Inspector and Auditor General would have the authority to refuse the request and to carry out his work. Obviously, if an Inspector and Auditor General believed that an agency head was inundating him with requests in certain agencies in order to divert him from looking at others, this would be the type of concern which should be shared with Congress."

Employment and assignment of additional personnel

Both the 1978 and 1980 acts authorize the inspectors general to select, appoint, and employ such persons as necessary to carry out their statutory responsibilities (secs. 6(a)(6) and 209(e)(1)). It appears that this authority is intended to give inspectors general an added measure of independence from the head of the department or agency concerned, due to the possibility that the denial or limitations of such employment authority may unduly hamper their operations.

The assignment of persons to the offices of the inspectors general from operational units of the department or agency presents the risk that the assigned person's independence may be compromised. While the 1978 act is silent on this matter, the 1980 act explicitly authorizes the State Inspector General to have persons from operational units within the State Department and the Foreign Service assigned to his office (sec. 209(e)(2)). However, the same provision states that any person so assigned shall be responsible solely to the Inspector General.

REPORTS

Both the 1978 and the 1980 acts require the inspectors general to prepare and submit periodic written reports summarizing their activities during the applicable period (secs. 5(a) and 209 (d)(2)). The reports are to be submitted to the agency head and then forwarded to the Congress within 30 days; the 1978 act requires a semiannual report while the 1980 act requires an annual report. The acts require the reports to contain nearly the same information, except that the 1978 act requires agency inspectors

general to report each occasion on which access to records, documents, other information, or assistance was denied and the denial was taken to the agency head for resolution (sec. 5(a)(5)).

Both the 1978 and the 1980 acts require that copies of each inspector general report be made available to the public upon request and at a reasonable cost (secs. 5(c) and 209(d)(2)). The 1980 act specifically provides that nothing in section 209(d) shall be construed to authorize the public disclosure of any information that is either specifically prohibited by law or required by Executive order to be kept secret.

APPOINTMENT OF ASSISTANT INSPECTORS GENERAL

The 1978 act requires inspectors general to appoint two assistant inspectors general in charge of audits and investigations, respectively (sec. 3(d)). While the draft legislation for the 1980 act initially contained an identical requirement (H.R. 6790), it was deleted by the Conference Committee. The Senate floor debate record indicates that the requirement would have unnecessarily limited the State Inspector General in appointing the personnel he deemed appropriate.

INVESTIGATIONS

Both the 1978 and 1980 acts authorize the Inspector General to investigate allegations of waste, fraud, and mismanagement (secs. 4 and 209(b)). However, the report of the House Committee on Foreign Affairs says this section is not intended to preclude the State Inspector General from conducting investigations of fraud and similar irregularities jointly with the State Department Office of Security. This is to ensure that such investigations do not jeopardize national security.

APPENDIX III

Public Law 95-452
95th Congress

An Act

To reorganize the executive branch of the Government and increase its economy and efficiency by establishing Offices of Inspector General within the Departments of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, and Transportation, and within the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration, and for other purposes.

Oct. 12, 1978
[H.R. 8588]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act be cited as the "Inspector General Act of 1978".

Inspector General Act of 1978.
5 USC app.

PURPOSE; ESTABLISHMENT

SEC. 2. In order to create independent and objective units—

Office of Inspector General.
5 USC app.

(1) to conduct and supervise audits and investigations relating to programs and operations of the Department of Agriculture, the Department of Commerce, the Department of Housing and Urban Development, the Department of the Interior, the Department of Labor, the Department of Transportation, the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration;

(2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and

(3) to provide a means for keeping the head of the establishment and the 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;

thereby is hereby established in each of such establishments an office of Inspector General.

APPOINTMENT AND REMOVAL OF OFFICERS

SEC. 3. (a) There shall be at the head of each Office an Inspector General who shall be appointed by the President, by and with the advice and consent of the Senate, 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. Each Inspector General shall report to and be under the general supervision of the head of the establishment involved or, to the extent such authority is delegated, the officer next in rank below such head, but shall not report to, or be subject to supervision by, any other officer of such establishment. Neither the head of the establishment nor the officer next in rank below such head shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation, or from issuing any subpena during the course of any audit or investigation.

5 USC app.

(b) An Inspector General may be removed from office by the President. The President shall communicate the reasons for any such removal to both Houses of Congress.

(c) For the purposes of section 7324 of title 5, United States Code, no Inspector General shall be considered to be an employee who determines policies to be pursued by the United States in the nationwide administration of Federal laws.

(d) Each Inspector General shall, in accordance with applicable laws and regulations governing the civil service—

(1) appoint an Assistant Inspector General for Auditing who shall have the responsibility for supervising the performance of auditing activities relating to programs and operations of the establishment, and

(2) appoint an Assistant Inspector General for Investigations who shall have the responsibility for supervising the performance of investigative activities relating to such programs and operations.

DUTIES AND RESPONSIBILITIES

5 USC app.

SEC. 4. (a) It shall be the duty and responsibility of each Inspector General, with respect to the establishment within which his Office is established—

(1) to provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of such establishment;

(2) to review existing and proposed legislation and regulations relating to programs and operations of such establishment and to make recommendations in the semiannual reports required by section 5(a) concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by such establishment or the prevention and detection of fraud and abuse in such programs and operations;

(3) to recommend policies for, and to conduct, supervise, or coordinate other activities carried out or financed by such establishment for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations;

(4) to recommend policies for, and to conduct, supervise, or coordinate relationships between such establishment and other Federal agencies, State and local governmental agencies, and nongovernmental entities with respect to (A) all matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by such establishment, or (B) the identification and prosecution of participants in such fraud or abuse; and

(5) to keep the head of such establishment and the 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.

(b) In carrying out the responsibilities specified in subsection (a)(1), each Inspector General shall—

(1) comply with standards established by the Comptroller General of the United States for audits of Federal establishments, organizations, programs, activities, and functions;

(2) establish guidelines for determining when it shall be appropriate to use non-Federal auditors; and

(3) take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General as described in paragraph (1).

(c) In carrying out the duties and responsibilities established under this Act, each Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and insuring effective coordination and cooperation.

(d) In carrying out the duties and responsibilities established under this Act, each Inspector General shall report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law. Report violations to Attorney General.

REPORTS

SEC. 5. (a) Each Inspector General shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing the activities of the Office during the immediately preceding six-month periods ending March 31 and September 30. Such reports shall include, but need not be limited to— 5 USC app.

(1) a description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of such establishment disclosed by such activities during the reporting period;

(2) a description of the recommendations for corrective action made by the Office during the reporting period with respect to significant problems, abuses, or deficiencies identified pursuant to paragraph (1);

(3) an identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed;

(4) a summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted;

(5) a summary of each report made to the head of the establishment under section 6(b)(2) during the reporting period; and

(6) a listing of each audit report completed by the Office during the reporting period.

(b) Semiannual reports of each Inspector General shall be furnished to the head of the establishment involved not later than April 30 and October 31 of each year and shall be transmitted by such head to the appropriate committees or subcommittees of the Congress within thirty days after receipt of the report, together with a report by the head of the establishment containing any comments such head deems appropriate. Transmittal to Congress.

(c) Within sixty days of the transmission of the semiannual reports of each Inspector General to the Congress, the head of each establishment shall make copies of such report available to the public upon request and at a reasonable cost. Availability to public.

(d) Each Inspector General shall report immediately to the head of the establishment involved whenever the Inspector General becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations of

Transmittal to Congress.

such establishment. The head of the establishment shall transmit any such report to the appropriate committees or subcommittees of Congress within seven calendar days, together with a report by the head of the establishment containing any comments such head deems appropriate.

AUTHORITY; ADMINISTRATION PROVISIONS

5 USC app.

SEC. 6. (a) In addition to the authority otherwise provided by this Act, each Inspector General, in carrying out the provisions of this Act, is authorized—

(1) to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the applicable establishment which relate to programs and operations with respect to which that Inspector General has responsibilities under this Act;

(2) to make such investigations and reports relating to the administration of the programs and operations of the applicable establishment as are, in the judgment of the Inspector General, necessary or desirable;

(3) to request such information or assistance as may be necessary for carrying out the duties and responsibilities provided by this Act from any Federal, State, or local governmental agency or unit thereof;

(4) to require by subpena the production of all information, documents, reports, answers, records, accounts, papers, and other data and documentary evidence necessary in the performance of the functions assigned by this Act, which subpena, in the case of contumacy or refusal to obey, shall be enforceable by order of any appropriate United States district court: *Provided*, That procedures other than subpenas shall be used by the Inspector General to obtain documents and information from Federal agencies;

(5) to have direct and prompt access to the head of the establishment involved when necessary for any purpose pertaining to the performance of functions and responsibilities under this Act;

(6) to select, appoint, and employ such officers and employees as may be necessary for carrying out the functions, powers, and duties of the Office subject to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates;

5 USC 5101 *et seq.*, 5331.

(7) to obtain services as authorized by section 3109 of title 5, United States Code, at daily rates not to exceed the equivalent rate prescribed for grade GS-18 of the General Schedule by section 5332 of title 5, United States Code; and

5 USC 5332 note.

(8) to the extent and in such amounts as may be provided in advance by appropriations Acts, to enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies and with private persons, and to make such payments as may be necessary to carry out the provisions of this Act.

(b)(1) Upon request of an Inspector General for information or assistance under subsection (a)(3), the head of any Federal agency involved shall, insofar as is practicable and not in contravention of any existing statutory restriction or regulation of the Federal agency from which the information is requested, furnish to such Inspector General, or to an authorized designee, such information or assistance.

(2) Whenever information or assistance requested under subsection

(a)(1) or (a)(3) is, in the judgment of an Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the head of the establishment involved without delay.

(c) Each head of an establishment shall provide the Office within such establishment with appropriate and adequate office space at central and field office locations of such establishment, together with such equipment, office supplies, and communications facilities and services as may be necessary for the operation of such offices, and shall provide necessary maintenance services for such offices and the equipment and facilities located therein.

EMPLOYEE COMPLAINTS

SEC. 7. (a) The Inspector General may receive and investigate complaints or information from an employee of the establishment concerning the possible existence of an activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety. 5 USC app.

(b) The Inspector General shall not, after receipt of a complaint or information from an employee, disclose the identity of the employee without the consent of the employee, unless the Inspector General determines such disclosure is unavoidable during the course of the investigation.

(c) Any employee who has authority to take, direct others to take, recommend, or approve any personnel action, shall not, with respect to such authority, take or threaten to take any action against any employee as a reprisal for making a complaint or disclosing information to an Inspector General, unless the complaint was made or the information disclosed with the knowledge that it was false or with willful disregard for its truth or falsity.

SEMIANNUAL REPORTS

SEC. 8 (a)(1) The Secretary of Defense shall submit to the Congress semiannual reports during the period ending October 1, 1982, summarizing the activities of the audit, investigative and inspection units of the Department of Defense. Such reports shall be submitted within sixty days of the close of the reporting periods ending March 31 and September 30 and shall include, but not be limited to— Submittal to Congress. 5 USC app.

(A) a description of significant instances or patterns of fraud, waste, or abuse disclosed by the audit, investigative, and inspection activities during the reporting period and a description of recommendations for corrective action made with respect to such instances or patterns;

(B) a summary of matters referred for prosecution and of the results of such prosecutions; and

(C) a statistical summary, by categories of subject matter, of audit and inspection reports completed during the reporting period.

(2) Within sixty days of the transmission of the semiannual reports, the Secretary shall make copies of such reports available to the public upon request and at a reasonable cost. Availability to public.

(3) If the Secretary concludes that compliance with the reporting requirements in paragraphs (1) and (2) of this subsection would require inclusion of material that may constitute a threat to the

national security or disclose an intelligence function or activity, the Secretary may exclude such material from the report. If material is excluded from a report under this subsection, the Secretary shall provide the chairmen and ranking minority members of the appropriate committees or subcommittees with a general description of the nature of the material excluded.

(4) The Secretary may delegate his responsibilities under paragraphs (1) through (3): *Provided*, That the delegation be to an official within the Office of the Secretary of Defense who is a Presidential appointee confirmed by the Senate. In preparing the reports, the designee of the Secretary shall have the same access to information held by the audit, investigative or inspection units as the Secretary would.

Submittal of proposed legislation.

(5) In order to effectuate the purposes of this Act with respect to the Department of Defense, the Secretary of Defense shall submit, not later than March 31, 1981, proposed legislation to establish appropriate reporting procedures, for the period after October 1, 1982, concerning the audit, investigative and inspection activities of the Department of Defense.

Task force, establishment. Membership.

(b) (1) The Secretary of Defense shall establish a task force to study the operation of the audit, investigative, and inspection components in the Department of Defense which engage in the prevention and detection of fraud, waste, and abuse. The Secretary shall appoint the Director and other members of the task force: *Provided*, That the Director shall be a person who is not an employee of the Department of Defense. The Director shall have the authority to hire such additional staff as is necessary to complete the study.

(2) The Director and members of the task force and, upon the request of a member or the Director, the staff of the task force shall have access to all information relevant to the study and held by the audit, investigative, and inspection components in the Department of Defense including reports prepared by such components: *Provided*, That—

(A) such information or reports may be withheld if a component head determines that disclosure would compromise an active investigation of wrong-doing;

(B) the Inspectors General of the Military Departments may delete the names of individuals in a report prepared by them if the Inspector General determines that the inclusion of the names would affect the ability of the Inspector General to obtain information in future investigations and inspections; and

(C) no classified information shall be released to the task force unless the members and staff who will have access to the classified information have the appropriate clearances.

Upon the request of the Director, the Secretary of Defense and the Secretaries of the Military Departments shall assure that the task force has access to information as provided in this subsection.

Comprehensive report.

(3) The task force shall prepare a comprehensive report that shall include, but not be limited to—

(A) a description of the functions of the audit, investigative and inspection components in the Department of Defense and the extent to which such components cooperate in their efforts to detect and prevent fraud, waste and abuse;

(B) an evaluation of whether such components are sufficiently independent to carry out their responsibilities;

(C) the relationship between such components and the Criminal Division of the Department of Justice; and

(D) recommendations for change in organization or functions that may be necessary to improve the effectiveness of such components.

(4) The task force shall submit its final report to the Secretary of Defense and the Director of the Office of Management and Budget. The Secretary and the Director of the Office of Management and Budget may, in the form of addenda to the report, provide any additional information that they deem necessary. The Secretary shall submit the report and the addenda to the Congress not later than April 1, 1980. The task force shall be disestablished sixty days following such submission. Final report.

(5) Any matter concerning the intelligence or counterintelligence activities of the Department of Defense and assigned by regulation to the Inspector General for Defense Intelligence shall be excluded from the study of the task force.

TRANSFER OF FUNCTIONS

SEC. 9. (a) There shall be transferred— 5 USC app.

(1) to the Office of Inspector General—

(A) of the Department of Agriculture, the offices of that department referred to as the "Office of Investigation" and the "Office of Audit";

(B) of the Department of Commerce, the offices of that department referred to as the "Office of Audits" and the "Investigations and Inspections Staff" and that portion of the office referred to as the "Office of Investigations and Security" which has responsibility for investigation of alleged criminal violations and program abuse;

(C) of the Department of Housing and Urban Development, the office of that department referred to as the "Office of Inspector General";

(D) of the Department of the Interior, the office of that department referred to as the "Office of Audit and Investigation";

(E) of the Department of Labor, the office of that department referred to as the "Office of Special Investigations";

(F) of the Department of Transportation, the offices of that department referred to as the "Office of Investigations and Security" and the "Office of Audit" of the Department, the "Offices of Investigations and Security, Federal Aviation Administration", and "External Audit Divisions, Federal Aviation Administration", the "Investigations Division and the External Audit Division of the Office of Program Review and Investigation, Federal Highway Administration", and the "Office of Program Audits, Urban Mass Transportation Administration";

(G) of the Community Services Administration, the offices of that agency referred to as the "Inspections Division", the "External Audit Division", and the "Internal Audit Division";

(H) of the Environmental Protection Agency, the offices of that agency referred to as the "Office of Audit" and the "Security and Inspection Division";

(I) of the General Services Administration, the offices of that agency referred to as the "Office of Audits" and the "Office of Investigations";

APPENDIX III

(J) of the National Aeronautics and Space Administration, the offices of that agency referred to as the "Management Audit Office" and the "Office of Inspections and Security";

(K) of the Small Business Administration, the office of that agency referred to as the "Office of Audits and Investigations"; and

(L) of the Veterans' Administration, the offices of that agency referred to as the "Office of Audits" and the "Office of Investigations"; and

(2) such other offices or agencies, or functions, powers, or duties thereof, as the head of the establishment involved may determine are properly related to the functions of the Office and would, if so transferred, further the purposes of this Act,

except that there shall not be transferred to an Inspector General under paragraph (2) program operating responsibilities.

(b) The personnel, assets, liabilities, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds employed, held, used, arising from, available or to be made available, of any office or agency the functions, powers, and duties of which are transferred under subsection (a) are hereby transferred to the applicable Office of Inspector General.

(c) Personnel transferred pursuant to subsection (b) shall be transferred in accordance with applicable laws and regulations relating to the transfer of functions except that the classification and compensation of such personnel shall not be reduced for one year after such transfer.

(d) In any case where all the functions, powers, and duties of any office or agency are transferred pursuant to this subsection, such office or agency shall lapse. Any person who, on the effective date of this Act, held a position compensated in accordance with the General Schedule, and who, without a break in service, is appointed in an Office of Inspector General to a position having duties comparable to those performed immediately preceding such appointment shall continue to be compensated in the new position at not less than the rate provided for the previous position, for the duration of service in the new position.

CONFORMING AND TECHNICAL AMENDMENTS

SEC. 10. (a) Section 5315 of title 5, United States Code, is amended by adding at the end thereof the following new paragraphs:

"(122) Inspector General, Department of Health, Education, and Welfare.

"(123) Inspector General, Department of Agriculture.

"(124) Inspector General, Department of Housing and Urban Development.

"(125) Inspector General, Department of Labor.

"(126) Inspector General, Department of Transportation.

"(127) Inspector General, Veterans' Administration.".

(b) Section 5316 of title 5, United States Code, is amended by adding at the end thereof the following new paragraphs:

"(144) Deputy Inspector General, Department of Health, Education, and Welfare.

"(145) Inspector General, Department of Commerce.

"(146) Inspector General, Department of the Interior.

"(147) Inspector General, Community Services Administration.

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"(148) Inspector General, Environmental Protection Agency.
"(149) Inspector General, General Services Administration.
"(150) Inspector General, National Aeronautics and Space Administration.
"(151) Inspector General, Small Business Administration.".

(c) Section 202(c) of the Act of October 15, 1976 (Public Law 94-505, 42 U.S.C. 3522), is amended by striking out "section 6(a)(1)" and "section 6(a)(2)" and inserting in lieu thereof "section 206(a)(1)" and "section 206(a)(2)", respectively.

DEFINITIONS

SEC. 11. As used in this Act— 5 USC app.

(1) the term "head of the establishment" means the Secretary of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, or Transportation or the Administrator of Community Services, Environmental Protection, General Services, National Aeronautics and Space, Small Business, or Veterans' Affairs, as the case may be;

(2) the term "establishment" means the Department of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, or Transportation or the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, or the Veterans' Administration, as the case may be;

(3) the term "Inspector General" means the Inspector General of an establishment;

(4) the term "Office" means the Office of Inspector General of an establishment; and

(5) the term "Federal agency" means an agency as defined in section 552(e) of title 5 (including an establishment as defined in paragraph (2)), United States Code, but shall not be construed to include the General Accounting Office.

EFFECTIVE DATE

SEC. 12. The provisions of this Act and the amendments made by this Act shall take effect October 1, 1978. 5 USC app.

Approved October 12, 1978.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 95-584 (Comm. on Government Operations).
SENATE REPORT No. 95-1071 (Comm. on Governmental Affairs).
CONGRESSIONAL RECORD, Vol. 124 (1978):
Apr. 18, considered and passed House.
Sept. 22, considered and passed Senate, amended.
Sept. 27, House concurred in Senate amendment.
WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 14, No. 41:
Oct. 12, Presidential statement.

(1) shall have full responsibility for the direction, coordination, and supervision of all Government employees in that country (except for employees under the command of a United States area military commander); and

(2) shall keep fully and currently informed with respect to all activities and operations of the Government within that country, and shall insure that all Government employees in that country (except for employees under the command of a United States area military commander) comply fully with all applicable directives of the chief of mission.

(b) Any agency having employees in a foreign country shall keep the chief of mission to that country fully and currently informed with respect to all activities and operations of its employees in that country, and shall insure that all of its employees in that country (except for employees under the command of a United States area military commander) comply fully with all applicable directives of the chief of mission.

22 USC 3928.

SEC. 208. DIRECTOR GENERAL OF THE FOREIGN SERVICE.—There shall be a Director General of the Foreign Service, who shall be appointed by the President, by and with the advice and consent of the Senate, from among the career members of the Senior Foreign Service. The Director General shall assist the Secretary of State in the management of the Service and shall perform such functions as the Secretary of State may prescribe.

22 USC 3929.

SEC. 209. INSPECTOR GENERAL.—(a)(1) There shall be an Inspector General of the Department of State and the Foreign Service, who shall be appointed by the President, by and with the advice and consent of the Senate, without regard to political affiliation from among individuals exceptionally qualified for the position by virtue of their integrity and their demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations, or their knowledge and experience in the conduct of foreign affairs. The Inspector General shall report to and be under the general supervision of the Secretary of State. Neither the Secretary of State nor any other officer of the Department shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation, or from issuing any subpena during the course of any audit or investigation. The Inspector General shall periodically (at least every 5 years) inspect and audit the administration of activities and operations of each Foreign Service post and each bureau and other operating unit of the Department of State, and shall perform such other functions as the Secretary of State may prescribe, except that the Secretary of State shall not assign to the Inspector General any general program operating responsibilities.

Removal from office; report to Congress.

(2) The Inspector General may be removed from office by the President. The President shall communicate the reasons for any such removal to both Houses of Congress.

Inspections, investigations, and audits.

(b) Inspections, investigations, and audits conducted by or under the direction of the Inspector General shall include the systematic review and evaluation of the administration of activities and operations of Foreign Service posts and bureaus and other operating units of the Department of State, including an examination of—

(1) whether financial transactions and accounts are properly conducted, maintained, and reported;

(2) whether resources are being used and managed with the maximum degree of efficiency, effectiveness, and economy;

(3) whether the administration of activities and operations meets the requirements of applicable laws and regulations and, specifically, whether such administration is consistent with the requirements of section 105;

(4) whether there exist instances of fraud or other serious problems, abuses, or deficiencies, and whether adequate steps for detection, correction, and prevention have been taken; and

(5) whether policy goals and objectives are being effectively achieved and whether the interests of the United States are being accurately and effectively represented.

Inspection and audit policies and procedures.

(c)(1) The Inspector General shall develop and implement policies and procedures for the inspection and audit activities carried out under this section. These policies and procedures shall be consistent with the general policies and guidelines of the Government for inspection and audit activities and shall comply with the standards established by the Comptroller General of the United States for audits of Government agencies, organizations, programs, activities, and functions.

(2) In carrying out the duties and responsibilities established under this section, the Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward insuring effective coordination and cooperation.

Federal criminal law, violation reports.

(3) In carrying out the duties and responsibilities established under this section, the Inspector General shall report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law.

Reports.

(d)(1) The Inspector General shall keep the Secretary of State fully and currently informed, by means of the reports required by paragraphs (2) and (3) and otherwise, concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of activities and operations administered or financed by the Department of State.

(2) The Inspector General shall, not later than April 30 of each year, prepare and furnish to the Secretary of State an annual report summarizing the activities of the Inspector General. Such report shall include—

(A) a description of significant problems, abuses, and deficiencies relating to the administration of activities and operations of Foreign Service posts, and bureaus and other operating units of the Department of State, which were disclosed by the Inspector General within the reporting period;

(B) a description of the recommendations for corrective action made by the Inspector General during the reporting period with respect to significant problems, abuses, or deficiencies described pursuant to subparagraph (A);

(C) an identification of each significant recommendation described in previous annual reports on which corrective action has not been completed;

(D) a summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted; and

(E) a listing of each audit report completed by the Inspector General during the reporting period.

The Secretary of State shall transmit a copy of such annual report within 30 days after receiving it to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives and to other appropriate committees, together with a report of the Secretary of State containing any comments which the Secretary of State deems appropriate. Within 60

days after transmitting such reports to those committees, the Secretary of State shall make copies of them available to the public upon request and at a reasonable cost.

(3) The Inspector General shall report immediately to the Secretary of State whenever the Inspector General becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of activities and operations of Foreign Service posts or bureaus or other operating units of the Department of State. The Secretary of State shall transmit any such report to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives and to other appropriate committees within 7 days after receiving it, together with a report by the Secretary of State containing any comments the Secretary of State deems appropriate.

(4) Nothing in this subsection shall be construed to authorize the public disclosure by any individual of any information which is—

(A) specifically prohibited from disclosure by any other provision of law; or

(B) specifically required by Executive order to be kept secret in the interest of national defense or the conduct of foreign affairs.

Authority.

(e)(1) The Inspector General shall have the same authority in carrying out the provisions of this section as is granted under section 6 of the Inspector General Act of 1978 to each Inspector General of an establishment (as defined in section 11(2) of such Act) for carrying out the provisions of that Act, and the responsibilities of other officers of the Government to the Inspector General shall be the same as the responsibilities of the head of an agency or establishment under section 6 (b) and (c) of such Act.

5 USC app. 6.
5 USC app. 11.
5 USC app. 6.

(2) At the request of the Inspector General, employees of the Department and members of the Service may be assigned as employees of the Inspector General. The individuals so assigned and individuals appointed pursuant to paragraph (1) shall be responsible solely to the Inspector General, and the Inspector General or his or her designee shall prepare the performance evaluation reports for such individuals.

Complaints or information, receipt and investigation.

(f)(1) The Inspector General may receive and investigate complaints or information from a member of the Service or employee of the Department concerning the possible existence of an activity constituting a violation of laws or regulations, constituting mismanagement, gross waste of funds, or abuse of authority, or constituting a substantial and specific danger to public health or safety.

(2) The Inspector General shall not, after receipt of a complaint or information from a member of the Service or employee of the Department, disclose the identity of such individual without the consent of such individual, unless the Inspector General determines such disclosure is unavoidable during the course of the investigation.

Activities and operations, review.

(g) Under the general supervision of the Secretary of State, the Inspector General may review activities and operations performed under the direction, coordination, and supervision of chiefs of mission for the purpose of ascertaining their consonance with the foreign policy of the United States and their consistency with the responsibilities of the Secretary of State and the chief of mission.

Establishment.
22 USC 3930.

SEC. 210. BOARD OF THE FOREIGN SERVICE.—The President shall establish a Board of the Foreign Service to advise the Secretary of State on matters relating to the Service, including furtherance of the objectives of maximum compatibility among agencies authorized by law to utilize the Foreign Service personnel system and compatibility between the Foreign Service personnel system and the other person-

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