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Talking Heads

Inspectors General and Their Relationships with Agency Heads

One of the features of government that new department and agency heads without prior federal experience find to be most unusual is the fact that they have an inspector general who also reports directly to Congress. Difficult relationships with this office can easily fester into serious problems before attention is focused on how to develop an effective working arrangement. This article suggests ways in which both the agency head and the IG can develop a positive relationship that will help the agency carry out its mission effectively.

In cooperation with a number of inspectors general, the National Academy of Public Administration (NAPA) conducted a workshop on October 19, 2000. Nine Inspectors General attended, as did three Academy fellows representing the standing panel on executive organization and management. Bill Shields from the NAPA staff, who made arrangements for the workshop, recorded the proceedings, and took notes on the discussion. In addition to the workshop, we also discussed this subject with two agency heads and the former head of two independent agencies.

The purpose of the workshop and subsequent interviews was to gather ideas from inspectors general regarding IG practices that can help their offices and incoming political leadership work together in a constructive way. The following report reflects the views of its authors, not necessarily those of the persons interviewed. We took account of a number of the suggestions made during the workshop and during interviews with agency heads as well as interviews with two current or former IGs outside the workshop.

Background

The IG positions were created by the Inspector General Act of 1978 (5 USC Appendix) during the Carter Administration. This legislation consolidated federal audit and criminal investigation functions under a statutory IG. The concept derived from the position of Inspector General in the military departments and in many of their commands.

Each executive department (as well as some of the larger independent agencies) has an IG who is appointed by the president with the "advice and consent" of the senate.

Appointments, removals and authorities of IGs differ from those of other presidentially appointed, Senate confirmed (PAS) positions in several ways:

- They have a dual reporting responsibility to their agency heads and the Congress.
- They are to be appointed "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 and investigations."
- Pursuant to the Constitution, they serve at the pleasure of the President but if he terminates them, he must send a letter of explanation to the Congress.

The IG Act also provides for appointment of IGs by the agency heads in "Designated Federal Entities." They are subject to the same provisions listed above, except that it is the agency head who must send a letter of explanation to the Congress in the event of termination.

The role of the IGs is unique in the government.

Because of their dual reporting responsibility to the agency head and to Congress, they have a substantial degree of independence. They vigorously protect this independence, as their statutory responsibilities require. Unless new agency heads have previously served in the federal government or in the armed forces, they are unlikely to be familiar with the IG position and concept. They may, however, remember a few cases where an agency head and the IG have had major disputes that were extensively covered by the media.

To some extent, one can expect such disputes to arise from time to time. Both the Congress and the media are very interested in and receptive to reports about fraud or mismanagement in the agencies. And agency heads may not readily recognize that these senior officials can not, in some respects, perform like other members of the leadership team in their agency. Therefore, serious issues may arise between agency leadership and IGs, no matter how well intentioned they both are. Considering that reality, let us outline practices that have proved to be conducive to developing a cooperative relationship between agency heads and IGs, as well as to identify practices that are not as helpful.

Importance of Initial Impressions

The initial impression of a new agency head concerning the IG appears to be very important. Problems have sometimes developed even before the new agency head had the time or information to fully understand the IG concept or to observe one's performance. In a number of instances, the incoming agency head has had prior government experience and is likely to want to meet early with the IG, thereby providing an opportunity to establish a constructive working relationship. More often, however, incoming agency

heads have received only "textbook" information about IGs. Often, they are briefed by senior career officials, some of who may have an interest in restricting the scope, authority or influence of the IGs.

Sometimes, a new agency head is provided misleading anecdotal stories about the current or past IG upon his or her arrival. This may lead to a perception that IGs are problems whose roles are largely negative and detrimental to the operation of the agency and may jeopardize the development of good relationships between new agency heads and their IGs. Because attempts by IGs to counteract such negative perceptions are likely to be regarded as self-serving, we urge that efforts be made as a part of orienting new agency leadership to counter such perceptions.

In practice, the role of the IGs varies somewhat among the agencies, but their statutory authorities and responsibilities are extensive. They range from detecting and preventing fraud, waste and abuse, to evaluating management systems, and even advising on program design. Examples of IG contributions to improved agency performance include:

- ✓ substantial monetary savings through prevention of abuse, assessing penalties, or recovery of fraudulent charges,
- ✓ identification of system vulnerabilities, whether of a physical, financial or data security nature, often leading to correction before system failures occurred, and
- ✓ recommendations of streamlined organization or improved policies and processes.

On the other hand, cases have arisen that reflected sharp clashes between agency leadership and IGs. At least two such clashes have been widely publicized to the detriment of both the agency and the IG. Accordingly, both an agency head and an IG ought to recognize early that agency interests can best be served by the development of a cooperative relationship between the two, even though the IG must retain the independence contemplated by the law.

Agency heads will find that IGs are often the "institutional memory" of their agencies and thus can help an incoming administration by providing history about what has succeeded or failed. IGs can be counted on to provide the facts, whether good or bad, thus helping the agency head avoid the risks inherent in the tendency of well-meaning subordinates to over-emphasize the positive.

Transition Orientations

A fundamental dynamic in framing the relationship is whether the new administration views the IG role as positive, or as weak, troublesome or even irrelevant to the agencies' missions. It is very difficult to overcome negative perceptions encountered during a presidential transition before an IG and a new agency head have even met. Therefore, we urge that the role of IGs and their potential value to the

incoming political leadership is covered in the orientations and workshops for top political leaders authorized by the Presidential Transition Act 2000.

In those orientations or workshops, or in initial briefings and discussions by senior career personnel, pains need to be taken to convey the nature of the IG concept, including the rationale for IGs' having certain independent authorities by statute. It should be explained how the IG office can be an asset to the agency head and the agency in advancing its mission even though some IG reports will likely include decidedly negative findings. It needs to be stressed that any such negative finding increase the opportunity for the agency to begin to take corrective action before it escalates into a problem needing congressional attention.

Responsibilities of the IG

Clearly, the effectiveness of an IG depends heavily on how his/her office can demonstrate its value to the agency by the exercise of independence and objectivity.

Prevention—By detecting emerging problems, IGs can provide early warnings before they become costly or develop into scandals. It is to the advantage of both the political and career leadership to have the opportunity to initiate corrective action before problems become public issues and the subject of congressional investigations.

Pre-audits of the design of administrative and program procedures before they become operational can help ensure that they provide adequate internal controls. In some instances, a limited audit shortly after funds begin to flow has been found to be useful in determining whether the processes are functioning as intended.

Apart from their investigating role, IGs can also provide valuable advice in the development of policies and implementing regulations. While avoiding taking policy positions, an IG can do much to alert the policy makers to operating pitfalls that make programs unnecessarily vulnerable to waste, fraud, and abuse. An IG can also help an incoming agency head by flagging "hot button" items before hearing about them from congressional sources or the media.

Keep Agency Informed—The IGs agreed with agency heads about the importance of keeping agency leadership informed of emerging problems as an audit proceeds, thereby facilitating early corrective action. One agency head cited the experience of often first hearing about negative IG findings from Congress or the media, a practice that most IGs try hard to avoid. The workshop revealed that such practices by IGs are increasingly uncommon.

It is established practice for IGs to share draft audit reports with agency management before they are made final. GAO has also used this approach very successfully. It

not only helps the agency, it reduces the likelihood of errors in the final IG report. Several IGs pointed out that they incorporated any agency corrective actions in their final report, a practice that appears to have become quite common. Some IGs also share draft investigative reports, when deemed appropriate and consistent with any requirements for secrecy.

Some enterprising Hill staff are adept at extracting information from IG subordinates before the facts have been thoroughly developed and checked. An IG has a responsibility to take steps to avoid this problem. Because of their dual reporting responsibilities, IGs need to try to make sure that neither the Congress nor the agency head is blindsided.

Avoid "Gotcha" Image—In some agencies, there is a perception that IGs are more interested in gaining attention for themselves by pointing the finger at the failures of agency personnel than in helping the agency achieve its program objectives. All the IGs stressed the importance of avoiding practices that might give rise to this perception which is counter-productive for a successful IG. Where IGs are perceived to be performing in this manner, they are not regarded as part of the agency management team and are typically excluded from most policy level meetings.

Agency heads noted that those IGs who had gained the most stature over the years eschewed such a role, recognizing that needed information might be provided to their offices in such situations reluctantly and after much delay. IGs must also be careful to avoid being "used" by individual members of congress or their staffs in order for them to make a case against a particular official or contractor.

Agency Success—Both IGs and agency heads agreed that IGs who were more interested in helping the agency succeed than in seeking glory for themselves were the ones who gained influence and respect within the agency. In most cases, they are also the ones who command the most respect in Congress. By participating in agency staff meetings (consistently with the need to maintain independence) and in discussions of important administrative and program issues, the IG's interaction with policy officials fosters mutual respect and trust—important attributes that cannot be provided by a statute.

IGs need to think through carefully how best to explain to an incoming agency head that the task of helping him or her succeed will at times require audit and investigative reports that are quite negative. Past examples of the costly consequences of failing to uncover agency problems at an early stage may be useful.

Responsiveness—Agency heads stressed how important it is for IGs to be in a position to respond to their need for a quick audit or review of a problem area. One cited several instances in which he was left exposed to congressional

criticism because of inability to quickly investigate emerging problems or having to hire his own auditors who lacked the familiarity with agency activities that the IG staff possessed. At times this problem has occurred because the IG was completely occupied with congressional requests. But one IG pointed out that, in most cases, it is easier to avoid an unreasonable burden of requests from congress than one might imagine.

The IGs regarded failure to respond to a legitimate need of the agency leadership as an unusual problem. However, there are occasions in which an agency head will ask for review of a rather inconsequential matter, requiring an IG to explain why the staff time needs to be spent on higher priority issues. There have also been instances when an agency head asked for an investigation that amounted to a fishing expedition in which the primary objective was to find something that would provide an excuse for firing an individual. Those at the workshop said they took pride in being able to respond quickly to problems of concern to the agency leadership, that is, both the agency head and the other senior officials. It is important, however, that an agency head realize that once an investigation is begun, it cannot be stopped by the agency and the "chips will have to fall where they may."

Professionalism of IG Staff—It is reassuring to an agency head to learn that the IG staff are experienced and well trained. In addition, the IG can supplement the IG staff by contracts or detailees when there is need to look into an area involving specialized activities for which the IG cannot afford to maintain permanent staff.

A high level of professionalism needs to be demonstrated in the work of the IG staff. One weak report or audit containing substantial mistakes or gaps can severely damage an IG's reputation, though an effort to achieve total perfection may result in a timid report or one that is stale by the time it is issued. It was stated that IGs should promptly admit mistakes when they occur. They are considered more credible when willing to consider new evidence that might alter earlier conclusions. IG staffs should avoid giving the impression they believe they are always right and that those being audited or investigated are always wrong.

Give Agency Credit—Reports should give the agency credit for corrective action that has been taken, or for effective administration if an audit reveals that no corrective action was needed. When agency leadership has requested an audit or investigation, it is wise to make that fact known in the report. By keeping management informed as an audit or investigation proceeds (limited by the occasional need for secrecy in investigations), agency leadership is able to take actions that place them in the role of attacking waste and abuse rather than appearing to tolerate such problems or to be slow in addressing them. IGs should not be concerned about agencies' receiving credit for actions in which the IG

role may not be given sufficient recognition. Whenever an IG action helps the agency look good in the eyes of Congress or the public, the Office of the Inspector General gains acceptance and support within that agency.

Responsibility of the Agency Head

Our discussions identified several positive actions an agency head could take to help IGs be more effective in their roles:

IGs a Part of Management—Treating IGs as part of the top management team not only increases their knowledge base; it enhances their stature and reduces tension and suspicion. It also increases the IG's incentive to help agencies succeed in their mission. Involving IGs in the staff meetings of the agency head, as well as meetings called to deal with developing new policies and programs, is an important step. While advising about the risks foreseen in adopting proposed policies is an appropriate role for IGs, it must be recognized that the IG act specifically enjoins an IG from being "an employee who determines policies to be pursued. . . ."

Attitude of Agency Head—Whether or not an agency head is known to respect and value the IG's role has an important bearing on how agency employees view an IG and the degree of cooperation they extend.

Giving Credit to IGs—Just as it is wise for IGs to give agencies credit for corrective actions, it is important that agency leadership give recognition to whatever role the IG may have played in agency successes.

Attend IG Meetings—From time to time the agency head and/or the deputy can attend an IG staff meeting or special IG sessions convened to address particular agency problems.

Audit Plan—The agency head should participate in the development of the annual audit plan.

Avoid Retaliation—There have been occasions in which employees who cooperated fully with IGs suffered some retaliation from fellow employees or agency managers, often at the middle management level. Viewed as less common than formerly, it is nonetheless a behavior the agency leadership must take pains to avoid or correct.

Actions That Limit or Undermine the Role or Effectiveness of IGs

Isolating the IG—Agency heads that are highly defensive or not open in their management style tend to sharply limit the extent to which IGs are treated as part of the management

team, thereby limiting the contribution the IG can make to their agency. Excluding IGs from staff meetings and otherwise keeping them out of important agency discussions undermines their ability to serve the agency in many ways. Ignoring the potential value of the IG is counter-productive to the objectives of the political leadership.

Secrecy—When agency heads make an effort to keep important matters secret and unavailable to an IG, they eventually learn that cover-up is often even more damaging than the information being withheld. Furthermore, Washington, DC is a “city without secrets.”

Inaction—Inaction by the agency head can weaken the ability of an IG to help the leadership and the agency as a whole. Examples are failure to pursue early warnings conveyed by the IG or to develop a serious follow-up program on audits.

Carrying Independence Too Far—IGs understandably try to preserve their independence. However, there have been cases where this objective seems, unnecessarily, to have compromised the pursuit of economy and efficiency goals. For example, consistent with government-wide initiatives for seeking assistance from outside of an agency, proposals have been made for IGs to hire outside auditors or to engage IG staff in other agencies under cross-servicing agreements. Because IGs have resisted such proposals, this

has sometimes caused loss of confidence in them as “team players” on the part of agency managers.

Final Observation

Agency leaders with whom the NAPA fellows have talked emphasize the critical importance the incoming leadership of a new administration should assign to the selection and retention of IGs. Highly qualified IGs can be one of the most valuable members of the top management team. Poorly qualified IGs can do enormous damage within an agency. Therefore, when vacancies occur, it is important to give cognizance to the Inspector General Act of 1978 as amended which requires IGs to be selected solely on the basis of professional qualifications.

These leaders stressed, too, that, before taking their positions, few new agency heads have had the experience of working with an office having the independent role of the IG, particularly the provision in the statute for direct reporting to Congress. The audit function does have some similarity to private business, however, and is the area that is likely to be easiest for new leaders to understand in the beginning. The transition team needs to give special attention to the unique character of these appointees and their value to the new members of the administration. Above all, they must be recognized as occupying professional positions, not political or patronage posts. 🏠