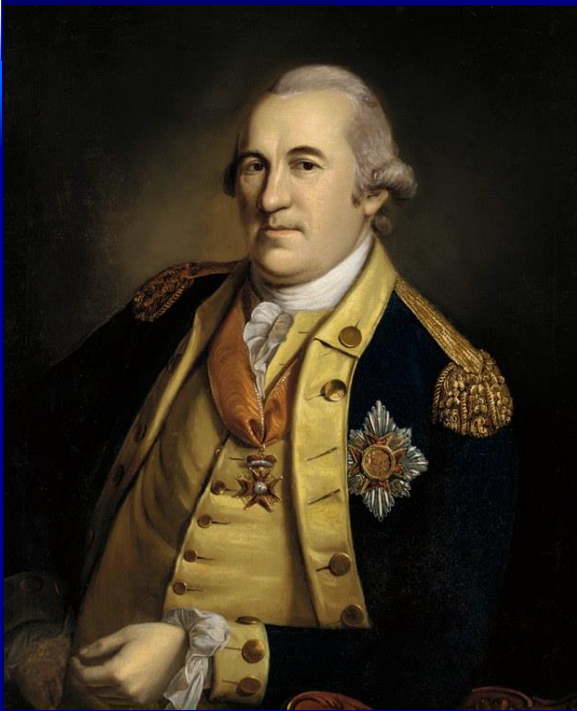




National Endowment for the Arts

Office of Inspector General



Friedrich Wilhelm Von [Baron] Steuben,
(1730–1794), Revolutionary War general
The first Inspector General: appointed by
George Washington to ready the troops at Vally Forge





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Billy Sol Estes, the infamous Texan con man who made multiple visits to prison after his complex web of mortgage fraud and agriculture swindles came to light in the early 1960s. Among Estes' legacies: the allegation that Lyndon Johnson orchestrated the assassination of President John F. Kennedy.



1962 file photo, Billie Sol Estes, left, and his attorney, John Cofer, are shown arriving at the federal court house in El Paso. (Ferd Kaufman / Associated Press)

As his multi-million dollar empire began to fall apart in 1962, the well-connected Estes became a political liability to the Kennedy administration. President Kennedy himself had to publicly say that the Justice Dept. would get to the bottom of the Estes shenanigans. Yet, as investigators dug into his labyrinthine schemes, they ended up dead — seven of them in fact; the majority dubiously ruled to be suicide. One victim's "suicide" included five shots from a bolt action rifle.

As a result, the first civilian OIG was created in the Department of Agriculture 1968



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Inspector General Act of 1978

Purpose:

To create independent and objective units within each agency to prevent and detect waste, fraud and abuse; and to promote economy efficiency and effectiveness in agency programs and operations.



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Office of Inspector General *helping what works – work better*

Highlights Inspector General Act of 1978

I. Departments and Agencies Involved

- The Inspector General Act of 1978 established an Office of Inspector General in 12 departments and agencies – then amended to include all departments and agencies as well as Designated Federal Entities
- Today there are 72 statutory IGs



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II. Appointment and Removal of Inspector General

- The IG is appointed by the President by and with advice and consent of Senate, or by the **head of the entity in smaller agencies and Designated Federal Entities – such as NEA...**
 - ...without regard to political affiliation and solely on basis of integrity and demonstrated ability in accounting, auditing, financial analyses, law, management analyses, public administration or investigations.*
- The IG can only be removed from office by the President/Entity Head who shall communicate the reasons for removal to both Houses of Congress.



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II. Appointment and Removal of Inspector General

- The IG shall report to Congress and be under the general supervision of the Head of the Establishment
- The IG shall not be prevented from initiating, carrying out, or completing any audit or investigation, or from issuing any related report or subpoena = ***Independence***

“If the agency head is committed to running and managing the agency effectively and to rooting out fraud and waste at all levels, the Inspector General can be his/her right arm in doing so, while maintaining the independence needed to honor his/her reporting obligations to Congress”



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III. Duties and Responsibilities

- Provide policy direction for and conduct, supervise and coordinate audits and investigations relating to programs and operations of the establishment.
- Provide leadership and coordination and recommend policies designed to **promote economy, efficiency and effectiveness** in the administration of the Agency's programs and to **prevent and detect fraud and abuse** in these programs and operations.
- Review existing and proposed legislation and regulations and make recommendations to Congress concerning their impact on the economy and efficiency of the establishment.



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III. Duties and Responsibilities

- Conduct, supervise, and coordinate relationships between the establishment and other Federal agencies, State and local governments, and non-governmental entities in all matters relating to the **promotion of economy and efficiency and the prevention and detection of fraud and abuse in the Agency's operations.**
- Identify vulnerabilities and recommend programmatic changes that would, when enacted or implemented, strengthen controls or mitigate risk.
- Keep the Head of the Establishment and the Congress fully and currently informed of problems and deficiencies in the Agency's programs and operations and recommend corrective action.



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III. Duties and Responsibilities

- **In carrying out the above duties and responsibilities, the IG shall:**
 - Comply with the Comptroller General's audit standards.
 - Establish guidelines for appropriate use of non-Federal auditors.
 - Give particular attention to the activities of the Comptroller General (GAO) to avoid duplication and ensure effective coordination and cooperation.
 - Report expeditiously to the Attorney General when there are reasonable grounds to believe Federal criminal laws have been violated. Investigate allegations of mismanagement.



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IV. Authority and Administrative Provisions

- To have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the Agency.
- To request information or assistance as necessary from any Federal, State, or local governmental agency.
- To require by subpoena the production of all information, documents, and other data, except that procedures other than subpoenas shall be used with respect to other Federal agencies.
- Determine when to use non-federal auditors and assure their work complies with standards of the Comptroller General.



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IV. Authority and Administrative Provisions

- To have direct and prompt access to the Head of the Establishment.
- To select, appoint, and employ such officers and employees as may be necessary.
- To obtain the services of experts and consultants and to enter into contracts for audits, studies, analyses and other services.
- To be furnished with appropriate and adequate office space at central and field office locations, together with necessary equipment, supplies, facilities and services.
- Administer Oaths and Affirmations (testimony admissible in court)
- Budget authority (separate "line" in agency submission & accounting)
- Report to the Attorney General when there is violation of federal law.



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V. Reporting Requirements

- The IG Semiannual Report to Congress shall be furnished to the Head of the Establishment not later than April 30th and October 31st of each year. The OIG does not seek clearance, from, nor may agency head change the OIG's semiannual report
- The Head of the Establishment shall transmit the report to Congress within 30 days after receipt along with any comments or material he or she considers appropriate.
- Within 60 days of the transmittal of the report to Congress, the report shall be made available to the public upon request at a reasonable cost.



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- **The semiannual reports are to include the following information:**
 - Significant problems, abuses and deficiencies disclosed by audits and investigations.
 - Recommendations for corrective action made by the OIG.
 - Identification of each significant recommendation in previous semiannual reports on which corrective action is not completed.
 - Matters referred to prosecutive authorities and resulting prosecutions and convictions.
 - Status of management decisions on OIG Reports



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- Summary of reports to the Head of the Establishment concerning information or assistance which is refused or not provided.
- Audit reports issued by the OIG along with the value of questioned costs and recommendations for costs put to better use.
- Statistical tables showing the disposition of decisions on recommendations
 - ❑ The **Head of the Establishment Must report separately** on the Status of actions on OIG Reports – discuss reports without final action after 365 days from agreement (resolution).
- The IG shall report immediately to the Head of the Establishment serious or flagrant problems, abuses or deficiencies. The Head shall transmit any such report to Congress within **seven calendar** days, together with any appropriate comments.



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VI. Employee Complaints

- The IG receives and investigates employee or public complaints concerning such matters as possible violations of laws or regulations; mismanagement; gross waste of funds; abuse of authority; or danger to public health and safety.
- The IG shall not disclose the identity of the employee without the consent of the employee, unless such disclosure is unavoidable during the investigation.
- Action will not be taken against any employee as reprisal for making a complaint or disclosing information to an IG, 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.



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Additional Explanation of Responsibilities/Authority

- **Program Operating Responsibilities:** The statutory prohibition on the IGs having program operating responsibilities does not preclude the IG from assisting the agency and its committees and project teams, when the IG determines that such assistance will help the entity reduce fraud, waste, and abuse; and such assistance by the OIG would not compromise its independence in subsequent reviews of the subject matter.
- **Access to Records:** Each IG is given a broad statutory right of access to all records available to their agency including “confidential interagency memoranda”. If an agency employee refuses to provide records to the IG, the IG is to report the circumstances to the agency head immediately, and to include the incident in his/her semiannual report. IGs may subpoena relevant documents and information - enforceable in Federal district court.



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Additional Explanation of Responsibilities/Authority

- **Reporting to Congress and Agency Head:** IGs brief their agency heads on important audits, investigations, and other issues, as appropriate, testify before Congressional committees, and respond to Questions for the Record. They also field requests, provide briefings to, and participate in meetings with Congressional members and their staff on a regular basis.
- **Personnel and Contracting:** The Senate Committee on Governmental Affairs acknowledged that administrative personnel and contracting authorities usually rest with the agency head and are delegated by him/her to subordinate officials. However, because of the IG's "unique function . . . and the possibility that such authority might be denied to him/her in order to hamper his/her operations, the committee has given him explicit authority to carry out these functions."



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Additional Explanation of Responsibilities/Authority

- **OIG Budget:** Another way that the IG Act promotes IG independence is through individual reporting of OIG budgets. Section 6(f) of the IG Act specifically requires that each IG's requested budget amounts be:
 - **separately identified within their agency budgets** when submitted to OMB and by OMB/President to the Congress (including amounts for training and CIGIE support)
 - IGs are authorized to comment to Congress on the sufficiency of their budgets if the amount proposed in the President's budget would "substantially inhibit the [IG] from performing the duties of the office".
- **Web Link Requirement:** To facilitate reporting of fraud, waste, and abuse to IGs, each agency homepage must contain a direct link to the website of the agency's OIG, which must have a direct link for receiving reports of possible fraud, waste, and abuse.

Example of NEA Grantee Case Referred for Judicial Action

NEA OIG with NSF OIG investigated Massachusetts Public Broadcasting Company.

- Found in violation of award terms, administrative policies/procedures and Federal regulations;
- Did not have adequate accounting system and could not account for grant funds;
- US Attorney's Office negotiated a civil settlement requiring grantee repayment of over \$300,000;
- Grantee submitted to a five year compliance plan.