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Inspector General

Accelerating Change: *The 2015 Inspector General Survey*

**KEARNEY &
COMPANY**



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AGA is the member organization for financial professionals in the government. We lead and encourage change that benefits our field and all citizens. Our networking events, professional certifications, publications and ongoing education help members build their skills and advance their careers.



Founded in 1985, Kearney & Company is a Certified Public Accounting firm specializing in providing auditing, accounting and consulting services to the federal government. Narrowing our market focus allows us to deepen our understanding of federal agencies and provide industry-leading insight to our customers. Our staff of more than 500 employees—operating from our Alexandria, Va. headquarters and satellite offices across the U.S.—support federal operations at all levels. Kearney is the third-largest CPA firm in the country according to sales under the General Services Administration's (GSA) Financial and Business Solutions (FABS) Schedule. Please visit our website at www. Kearneyco.com.

About the Survey

Each year, AGA sponsors and prepares a wide range of informational reports that highlight emerging issues and common concerns among the financial accountability community. As part of this initiative, AGA, in partnership with Kearney & Company, P.C. (Kearney), has conducted our third annual survey of the federal inspector general (IG) community. The survey was conducted to meet two broad objectives: 1) provide information on cross-cutting issues that affect IG operations in the federal government today, and 2) identify issues that may emerge and affect IG operations. Results were obtained via an online survey and interviews with selected federal IGs.

The previous two surveys sought to take the pulse of the IG community on a variety of high-level matters such as budget, IG independence, and working with agency management and Congress. We also asked IGs about the use of data analytics and their views on the cost/benefits of the annual financial statement audits. Results from our previous surveys were summarized in reports published in September 2013 and 2014, and featured at AGA's Internal Control & Fraud Prevention Training held annually in Washington, D.C. This year's survey

asked the IG community about their views on many of the same topics and addressed some new areas.

Methodology

In conjunction with AGA, Kearney developed an online survey instrument that was sent to federal IGs in June 2015. We also conducted interviews with representatives from a non-random sample of large and small federal IG offices. The IGs interviewed included presidential appointees confirmed by the Senate and those not requiring Senate confirmation. The federal IG survey posed 66 questions in broad areas, including resource allocation, budget and operations, human resources, data analytics, cybersecurity, information technology (IT) auditing, access to information and the role of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The survey also inquired about future challenges faced by the IG community.

Anonymity

To encourage respondents to speak freely, we do not attribute any thoughts and/or quotations to individual executives or officials. All participants remain anonymous.

Acknowledgements

AGA would like to thank the federal IGs and their staff who participated in this survey. We look forward to continuing this annual survey project to provide a yearly review of the issues and challenges facing the IG community.



Executive Summary

The pace of change within the IG community is increasing. Driven by issues related to access to information and tight budgets, the IG community is pulling together to influence positive change. IGs have strived to be agents of change within their agencies and through their work. But, as a community, they have not always worked together to effectively communicate their roles and advocate on behalf of the value of the in-depth independent oversight they provide. Independence is an essential attribute to effective oversight. Some IGs have extended this to their interactions with the community as a whole, while others feel, unquestionably, the community is stronger as a group than individuals.

Change is also apparent in how IGs conduct their work. The survey results indicate a move toward more efficient approaches, such as the use of risk-based data analytics to better target audit areas and a shift to leverage evaluations that streamline the traditional audit process.

However, our survey raised a number of concerns that continue to hamper the effectiveness of IGs and their

work. Examples include: issues related to greater sharing and access to data; the IG community's primary legislative priority; antiquated pay scales; and unfilled IG positions. Similarly, budget uncertainty, the ineffectiveness of the federal hiring process and the lack of direct hiring authority impede effective oversight.

Once again, respondents raised the issue of mandated audit requirements, including the new audits under the Digital Accountability and Transparency Act of 2014 (DATA Act), and the need to review mandates moving away from a one-size-fits-all approach to a risk-based agency focus or audit cycle. The survey indicated many IGs would prefer more flexibility to focus their work on an agency's specific risk areas.

Respondents again cited information security as an area on which IGs are placing greater focus but are having difficulty recruiting and retaining staff. The Office of Personnel Management (OPM) data breach placed a spotlight on vulnerabilities in this area and raised longer-term issues that could affect the willingness

of individuals and agencies to share data for program management and oversight purposes. Half of the IGs surveyed said if they received additional resources, they would direct them toward information security-related audits.

The results indicate the continued importance of the annual financial statement audit as an effective oversight process for maintaining sound financial controls within agencies. Overall, IGs feel these efforts should not be reduced. Some IGs suggested a greater focus on internal controls that could result from a separate audit opinion in certain high-risk areas.

This year's survey reflects the changes occurring in the IG community—a community actively engaged in influencing change to enable them to fully execute their intended authority rooted in the Inspector General Act of 1978 (IG Act) to provide efficient, effective oversight.



Overarching Issues and Trends

Each federal office of the inspector general (OIG) is charged with providing oversight to detect and prevent fraud, waste, abuse and violations of the law while promoting economy, efficiency and effectiveness in the operations of the federal government. IGs have a unique dual reporting role, reporting to both the head of their agency and to Congress.

It has been a challenging year for the IG community. The issue of access to records, which some say is the heart of the IG Act, has drawn a great deal of attention. Meanwhile, leadership transitions have occurred at major department IG offices and at CIGIE, the overall IG community governing body.

Our survey highlights the challenges faced by the IG community and reveals that although IG operations vary in size and complexity, many issues are common, such as access to information, while resource limitations lead to some unique issues among smaller and medium-sized IG offices.

The first section of our report highlights four overarching issues identified during this year's survey. The

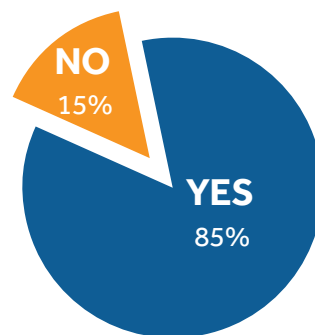
remainder expands upon and provides greater depth in specific focus areas.

Access to Information Is Fundamental to Independent Oversight

An issue attracting significant attention within the IG community is access to information. In last year's report, this issue was so important to the IG community that 47 IGs signed a letter to the chairman and ranking members of the House Committee on Oversight and Government Reform and the Senate Committee on Homeland Security and Governmental Affairs, expressing concerns about the limitations placed on the IGs at the Peace Corps, Environmental Protection Agency (EPA) and Department of Justice (DOJ) regarding access to all records to conduct their oversight. This issue was further highlighted as a result of a recent DOJ decision to give the department discretion over the release of documents involving national security wiretaps, grand jury testimony and individual credit reports.

The issue of access to records is of critical importance to the community for the precedent it sets. However, access issues have not resulted in audit delays on a broad scale. Looming over the question of access to information is the issue of IG independence. John Roth, IG of the Department of Homeland Security (DHS) was recently quoted in

Do you believe your office and your agency have the same view of the authority of the IG to carry out his or her responsibilities?



a *Government Executive* article about the relationship between access to records and IG independence. “For an IG, independence is the coin of the realm. Unfortunately, the Office of Legal Counsel’s opinion undermines IG independence and creates the conflict of putting the agency that is being overseen in the position of deciding whether the IG will have access to records needed to conduct oversight. This inherent conflict is not what Congress intended.”


Mandatory Audit Requirements Continue to Expand

Mandatory audits continue to concern IGs. Much of the recent legislation addressing management issues includes an IG oversight requirement. Nearly all IGs had concerns about increases in mandatory examinations and reporting requirements while their staffing levels and budgets have remained flat or decreased. In 2015, audit and review requirements associated with the DATA Act were added to the recent requirements for conference spending reviews, purchase and travel card audits, and improper payment audits. The IGs are worried that as more resources are devoted to fulfilling the requirements of mandatory audits and funding levels remain constant or decrease, fewer resources are available to address important high-risk areas of an agency’s operations and a significant part of its mission.

We asked IGs to estimate the percentage of audit resources they devote to mandatory audits. We found that 52% of IGs devote at least 20% of their audit resources to conducting mandatory audits, while 13% said they devote at least 40% of their audit resources to mandatory audits. These requirements have a disproportionate impact on the smaller IG operations, as the audit will require a base level of planning and audit work, regardless of the agency’s size. Smaller IGs devote

27% of their audit resources to mandatory audits, while larger IGs (>100 staff) devote on average only 11% of their resources.

As in the past, the IGs indicated that the one-size-fits-all approach to mandatory audits, developed in reaction to recent instances of extravagant spending and abuse of public trust by certain agencies, results in the inefficient use of limited resources. Some IGs stated that the risks of fraud and/or abuse in their agencies in the areas addressed by these mandatory audits were minimal; the effort required to



There is a need for a **comprehensive reexamination** of the myriad audit and reporting requirements that have been placed upon the IGs, with consideration given to providing flexibility as to the frequency of these requirements.

address these issues in the manner prescribed by law was disproportionate to the actual risk. Regardless, they were compelled to expend valuable resources to meet the prescribed requirements imposed on their offices.

The IGs indicated that blanket mandates for audits hinder their ability to address the highest-risk areas within their agencies. They felt that mandated requirements should be periodically reviewed to allow the IGs flexibility in addressing issues. For example, some may be more appropriate on a two-year audit cycle, while others could sunset. In their view, providing individual IGs the latitude

to strategically assess and address program and financial risks within their agencies will allow them to better align resources to risk.

The IG community continues to juggle its oversight requirements and an increased number of mandates. The latest requirement is the DATA Act, which will necessitate new audit requirements beginning in 2016. When we asked the IGs if they have estimated the effect DATA Act audit requirements will have on their audit operations and what those effects might be, we found that only about 2/3 of the IGs have assessed the impact—not surprising, given the recent timing of the legislation. Of those who have estimated the effect of the DATA Act, 75% stated it will affect them but they expect to manage it with other priorities; 6% of respondents believe the effect will be significant and will adversely affect their other audit efforts.

The IG community is alert to situations that might result in new congressional mandates. As an example, some IGs expressed concern that the recent OPM data breach may cause Congress to impose new audit and reporting requirements on them. However, information security is an area of high risk in most agencies and new requirements would likely dovetail with risk-based IG audit plans.

The survey results continue to suggest a need for a comprehensive reexamination of the audit and reporting requirements placed upon the IGs, with consideration given to providing flexibility as to the frequency of these audit and reporting requirements.

Further Sharing of Data Could Enhance IG Effectiveness

Related to data analytics, several IGs discussed the restrictions imposed upon them by the Computer Matching and Privacy Protection Act of 1988 (CMPPA). CMPPA prevents unregulated government access to personal

records for purposes unrelated to the legitimate reasons for which the records were collected. A formal Computer Matching Agreement (CMA) is generally required to conduct audits, investigations or evaluations/inspections where the review methodology includes computerized comparisons constituting a "Matching Program." This includes programs designed to determine benefit eligibility, verify compliance with benefit program requirements or recoup improper benefit payments or delinquent debts from current or former beneficiaries. The CMA requirement applies whether the match is between federal systems of records or those systems and non-federal agency (state and local) systems of records.

While recognizing the need to protect the privacy of individuals, the IGs spoke of the burdensome process required to implement a CMA. The process can effectively preclude an IG from carrying out a match in a timely fashion, thus delaying and thereby minimizing or eliminating the relevance of the match or severely hampering efforts to investigate and prevent improper payments and fraud in their agencies' programs.

The IGs with significant data

analytic capabilities indicated restrictions on data match records across the federal government hamper their ability to improve operations, particularly among programs that rely on financial information to determine benefit eligibility or compliance with benefit program requirements. They believe such restrictions need to be examined to allow for better oversight of federal funds.

Evidence of the importance of this issue can be seen in a Feb. 15, 2015 letter from the CIGIE Legislative Committee to the Deputy Director of the Office of Management and Budget (OMB). In that letter, the committee identifies several legislative proposals for which there is strong interest in the IG community. The first legislative proposal identified related to data matching.

Given the desire of government officials to reduce improper payments and increase compliance with benefit program requirements, streamlining mandates of the CMPPA would enhance the IG's ability to better utilize a powerful tool in their efforts to prevent and detect waste, fraud and abuse.

In the 2014 report, we highlighted other data accessibility concerns.

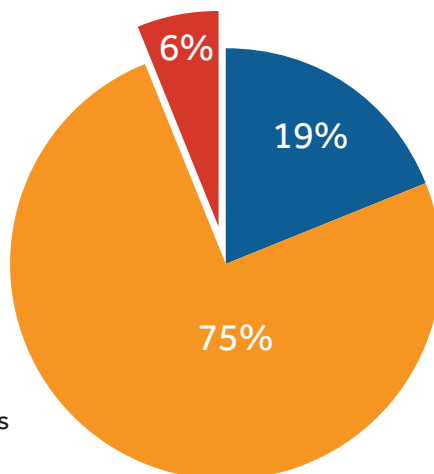
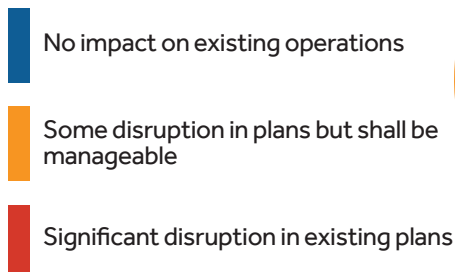
IGs felt that **technological advances** that enable data analytics on a broad scale were key to more efficient and effective oversight.

IGs felt technological advances that enable data analytics on a broad scale were key to more efficient, effective oversight. This type of data analytics enables OIGs to identify anomalies and predict risk areas where fraud may occur.

As the use of data analytics expands, a different, more basic issue regarding access to data is emerging. This year, some IGs commented about how they were stymied in their ability to access data stored across IT systems. They noted retrieval and analysis was difficult due to the incompatibility of data across systems and basic inaccuracies.

Another issue that surfaced this year is that routinely sharing information from an IG's data analysis operation with agency program staff for follow-up would hamper their ability to conduct subsequent audits. Some IGs have developed data analytic capabilities that regularly identify more potentially abusive or fraudulent transactions so they have the capability to investigate in a timely manner. In an effort to better manage the program, IG offices would like to share this information with agency program staff for follow-up. A concern expressed by the IGs was that, by sharing this information, their independence could be impaired, restricting their ability to conduct independent oversight in the

How would you characterize the impact that the DATA Act shall have on your operations when fully implemented?



future. This issue should be explored further so opportunities to prevent or detect fraud, waste and abuse are not missed.

The small- to medium-sized IGs expressed a need for greater support in data analytics through a shared service arrangement. These IGs brought up the matter of the demise of the Recovery Operations Center (ROC), formed as part of the Recovery Act. Four congressional leaders wrote to the U.S. Treasury Secretary, Jacob Lew, on July 16, 2015, asking whether the Department of the Treasury (Treasury) will use its authority under the DATA Act to preserve the ROC's analytic tools for government-wide use. The letter was signed by the chairs and ranking minority members of key House and Senate oversight committees. The IGs are concerned ROC's closure will be a lost opportunity to expand data analytic work across the IG community. This issue takes on greater significance for the small- and medium-sized IG offices because they generally do not have the resources to devote to developing a data analytic capability while fulfilling their other responsibilities.

Greater Collaboration and Sharing Across the IG Community

The federal OIGs include 72 members that serve an important role in government operations. Although they each operate as independent organizations within the federal government, the 2014 survey indicated many IGs felt they would benefit by united advocacy on areas of common concern, as well as support on various administrative and operational matters. The IGs all said they believe the CIGIE is uniquely suited to fill the role of advocate for the IG community. In the view of some IGs, the community has a stronger voice when advocating as a unit, rather than as individuals.

Our survey asked for suggestions regarding how CIGIE can assist the

As much as they want CIGIE to advocate for them on matters of community interest, there are others who said they "do not want CIGIE to speak for me."

IGs and improve its own operations. Examples of frequently cited comments include:

- Hire a professional staff and executive director who is more than an administrator to take some of the burden that now falls on individual IGs (facilitated by a direct appropriation to CIGIE)
- Use CIGIE's representation role to solicit and negotiate on behalf of all members for common procurements. By negotiating on behalf of all IGs, cost savings and further standardization amongst IGs can also be realized
- Increase focus on issues that affect the IG community at large
- Continue open communication with members
- Concentrate on OIGs' operational issues and be proactive in dealing with Congress and OMB
- Enable information sharing about common recipients of federal funds
- Develop a searchable database of all IG audit reports.

The issue of IG community leadership and governance was raised in regard to a number of specific issues covered by our survey. It is clear from the responses above that most survey respondents support CIGIE serving as a strong, clear and proactive voice to advocate on behalf of the community

and identify areas where further collaboration within the community makes sense.

In our prior survey, many IGs felt the community as a whole would benefit if CIGIE took a more active role in bringing issues of concern to Congress' attention. As examples, they cited the issue of mandatory audits, the ability to access data, data sharing, the federal hiring process and shared services. This year, IGs indicated they have seen evidence of CIGIE taking a more active role in areas of common interest to the IG community. A recent letter from the CIGIE Legislative Committee to the deputy director of the OMB is an example of CIGIE's advocacy on behalf of the community. In that letter, dated Feb. 15, 2015, CIGIE identifies several legislative proposals for which there is strong interest in the IG community.

As reflected by our survey and interviews, there is great support for CIGIE playing the role of advocate; however, the individual IGs are extremely independent. As much as they want CIGIE to advocate for them on matters of community interest, there are others who said they "do not want CIGIE to speak for me" and feel that independence is more important than "everyone rowing in the same direction." While this independence is a strength of IGs and critical to effectively executing the responsibilities of the position, it seems to hamper collaboration and cooperation within the community.



Budget and Operations

The 2015 survey results highlight several budget and operational issues affecting how OIGs fulfill their responsibilities. While OIGs have adjusted to a “new normal” when it comes to the budget, it remains the primary challenge they feel they face as a community.

Budgetary and Staffing Issues Continue to Concern IG Offices

The effect of budget cuts continues to adversely affect the IG community. IG operations are staff-intensive with the largest portion of budgets devoted to staff salaries and expenses associated with staff work on audits and investigations. We asked the IGs to compare their FY 2012 staffing levels with FY 2015 and found that 45% of IGs experienced a staff decline.

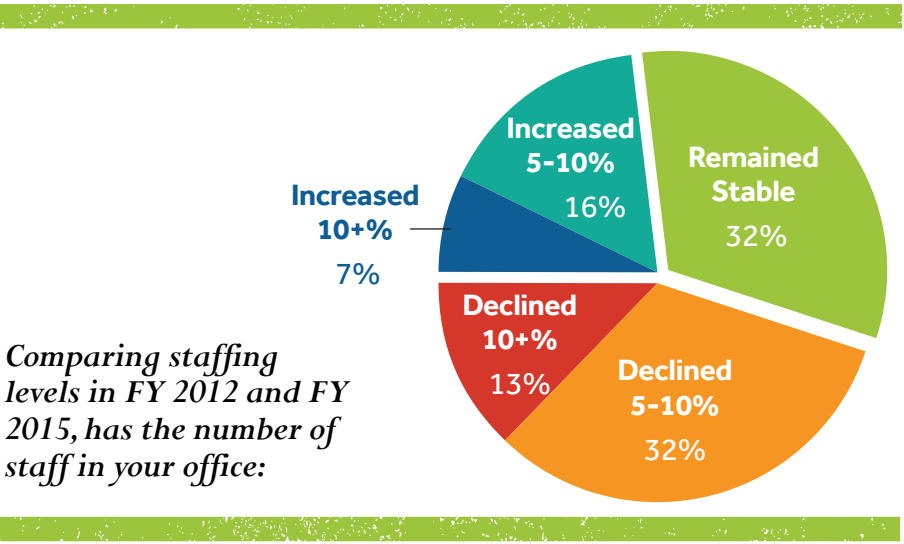
As an example of the budgetary environment faced by the IG community, one IG told us that the staff in his office has declined by close to half over the past 10 years. He also pointed out that during the same period, congressional mandates affecting the IG community and critical programs have expanded.

Access to Information is Fundamental, but has not Generally Delayed Audits

While the issue of access to information is of critical importance to the community for the precedent it sets, access to information has not significantly delayed audit or investigative work on a broader scale.

A component of this issue is the timeliness of management’s response

to requests for information. We asked IGs to characterize agency timeliness, recognizing the tension between the OIGs that needs the information as quickly as possible in order to complete its work, and the agency’s hesitation to respond to a request it may view as an unwanted intrusion upon its work. Our survey disclosed that 89% of respondents felt their agency was almost always timely or somewhat



Comparing staffing levels in FY 2012 and FY 2015, has the number of staff in your office:

timely when responding to requests for information.

Although not directly related to records access, the timeliness with which agencies respond to draft reports has a significant impact on the IG's ability to fulfill the responsibility to issue timely reports on agency activities.

Risk-Based Planning Can Be Improved

In "Mandatory Audits Inhibit Risk-Based Planning," we pointed out that the issue of mandatory audits is a significant and ongoing concern of the IGs. Another drain on IG resources is the proliferation of congressional requests. One of the primary concerns expressed by IGs about congressional requests is that they can be "shot-gun requests made to all IGs when the information requested might be relevant to only a few IG offices," or, in some cases, motivated by political or other objectives.

While we were not able to quantify the specific effect of these requests on IG operations, it appears that as more resources are devoted to

fulfilling requests and mandates, fewer resources are available to address the high-risk areas of agency programs. As previously noted, declining resources and increased mandates and requests have challenged the IGs' flexibility to address the risks associated with the programs for which they have oversight responsibilities.

With the upcoming revisions to OMB A-123, agencies are encouraged to conduct enterprise-wide risk assessments. The survey attempted to determine if agencies' efforts to develop the capability to perform these assessments would alleviate some of the concerns expressed by IGs in providing oversight of their agencies' critical programs. IGs acknowledged that as agencies develop the capacity to perform these risk assessments, they may be able to leverage the resulting information resulting in making risk-based resource allocation decisions.

In this year's survey, we also asked questions regarding the IGs' opinions of their agencies' internal risk assessment and OMB A-123 internal control assessment processes. We asked the IGs if their agencies' risk assessment process was effective or ineffective.

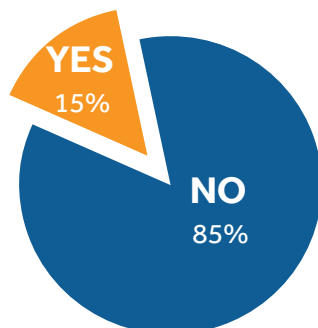
More than half of the IGs felt their agency's risk assessment process was not effective in identifying and mitigating risk in the agency's operations.

The survey results and anecdotal evidence indicate there are opportunities for agencies to improve their enterprise-wide risk assessment efforts. The quality of agency risk assessments and internal controls has a direct effect on IG planning and operation. To the extent that risks are managed through effective processes, audit effort in those areas is limited. Where risk assessments are inadequate and controls ineffective, risks increase along with audit focus and effort. However, in this year's survey, IGs indicated a high reliance (92%) on agency OMB A-123 assessments of financial controls in conducting the financial audit. This would seem to indicate risk assessment inadequacies are generally on the program operations areas, while assessment efforts on the financial side are better focused.

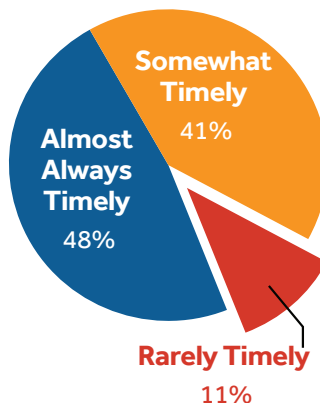
The IGs' Use of Social Media is not Broad-Based

The IG community is exploring opportunities to expand their use of

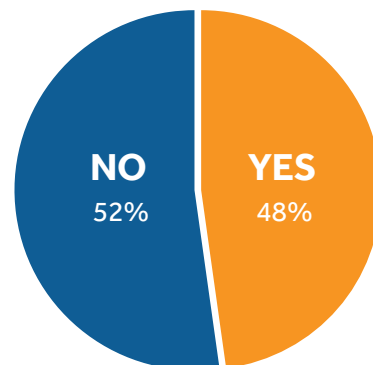
In fiscal years (FY) 2013 or 2014, has an audit, inspection or investigation been delayed more than three months due to a dispute with management over access to information or a question regarding the IG's authority?



How would you characterize your agency's timeliness in responding to requests for information?



Do you feel your agency has a comprehensive risk assessment process in place?



social media. CIGIE's website indicates 36% of the IGs reported they use some form of social media to communicate with their constituency.

Many IGs use social media outlets, such as Twitter, Facebook and YouTube, to communicate beyond the traditional means of audits, inspection and investigative reports. IGs are also experimenting with new and novel uses of communication. For example, one IG office is attempting to design an audit report so that it is readable on a smart phone, while another IG office uses podcasts to explain longer and more complex audit reports.

In our interviews with the IGs, we inquired about how social media was used. All IGs indicated social media was used to supplement, rather than supplant, their standard communication systems. Several IGs indicated that social media channels such as

Declining resources

and increased mandates have challenged the IGs' flexibility to address risks.

Twitter were an important part of their communication with congressional staff regarding recent reports that have been issued, allowing them to communicate with the staff in a way that will gain attention and open up

discussion on other important work.

However, as was the case in past surveys, pressure continues to build to get reports out faster and complete oversight work more quickly. The survey noted an ongoing trend by IG offices to utilize reporting methods outside traditional audit report in order to accelerate their communication and eliminate some of the requirements imposed by audit standards.





Human Resources

The IG community's need for specialized skills has grown and continues to increase. In today's dynamic environment, the need for additional skills is evolving. The community needs staff with skills in IT cybersecurity, data analytics and IT auditing, in addition to the traditional skills of auditing and investigation. In this part of the survey, our questions were focused on a critical part of the IG operations: human resources (HR). Our inquiries addressed the effectiveness of the hiring process — specifically, identification of qualified candidates and the timeliness of the hiring process.

The Federal Hiring Process Is in Need of Reform

As indicated previously, IGs operate a staff-intensive program, and the number of staff in IG operations has been flat or declining over the past several years. Flat or declining budgets, coupled with the increased demand imposed by mandatory requirements, have lessened the IGs' flexibility to address areas of risk

in agency operations. Given these parameters, when a vacancy in the IG staff occurs, IGs need a hiring process that enables quick hiring and provides qualified candidates.

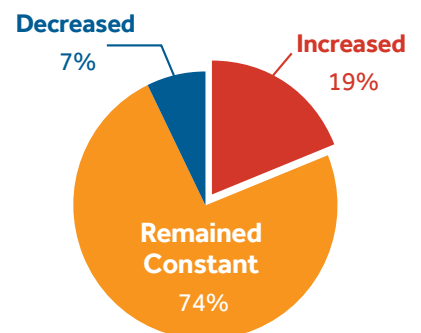
Based on our survey, it appears turnover among IG staff is decreasing, which should have a positive effect going forward. In both of our 2014 and 2015 surveys, we asked IGs to assess the extent to which turnover has increased or decreased in their offices compared to prior periods. In 2015, only 19% of the IGs reported that turnover was increasing, a decline from prior years. This positive trend should reduce the need to hire new staff and test the hiring process. Our interviews found IGs are dissatisfied with the current hiring process. The IGs said the time it took to bring a new person on board ranged from three months to over 12 months.

These delays frequently cause IGs to lose the opportunity to hire qualified candidates: 43% of IGs noted the process sometimes results in lengthy delays, and 14% stated the process is lengthy and requires significant

reengineering.

When staff is the lifeblood of an organization, not only is it necessary to maintain a timely hiring process, but there is also a need to leverage a process that provides qualified candidates. In addition to inquiring about timeliness of the hiring process, we asked IGs about the hiring process'

In your estimation, has the level of staff turnover increased or decreased in FY 2014 versus the level of staff turnover traditionally experienced by your office?



Direct hiring authority for IG offices could improve the quality and timeliness of hiring

ability to provide qualified candidates for open positions. As shown in the following table, when asked if the current hiring process nearly always produced a pool of qualified candidates or worked properly more than half the time, only 43% of the IGs answered "yes."

IGs were vocal about the inability of the current hiring process to provide qualified candidates. They pointed to a number of concerns, including the self-assessment process, whereby candidates rate themselves. The IGs indicated resumes frequently do

not support the self-assessment. As a result, the pool is full of unqualified candidates the hiring official must wade through. In many cases, positions have to be re-announced because of a lack of truly qualified candidates. Other IGs suggested that instead of relying on HR to review applications and forward those qualified to the program office, the program office should conduct the first review since they can better judge if candidate's experience and qualifications meet their needs.

An untimely process combined with one that does not always produce a pool of qualified candidates presents problems for IGs trying to fill staff positions. We asked IGs to identify the top challenges they face beyond the hiring process in both recruiting and retaining entry-level staff. They provided a variety of responses, the most common of which included:

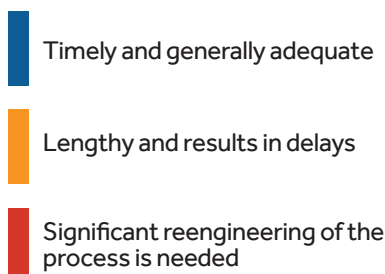
- security clearance process
- non-competitive salary
- advancement based on tenure, not performance
- justifying why unqualified candidates are not being hired
- budget uncertainty, which discourages candidates.

In light of the dissatisfaction with the federal hiring process, we asked the IGs to provide suggestions for potential improvements. The following are some of the most prevalent suggestions:

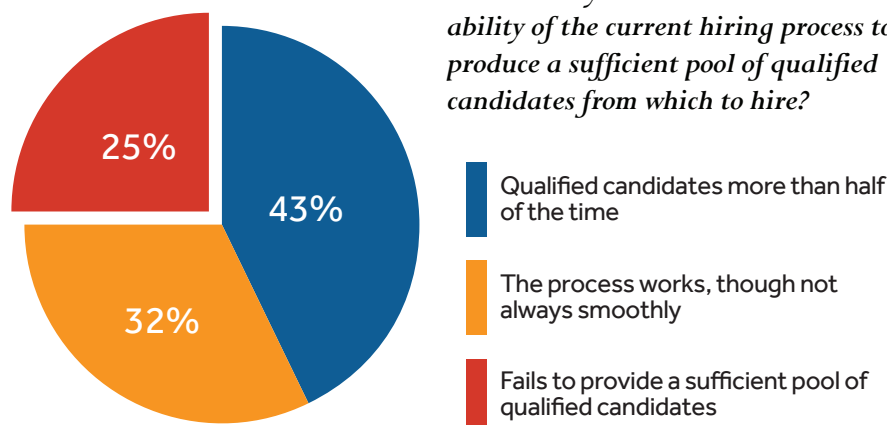
- provide more overall flexibility in the hiring process
- provide direct hiring authority to OIGs
- offer more flexible rules regarding veteran preferences
- expand opportunities to utilize the excepted service hiring authority.

Several IGs pointed out that, prior to the OPM data breach, when hiring for sensitive positions like those in

How would you characterize the timeliness of the current hiring process your office must follow to hire staff?



How would you characterize the ability of the current hiring process to produce a sufficient pool of qualified candidates from which to hire?



Difficulty of Recruiting Skill Sets



IG offices, they did not have to convince candidates that the sensitive information they provided to obtain their security clearance was safe. However, candidates may be increasingly unwilling to provide the sensitive information needed to obtain security clearances for fear that it will not be safeguarded, creating another potential obstacle to hiring.

Specialized Skills Difficult to Recruit

As reflected in the past, IGs continue to struggle as they attempt to recruit and retain staff with specialized skills in IT security and IT audit and data analytics. IT security skills are needed to review and test IT system security and IT audit skills are necessary to properly conduct program audits. Data analytics skills are needed to sift through the volumes of data stored on IT systems. We asked IGs to tell us which skill sets were most difficult to secure in the current hiring environment. The IGs ranked the difficulties, as shown in the list below:

- IT Security/Audit
- Data Analytics.

There was an overwhelming consensus among the IGs in ranking IT security and IT audit (these skill sets

were combined) and data analytics as the two most difficult skill sets to hire for their offices. Half of the respondents ranked IT security and IT audit as the most difficult or second-most-difficult skill to hire. Data analytics skills were ranked as most difficult by nearly 25% of the respondents.

Most Offices Are Implementing Succession Planning

Organizations often develop a succession plan for filling leadership roles so they can identify and develop internal staff. The process increases the availability of experienced, capable employees prepared to assume these roles as they become available, and thus, help ensure the continued success of the organization.

In this year's survey, 63% of IGs said they had implemented or developed a succession-planning process. Given the budget restrictions and the problems with the hiring processes, it is not surprising that IGs have embraced succession planning to guide future operations.

We also asked the IGs for the top two reasons for undertaking this process. The results show that expected retirement is one of the primary reasons for succession planning. The significance of this matter was noted

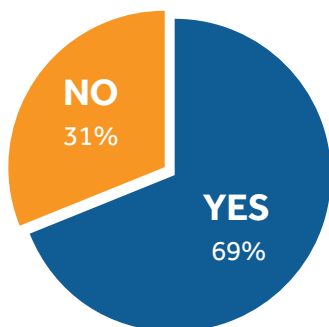
in our question regarding the percentage of the workforce eligible for retirement in the next several years; IGs estimate that on average, 20% of the workforce will be eligible in the next three years. Some IGs responded that as much as 90% would be eligible.



Cybersecurity, Data Analytics and IT Auditing

With the recent data breach at OPM and other high-profile computer hacking incidents, the need for a risk evaluation of agencies' systems for penetration is one of the critical challenges IGs face. Several IGs commented that they have launched assessments in their own agencies

Are you comfortable with the capability of your office to adequately identify and address data security matters for your agency/organization?



to identify vulnerabilities similar to those which contributed to the OPM data breach. In addition, as more data is accumulated in support of agencies' programs and as advances in technology enable more efficient analysis of the data, IGs are increasing their reliance on data analytics when conducting and planning audits and identifying investigative targets. As in the past, our survey asked a number of questions on these topics and the issues identified were similar to those noted in the past.

Information Security Is Receiving Increased Attention

With the recent high-profile data breaches at OPM and other organizations, controls over agency systems are drawing increased attention. Keeping information and IT systems secure from unauthorized access is a major concern. Government agencies store a wide range of information on IT systems and conduct their operations

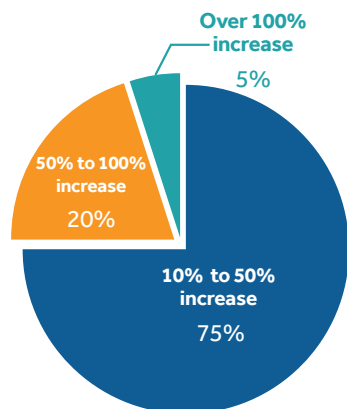
using IT systems. The information gathered by government agencies is costly to collect and store. Some information is sensitive and protected, by law, from unauthorized disclosure. All IT systems must be protected from unauthorized access and corruption.

Given the importance of this concern, we asked the federal IGs to tell us how comfortable they were with their ability to adequately address data security matters. As shown by the results to the left, 69% of the federal IGs stated they were comfortable or very comfortable with their cybersecurity capabilities, while 31% rated their capabilities as only neutral, somewhat uncomfortable or significant improvement is desired.

IGs Supplement Cybersecurity and IT Audit Capability with Contractor Support

As indicated in the HR section of this report, individuals with specialized skills in IT security and IT audit fields

How much have the resources devoted to data analytics increased from FY 2012 to FY 2015?



are those IGs have the most difficulty recruiting. With that in mind, we asked the IGs if they utilized outside contractors to assist their review of data security matters. Our survey found that 69% of federal IGs were more likely to use consultants to help address data security matters. The results suggest that IGs are gaining comfort in their IT security capabilities by utilizing specialized contractors.

Data Analytics Is Increasingly Being Used to Assess Risks

As reported last year, the use of data analytics has become ingrained in IG operations to better allocate limited resources. Over half the IGs surveyed have units devoted to data analytic efforts. IGs also reported that the amount of resources devoted to this work has increased over time.

Deciding how and where to utilize the operational resources of the IGs is a complex task for IG offices, as resources are limited and not all priorities can be addressed in any given year or even over a number of years. The increased leveraging of data analytics is seen as a positive addition to the portfolio of tools used in this decision-making process.

Data analytics have had an effect on IG operations, and this year's survey better identifies the effect of data analytics on the audit, investigation and inspection/evaluation operations. In this year's survey, we asked questions regarding the overall effects data analytics had on these operations. The responses are shown below.

As indicated by the survey responses, data analytics has an impact, but other factors are also weighed in the decision-making process. To understand the process better, we focused on audit operations. We asked the IGs to tell us what factors weighed most heavily in their decision to initiate an audit. IGs noted:

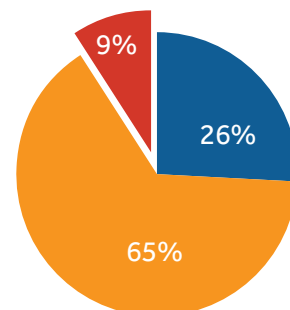
- known problems or deficiencies
- reported IG management challenges
- congressional mandates and requests

- anomalies identified through data analytics
- leads developed from other audits
- time elapsed since last audit.

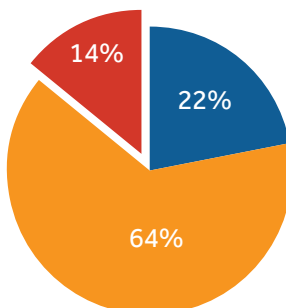
The Importance of Data Analytics in Identifying Risk Areas

Investigations

- No Impact—data analytics have had no impact
- Some Impact—data analytics are used but other sources such as tips and requests are also used
- Major Impact—data analytics are used to identify most investigative targets



Audits



- No Impact—data analytics have had no impact
- Some Impact—data analytics are used but other sources such as the risk assessments play a significant role
- Major Impact—data analytics are used to identify most audits



The Financial Audit and Internal Controls

The annual financial statement audit touches each part of an agency or department, and many, if not all, of the basic financial information systems used. Issues related to internal controls over agency operations are reported to agency management in a formal report. In all but a few cases, the annual financial statement audit at federal agencies is conducted by an independent Certified Public Accounting (CPA) firm under the close oversight of the agency's IG.

In past IG surveys, we asked a series of questions regarding the benefits of financial statement audits in federal agencies. The IGs have always expressed support regarding the continuing need for and the value of the annual financial statement audit.

This year's survey indicated that more than 85% of the IGs referenced internal control improvements resulting from financial statement audits as a major benefit. This group of respondents said the financial statement

audit is a key component of their oversight of internal controls within the agencies. They felt that the annual financial audit keeps internal controls on the agenda in the agency.

The same group of respondents also said they believe internal controls

would deteriorate markedly if not for the financial statement audit. Some IGs even suggested that a more in-depth assessment of internal controls would benefit high-risk areas or areas where problems have persisted.

On a related topic, the survey asked the IGs whether the auditors used the results of management's OMB A-123 assessment of internal control over financial reporting when performing the financial statement audit. We found that in 92% of the cases, the independent auditor did. However, the degree to which results are leveraged depended on the rigor of management's assessment.

This is particularly noteworthy since a diminished focus on financial controls by management could result in additional audit effort and costs.





Conclusion

IGs continue to be challenged with tight budgets, an ineffective federal hiring process and one-size-fits-all- mandated requirements. The 2015 survey results indicated IGs are adjusting to a “new normal” when it comes to the budget and continuing resolutions and, like the rest of the government, adapting to and managing this uncertainty. Many of the IGs we spoke with called for direct hiring authority, in order to enable them to quickly fill needed positions in lieu of the lengthy and seemingly ineffective federal hiring process. They also called for more flexibility when it comes to mandated audits so they can apply risk-based criteria within their respective agencies to better focus their oversight audits and evaluations.

More fundamental than these operational difficulties is the challenge to IG authorities and access to all information to conduct oversight. This issue, more than any other, has accelerated change and mobilized the community to communicate the importance of unfettered access to all information as a foundation for effective independent oversight consistent with the intent of the IG Act.

In addition, the survey identified steps forward in further cooperation and sharing between IG offices. While the independent culture is difficult to adapt, ideas such as sharing a government-wide searchable database of all IG audits, more information sharing about common grantees, common approaches to data analytics and information security vulnerabilities are beginning to take hold. While the information security side effects of the OPM data breach are relatively unknown at this point, IGs continue to push for greater authority to share information contained in government databases to facilitate oversight work and analytics efforts.

AGA’s Annual IG Survey is intended to reflect the broad trends in the community. We hope to have provided an overview that leads to more effective and efficient independent oversight conducted by the IG community government-wide.

Appendix:

Survey Results by Area

Focus Area	Survey Results
Overarching Issues and Trends	<ul style="list-style-type: none"> • Access to information is fundamental to independent oversight • Type and frequency of mandated audit requirements should be reviewed • Further sharing of data could enhance IG effectiveness • Greater collaboration and sharing is increasing within the IG community
Budget and Operations	<ul style="list-style-type: none"> • A “new normal,” but budget uncertainty still a concern • Access to information has not delayed audits or investigations • Further data sharing could enhance oversight • Risk-based planning can be improved • Use of social media not broad-based
Human Resources	<ul style="list-style-type: none"> • Federal hiring process in need of reform • Direct hiring authority for IG offices would improve quality and timeliness • Specialized skills difficult to recruit • Most offices implementing succession planning
Cybersecurity, Data Analytics, and IT Auditing	<ul style="list-style-type: none"> • Information security receiving increased attention • Most offices supplement these skill sets with contractors • Data analytics being used to assess risks
The Financial Audit and Internal Controls	<ul style="list-style-type: none"> • Financial audit strengthens and sustains agency internal controls • Financial audit improves the accuracy and reliability of agency data • Significant reliance on the OMB A-123, Appendix A, assessment process

If you would like copies of this survey or an opportunity to hear more about its content and the challenges facing the Federal IG community, please contact AGA.



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