

OIG Manual

U.S. Department of Labor
Office of Inspector General



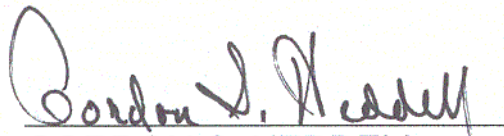
Transmittal Sheet

Date: JAN 13 2004

IGD 8-200

AUDIT AND INVESTIGATION: Independence Committee

This IG Directive creates and describes the function of the Audit Independence Committee and rescinds IGD 3-1600-1, Participation in Regional Executive Committees, dated January 17, 1986, in its entirety.


GORDON S. HEDDELL
Inspector General

INSTRUCTIONS: Insert this IGD in Part 8, Audit and Investigation of the OIG Manual and remove IGD 3-1600-1, Participation in Regional Executive Committees, dated January 17, 1986, in its entirety.

OIG Manual

Inspector General Directive

U.S. Department of Labor
Office of Inspector General

Chapter: 8 - Audit and
Investigation

Title: INDEPENDENCE COMMITTEE



Number: 8-200

Date: January 13, 2004

1. PURPOSE

This IG Directive creates and describes the function of the Independence Committee.

2. SCOPE

This Directive applies to all employees and contractors of the Office of Inspector General.

3. BACKGROUND

On January 25, 2002, the General Accounting Office (GAO) issued an amendment to [Government Auditing Standards \(1994 revision\), Amendment No. 3, Independence](#). GAO recognizes that audit organizations, such as OIG, are asked to perform a range of services for the Department, including its grantees and contractors, that are not specifically audit, evaluation or investigative in nature. However, in certain circumstances, it is not appropriate for OIG to perform audits, evaluations or investigations and at the same time, the requested services for the same organization.

In order to maintain a high degree of integrity, objectivity, and independence for audits, evaluations and investigations of government entities, GAO developed the following two overarching principles for providing services:

- OIG staff should not perform DOL management functions or make management decisions; and
- OIG staff should not audit, evaluate or investigate their own work.

When DOL management, contractors and grantees request services, other than audit, evaluation or investigative activities, OIG, through the Independence Committee, will have to make a choice as to which of these services OIG will provide. This IG Directive creates and describes the function of the Independence Committee.

4. POLICY

OIG employees should avoid situations that could lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the auditor is not able to maintain independence and, thus, is not capable of exercising objective and impartial judgment on all issues associated with conducting and reporting on the work.

OIG employees will refer matters that are not readily apparent as to whether they would violate the above overarching principles to the OIG Independence Committee.

5. RESPONSIBILITIES

A. Deputy Inspector General (DIG) – The DIG will chair the Independence Committee.

B. Assistant Inspectors General (AIG) – The AIGs will convene the Independence Committee when services are requested by DOL management, contractors and grantees that are not specifically audit, evaluation or investigative in nature and may impair

or could appear to impair OIG's independence to perform current, future or potential audits, evaluations and investigations and when the requests require some deliberation to determine whether they would violate the overarching principles.

C. Regional Inspector Generals (RIG), Special Agent-In-Charge (SAC) and Office Directors (OD) – RIGs, SACs, and ODs will evaluate requests by DOL management, contractors and grantees that are not specifically audit, evaluation or investigative in nature and determine if the requests may impair or could appear to impair OIG's Independence. RIGs or ODs should notify their AIG when a decision needs to be made by the Independence Committee.

D. Employees and Contractors – All employees and contractors should evaluate requests by DOL management, grantees and contractors for services that are not specifically audit, evaluation or investigative in nature and determine if the requests may impair or could appear to impair OIG's Independence. Employees should notify through their chain of command their RIGs, SACs or ODs when a decision needs to be made by the Independence Committee.

6. INDEPENDENCE COMMITTEE

The committee will be made up of the DIG and AIGs. The committee will review requests for services that are not specifically audit, evaluation or investigative in nature and that may impair OIG's Independence and determine if the requested services will be provided.

The independence committee will:

A. Meet to consider issues of independence (meetings will be scheduled on an as needed basis, based on specific independence questions).

B. Use Generally Accepted Government Auditing Standards as the basis for independence issues.

C. Respond to each request for guidance in a timely manner in order to allow the requesting party the ability to timely continue or complete the project in question.

D. Review and approve all OIG memoranda of understanding with the Department related to non-audit services to be performed by the OIG.

E. Consider potential conflicts with the work performed by the Independent Public Accountants (IPA) under contract with the OIG with any departmental requests related to the use of those IPAs.

7. PROCEDURES

All OIG employees should evaluate requests by DOL management, contractors and grantees for services, other than audit, evaluation or investigative activities to determine if the requests may impair OIG's independence.

Services that may Impair OIG's Independence

By their nature certain services impair the OIG's ability to meet the principles of independence. For example, if the OIG was asked to be responsible for designing, developing, and/or installing the entity's accounting system or is operating the system and then performed a financial statement audit of the entity, the OIG would clearly be in violation of the independence standard.

Likewise, if the OIG were asked to develop an entity's performance measurement system, the OIG would not be deemed independent if it was asked to conduct a performance audit to evaluate whether the system was adequate.

In both of these examples, the audit organization could decide to perform the service but would then not be permitted to perform the subsequent audit because it would be in violation of GAO's independence standard and impairs OIG's capability to audit, evaluate or investigate impartially. In these cases, the OIG should

communicate to management of the audited entity that the audit organization would not be able to perform the service.

If an employee believes a DOL management, contractor or grantee request may affect OIG independence, the employee should notify, through his/her chain of command the RIG, SAC or OD that a decision needs to be made on whether to perform the service. RIGs, SACs and ODs will evaluate the requested service and determine if the requests may impair OIG's independence.

If it is not readily apparent as to whether the request would violate the overarching principles, the RIGs, SACs or ODs should notify their AIG that a decision needs to be made by the Independence Committee. The responsible AIG will convene the Independence Committee to discuss the request and decide if the request impairs OIG independence.

Documentation should be prepared and maintained of the request, decision and justification.

Services that do not Impair OIG's Independence

OIG employees and contractors may participate on committees or task forces in a purely advisory capacity to advise DOL management, contractors and grantees on issues related to the knowledge and skills without impairing their independence. However, OIG employees should not make management decisions or perform management functions.

OIG employees and contractors can provide routine advice to DOL management, contractors and grantees to assist them in activities such as establishing internal controls or implementing audit recommendations, can answer technical questions, and/or provide training.

OIG employees and contractors may also provide tools and methodologies, such as best practice guides, benchmarking studies, and internal control assessment methodologies that can be used by management.

OIG employees can also participate and cooperate with the Department's Regional Executive Committees (REC) in efforts to improve regional coordination and enhance productivity. However, such participation will be limited to general, non-office holding membership. OIG employees should not vote on matters that could have the effect of committing a DOL program agency to a particular course of action in carrying out its mission.

Since in each of the above examples the decision to follow OIG's advice remains with management, OIG independence is not impaired. By their very nature, these are routine activities that would not require a decision from the Independence Committee.

8. EFFECTIVE DATES AND CANCELLATION

This Directive is effective immediately and will remain in effect until canceled or superseded. It requires implementation of action items, and contains information of a continuing nature.

This IGD rescinds IGD 3-1600-1, Participation in Regional Executive Committees, dated January 17, 1986, in its entirety.