Integrity Program

EXECUTIVE SUMMARY

The Office of Inspector General evaluated the effectiveness of Commission's integrity program (i.e., the ethics program in the Office of General Counsel and personnel's staff conduct program). The review was a follow-up to two audits performed in 1996-97 (Audit Nos. 250 and 267).

Successes, obstacles, recommendations, and effectiveness ratings related to the Commission's integrity objectives were obtained through twenty-two workshops involving approximately eight per cent of Commission employees. Composite ratings were consistent with the previous audit results. Indications are that all supporting objectives are generally being implemented. We believe that, taken as a whole, the Commission is achieving its primary objective to promote high individual and agency integrity.

With almost no exceptions, the workshop participants indicated that they felt a personal sense of responsibility for maintaining the integrity of the Commission. There were no material control weaknesses identified during the workshops. It is evident from all available evidence that Commission employees place a high premium on ethical integrity.

The participants in the workshops made a number of comments and suggestions for improvement. We shared many of them with management. We make two audit recommendations to improve staff access to integrity guidance and to notify staff seeking ethics counseling of confidentiality limitations.

SCOPE AND OBJECTIVES

The primary objective of the audit was to determine the extent to which the Commission is achieving its integrity objectives. Management had previously established the primary objective of the integrity program:

Promote High Individual and Agency Integrity

Management also developed seven supporting objectives, reflecting the activities that make achievement of the primary objective more likely. These objectives were based on the nine supporting objectives used in the previous integrity audits. The seven supporting objectives were:

Conduct of Managers - Ensure that the behavior of executives and managers reflects the SEC's integrity values and principles and that they acknowledge their critical role in reinforcing these values with their subordinates.

Organizational Climate - Foster an organizational climate that promotes high standards of ethical behavior.

Sensitivity to Unintended Consequences - Promote staff objectivity in their official interactions with the private sector to prevent unfair impact on persons outside the Commission.

Link Integrity to Personnel Decisions - Ensure that managers consider employees' ethical behavior when deciding on their performance ratings, awards, promotions, selection to supervisory positions, or other personnel actions to reward behavior that furthers SEC integrity.

Fair Notice of Conduct Parameters - Provide staff with fair notice of the parameters of acceptable and prohibited behaviors, along with information on the consequences of non-compliance.

Staff Counseling - Provide employees with an opportunity to obtain authoritative answers to ethics and integrity questions in order to enable them to make ethical decisions.

Integrity Training - Promote staff awareness and commitment to integrity.

The fieldwork was performed from March through October 2000 in accordance with generally accepted government auditing standards.

During the audit a Commission-wide election concerning union representation was held and the National Treasury Employees Union was selected to represent employees at the Commission. Many participants expressed their views on labor/management issues during the integrity workshops.

AUDIT METHODOLOGY

A version of a private sector, internal audit methodology (Control Self-Assessment or CSA) was adapted for this purpose. The Institute of Internal Auditors has promoted the concept internationally for the last several years with outstanding results reported from users.

The CSA methodology used in the audit consists of four primary tasks: identify management objectives, convene workshops to discuss and rate each objective, evaluate the workshop data, and prepare an audit report. These audit steps are described in further detail in Appendix A.

Primary data collection was accomplished through twenty-two workshops in which the supporting objectives were discussed and anonymously rated. Over 200 staff employees, approximately 8% of Commission personnel, participated in the workshops.

In order to streamline the workshops, electronic voting technology was employed in the last thirteen workshops. Participants voted their agreement to a series of

integrity-related statements (*e.g.*, executives and managers behave ethically). The scale ranged from 1 (strongly disagree) to 6 (strongly agree). The results were immediately projected as a graph and used to spur group discussion of integrity issues.

In addition to the introduction of electronic voting equipment, a group brainstorming technique was also used. Participants were asked to provide integrity program obstacles and improvements, which were listed on a flip chart. The participants assigned points to these comments in order to prioritize them.

Document reviews and other audit tests were not performed. The methodology provided perceptions and judgments about the success of the supporting objectives Commission-wide, but would not support conclusions regarding any particular unit of the Commission.

AUDIT RESULTS

OVERALL RESULTS

Workshop participants anonymously rated how well the Commission achieved each of its seven supporting objectives. The rating scale used by the participants ranged from 7 (full implementation) to 1 (not being implemented in a meaningful manner). The effectiveness scale used is included in Appendix B. The composite ratings for how well the Commission actually achieved its seven supporting objectives follow. Compared with the ratings recorded in previous reports[1], changes were generally minor and somewhat offsetting.

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[1] Audit 250 (issued January 22, 1997) consisted of an audit sample of all divisions, offices, and regions/districts in the Commission. Audit 267 (issued September 9, 1997) was an extension of Audit 250 and consisted of an assessment of the remaining regional and district offices.

	Audit No. 250	Audit No. 267	Audit No. 313
Conduct of Managers	5.1	5.1	5.0
Organizational Climate	5.1	5.3	5.4
Sensitivity to Unintended Consequences	5.1	5.2	5.2
Link Integrity to Personnel Decisions	4.3	4.7	4.9
Fair Notice of Conduct Parameters	4.8	4.0	4.9
Staff Counseling	5.7	5.6	5.5
Integrity Training	4.5	4.3	4.8

The composite achievement ratings by both staff and managers indicate that all supporting objectives are generally being implemented. The data indicate that, taken as a whole, the Commission is achieving its primary objective to promote high individual and agency integrity.

With almost no exceptions, the workshop participants indicated that they felt a personal sense of responsibility for maintaining the integrity of the Commission. There were no material control weaknesses identified during the workshops. Based on the audit, Commission employees appear to place a premium on integrity.

The ratings of managers and staff were reasonably aligned, indicating general agreement on how well integrity objectives are being achieved. There was little relative difference in alignment between the regional/district staff and headquarters employees. Similarly, support staff and other staff rated the objectives comparably. The experience and integrity values of Commission staff appear to be generally aligned.

The participants in the workshops made a number of comments and suggestions for improvement. We shared many of them with management.

FAIR NOTICE OF CONDUCT PARAMETERS

With one exception, all participants had received the Commission's ethics manual. However, most participants were not familiar with the Personnel Operating Policies and Procedures (POPPS) manual (a compilation of Commission administrative policies).

The ensuing discussions indicated that many participants are confused as to where to find definitive guidance for ethical and conduct matters.

Recommendation A

OAPM and the Ethics Counsel should regularly publicize the existence, location and content of employee guidance and resources available in their respective programs regarding ethics and conduct (*e.g.*, ethics manual, POPPs manual, ethics bulletins).

STAFF COUNSELING

Staff counseling received the highest composite rating for effectiveness of all the supporting objectives evaluated by the participants. The Office of Ethics Counsel generally received high marks from the participants for its work. The participants generally held ethics liaisons in the divisions in high regard. Generally, participants indicated that Commission employees were following the advice of the ethics liaisons.

Most workshop participants were unsure of how confidential conversations with the ethics liaisons were (*e.g.*, whether liaisons were prohibited from discussing the content of counseling sessions with management, whether an attorney/client privilege attached, whether the liaison was bound to report fraud reported to them in connection with employee ethics counseling) or whether immunity from future prosecution was provided if the advice of the ethics liaisons was followed.

Recommendation B

The Office of Ethics Counsel should develop and make readily available to all ethics liaison officers and employees written guidance on the limitations to the confidentiality of ethics counseling.

[APPENDIX A]
CONTROL SELF-ASSESSMENT METHODOLOGY

The Control Self-Assessment (CSA) methodology involves gathering management and staff for structured discussions relating to specific issues or processes. It is used as a mechanism to assess informal controls, as well as more traditional formal controls. One approved technique consists of four primary tasks: identify management objectives, convene workshops to discuss and rate each objective, evaluate the workshop data, and prepare an audit report.

MANAGEMENT OBJECTIVES

The OIG audit staff worked closely with management to develop concise objectives for the conduct and ethics programs. The objectives selected for evaluation were those that management thought were both important and for which evaluation data would be useful. Management revised their objectives further based on experience gained from the integrity audit conducted in 1996-97.

The primary integrity objective developed by management was:

Promote High Individual and Agency Integrity

THE WORKSHOPS

Once the objectives were finalized, OIG personnel convened twenty-two workshops. The workshops were set up to be roughly representative of staff allocation within the Commission.

For logistical reasons, division and office heads were asked to select staff to participate in the workshops based on criteria provided by the OIG (e.g., must have worked at the Commission at least six months). They were also asked to select staff to be as representative as possible, after the auditor's selection criteria were met. Each workshop was designed to be homogeneous with respect to management, professional, or support staff so that comparisons could be made. The workshop participants were also exclusively either headquarters or regional staff or managers.

Prior to the workshops, each participant received a handbook, which described what was expected and encouraged them to think about the management objectives in advance. In preparation for the workshops, the auditors developed sets of questions that related to each objective. The questions gave structure to the discussions and facilitated the conduct of the workshops. In order to streamline the workshops, beginning with the tenth workshop, these questions were turned into control statements. These statements were evaluated by participants using electronic voting equipment, on a scale of 1 (strongly disagree) to 6 (strongly agree). The vote

results were immediately presented to the participants as a graph. The graphs were used to spur group discussion.

The strengths and weaknesses identified by participants for each objective were summarized and recorded on flip charts. Participant recommendations were also solicited and recorded.

At the end of the discussion on each objective, participants were asked to anonymously rate how well the management objective was achieved using a scale of 1 to 7. [Appendix B contains the rating criteria used by the participants.] The ratings were initially collected using slips of paper and averaged. Beginning with the tenth workshop, electronic voting equipment was used to collect and average the data. After each workshop, the auditors summarized the successes, obstacles, and recommendations from the flipcharts.

The anonymous assessment ratings of the workshop participants were keyed into an Excel spreadsheet for analysis. Also, voting data for the integrity-related statements, collected by electronic voting equipment, were also analyzed using an Excel spreadsheet.

All of the successes, obstacles, and recommendations ("comments") from the workshop participants were recorded on worksheets. The audit staff identified seventy-five "resulting issues" by reading through all of the comments. Each success, obstacle, and recommendation was then coded and electronically transferred to a "resulting issue worksheet." This brought all comments about a particular issue together in one document and facilitated discussion and evaluation of the issues. Each comment retained a cross-reference code to its original workshop so that the context of the comment could be obtained, if required.

Although the scope of the audit was Commission-wide, the workshops also provided information with respect to individual organizational units. Although some of the issues raised were outside of the scope of the audit (e.g., labor/management issues), the OIG shared the information with management when appropriate. The data is also being used in the OIG's risk assessments, to aid in selecting future audit topics.

[APPENDIX B]
EVALUATION RATING SCALES

7   The Commission is successfully implementing the supporting objective. Successful actions for implementation are predominant and obstacles, if any, do not interfere in the unit's basic ability to implement the supporting objective.

6   ....

5   The Commission is generally implementing the supporting objective. Several successful actions for implementation exist, but some obstacles are impairing the unit's ability to fully implement the supporting objective.

4   ....

3   The Commission is generally not implementing the supporting objective. Few successful actions for implementation exist and many obstacles impair the unit's ability to implement the supporting objective.

2   ....

1   The Commission is not implementing the supporting objective in a meaningful manner. Very limited successful actions for implementation exist and obstacles are so prevalent that the unit is significantly impaired from implementing the supporting objective.