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**ARE FEDERAL OVERSIGHT AND  
AGENCY MANAGEMENT  
OUT OF SYNC?**

by Dwight Ink

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## ABOUT THE AUTHOR

**Dwight Ink** is President of the Institute of Public Administration. Founded in 1906, it was the first organization in the United States established to develop research and education in public management.

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# ARE FEDERAL OVERSIGHT AND AGENCY MANAGEMENT OUT OF SYNC?

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In recent years we have seen a series of shocking management failures in our national government. The front pages of our newspapers and the evening TV news have given us a never ceasing diet of stories about HUD scandals, the BCCI affair, allegations of gross mismanagement in AID, and other failures. Most of us have lost count of how many billions of dollars are involved in the S&L disasters across the nation.

Equally distressing, there is a widespread view that the average agency is less well equipped to accomplish its mission than in former years, and a strong conviction that federal managers face a formidable obstacle course of constraints in carrying out their missions. In his excellent testimony before the Senate Committee on Governmental Affairs this month, Comptroller General Charles Bowsher outlined a series of problems which he summarized in a few words, "The state of management in the federal government is not good." He went on to say that "...incremental improvements have occurred over time, but time and again over the past decade our management reviews of large agencies and departments have shown that the processes and systems essential for a well-run organization are not present."<sup>1</sup>

Yet during these same years of management failures, we have also seen far more emphasis given to strengthening the external oversight intended to curb such shortcomings. Independent oversight has been one of the few growth areas in government, enjoying strong support from Congress and the White House.

As Congressional staffs have grown, there are more inquiries from the Hill regarding details of day-to-day agency operations. Decline of the power of committee chairs and the increase in subcommittee activity has proliferated congressional reviews and congressional requests for GAO reviews. Perhaps most significant, the inspector general movement has added a new dimension to the amount of independent oversight. Finally, the investigative press has sharpened its techniques and pursued new avenues of inquiry.

This seeming paradox of appalling management deficiencies at the same time independent oversight has been growing has raised questions about the extent to which current oversight trends really help improve agency effectiveness. Could they be counterproductive?

Without question independent oversight is a fundamental element of any public activity in a democracy. Without it, government corruption and waste could be pervasive. The question posed here, therefore, is not the necessity for such oversight, but rather the direction in which this oversight is taking us. And to what extent is deficient managerial leadership in the executive branch contributing to the type of oversight that focuses attention of agencies on detailed procedures rather than their mission?

## General Accounting Office

As one would suspect, oversight trends include both those that have been positive and those that have been negative. One of the most positive has been the important steps taken by the former Comptroller General, Elmer Staats, and his successor, Charles Bowsher, in supporting and encouraging better management.

GAO's leadership has been superb. To its credit, GAO has partially filled a vacuum left by an often disinterested OMB in pressing for productivity gains, better accountability, improved accounting, and other management improvements. Over the years GAO has broadened its perspective on management and has resisted the tendency of some members of Congress to involve the bulk of the GAO staff in low priority questions about minor actions of little consequence.

## The IG Dimension

Inspector general operations have also produced some important gains. They provide a higher level of assurance that abuse will be ferreted out and investigations of wrong doing will not be thwarted by political leaders bent on covering it up. Some IGs have exhibited great courage in searching out abuse in a hostile setting. Most inspectors

general have conscientiously tried to help agency leadership better manage their organizations.

There are several serious flaws in the existing system, however, and these have limited the effectiveness of most IG offices, in some instances leading to consequences that have been counterproductive.<sup>2</sup>

First, from the standpoint of organization structure, an inspector general is neither fish nor fowl. The IG is nominally a part of the agency in which he or she is located, but also has an independent congressional reporting responsibility, resulting in considerable uncertainty as to who is the ultimate boss. Most people believe it is Congress, although one IG maintained that he was more independent than the GAO and left the impression that he reported only to a deity that ranked above Congress. In any event, this reporting confusion leaves IGs open to criticism for being not fully accountable to anyone. It also limits the extent to which many agency heads feel comfortable about including the IG as a part of their key management teams.

Second, combining the audit and investigative arms of an agency under the IG reduces the potential contribution of the audit profession. At the time the IG legislation was developed, Comptroller General Elmer Staats noted that combining the two functions tends to lead to a domination by the investigative function, much as the collocation of budget and management in OMB has led to a domination of budget at the expense of management. Many also believe this arrangement has gradually reduced the preventive role of auditing to one in which it is increasingly called upon only after the emergence of problems that are already weakening agency effectiveness and attracting public criticism.

Third, because the IG's work is generally focused on what is wrong, rather than a balanced assessment of the quality of management, agency personnel are often reluctant to cooperate with the IG as fully as the law contemplates.

Fourth, the law requires IG offices to conduct audits and investigations "relating to programs and operations...and to provide leadership and coordination and recommend policies for activities designed (a) to promote economy, efficiency and effectiveness in the administration of, and (b) to prevent and detect fraud and abuse in, such programs and operations..."<sup>3</sup> This broad charter goes beyond reasonable expectations of what the IG and staff can do. It tends to press IG offices into program judgments for which they are not qualified, thereby weakening their influence in

bringing about needed change. It also absorbs a great amount of agency management time in coping with questionable IG program recommendations based on inadequate knowledge or understanding of the field.

### **Prevention De-emphasized**

Last year a number of people told the Senate Banking Committee that HUD had a reputation for functioning quite well with no significant scandals during the first several years of its existence under Secretary Weaver. What happened to turn it into a disaster in later years? One reason presented to the Committee was management's gradual shift in emphasis from preventive measures to an undue reliance upon "catching the crook" after the damage was done. In the 1980s, this was exacerbated when the Department's inept leadership disregarded the red flags being waved frantically by the Department's able Inspector General. Further, OMB also ignored the well-known HUD weaknesses, as did Congress.

Senate testimony also emphasized the importance of the early warning systems that were so useful in the first years of HUD. As an example, joint audit-program teams were sent to the field for quick reviews within a month or two after new programs first became operational in order to spot vulnerabilities before they could be exploited.

When the highly visible Model Cities program was launched, the Assistant Secretary for Administration had auditors make quick two or three day reviews of the fund control systems of new grant recipients to determine whether they were adequate to protect the federal funds when they began to flow. Similar reviews were made again within days after initial funds reached the cities to see how their controls were working in practice. When serious vulnerabilities appeared, funds to those cities were suspended within hours. These actions made clear to everyone that the Department was deadly serious about keeping a "lock on the cash box". This type of immediate response would be very difficult to carry out today.

Most of the preventive measures faded as emphasis on after-the-fact investigation increased. Investigative strengthening was needed in HUD, but not at the expense of the early alert and quick response measures that served it well at the start.

Less dramatic stories emerge from other departments concerning the net impact of the IG offices, but objective analyses are lacking. It might be useful to have an independent study made of a major department such as the Department of

Transportation to compare the effectiveness of departmental management before and after the Office of Inspector General was established.

### **Negative Incentives**

The incentives for independent oversight groups throughout government lie chiefly in publicizing what is wrong, not in producing objective and balanced reports or in improving management. There are highly professional oversight staff who do produce balanced assessments, but how many investigators are rewarded for uncovering good agency performance? The admonition to be as "mean as a junk yard dog" may be appropriate when ferreting out criminal actions, but it scarcely suggests objectivity when it comes to the task of evaluating programs or gaining agency acceptance of suggestions for improvement.

And because of this concentration on the negative, the public image of their government is skewed unnecessarily toward loss of public confidence in the public service.

Not infrequently, agency managers first learn of the specifics of IG findings from Congressional staff or the press, leading many to become quite defensive. Advance notice might lead to greater agency attention to quick corrective actions, yet IG staffs seem surprised that the agencies they are criticizing do not respond with greater enthusiasm under such circumstances.

The GAO has provided a number of balanced reports, but its client, the Congress, tends to be much more interested in the negative findings. In fact both the GAO and the IGs are at times criticized as whitewashing agency behavior when reports are viewed as too mild. Should there not be a constituency for balanced oversight reports?

### **Red Tape**

The growth and proliferation of external oversight activities have contributed heavily to the cumbersome red tape which increasingly engulfs federal managers and limits their capacity to act. Oversight recommendations during any given year add steadily to the thousands upon thousands of pages of internal procedures controlling employee actions, but how many recommendations reduce or simplify procedures?

A bureau director once examined a series of 100 recommendations made by various external oversight agents over a period of several months. One of these urged a processing simplification and

one suggested substituting an improved process, but nearly all of the remaining 98 recommended actions would have added to internal procedures or in other ways further complicated the way in which the agency did business. At that time the daily schedule of the bureau chief showed he was spending over 40% of his time dealing with oversight matters and the balance of his time spread over program planning, project design, negotiations with the White House and Congress, and managing his programs, including internal oversight. Alarming, he could spend less time on internal oversight, one of his basic roles, than on coping with investigations, inquiries, and reports of external organizations.

Admittedly, not all recommendations from external oversight for additional procedural constraints are adopted by management. Further, some are valid and much needed. But the net result is that an enormous labyrinth of procedural red tape has grown over time in our government with little awareness of the cumulative impact on the capacity of government to act. The hidden costs in time and money are enormous, and are almost never examined; they are not taken into account when oversight groups trumpet the money they have saved the taxpayers. Further, the greater the procedural overkill, the greater the pressure to manipulate or end run procedures and regulations, thereby laying the groundwork for future abuse.

Unfortunately, when corrections are required, too often the corrective actions that result from lapses in one organization lead to new procedural or policy constraints on everyone. These accumulate over time like barnacles.

A few years ago, a panel of the National Academy of Public Administration noted:

"Many of the restraints and regulatory requirements which now make it so difficult for Federal managers to function have their origin in commendable efforts to prevent or control waste, abuse of authority, or corruption.... Unfortunately, the cumulative impact...jeopardizes the effective execution of the basic programs which the managers have been charged with carrying out".<sup>4</sup>

### **Oversight Role of Managers**

Another serious problem occurs where agency management no longer has auditors under its control because they have been all shifted to the IG. In such cases, agency heads and program

managers have lost much of their capacity to utilize auditors effectively in managing their organizations. Consider for a moment the frustration and the vulnerability of an agency head who wishes to look quickly at an emerging financial problem, but has to wait until it has grown into a scandal because the auditors are under someone else's control and cannot help since they are too busy responding to a constituent concern of a member of Congress.

This leads us to the greatest concern many people express regarding current oversight trends; the declining role of internal management oversight as the emphasis on external oversight increases.

We have forgotten that the basic responsibility for internal oversight lies with management, not with the IG, GAO, or even Congress. Internal oversight is a basic element of any manager's job. It is an inextricable element of supervision involving the continuing review and evaluation that should be conducted by a manager. Managers should be selected and properly equipped to provide this internal oversight effort, with the external oversight groups (eg., IGs and GAO) testing the effectiveness of that first line oversight, filling the gap when management fails, and providing a degree of objectivity the program people cannot possess.

Managers should be trained more carefully as the principal line of defense against corruption. Perhaps the greatest single force in the avoidance of abuse is a strong ethical example that should be set by competent leadership, ranging from the department head down to the front line supervisor. Leadership standards of conduct must be reflected in every facet of their operations, from public actions and statements to the conduct of staff meetings and the internal flow of memoranda. This responsibility is an integral part of the training of city managers (a field which has been remarkably free of corruption), but is not often a part of the on-the-job development of our federal managers.

Unfortunately, in Washington people increasingly talk and act as though oversight is the responsibility of almost everyone else in the federal government except the manager who should be best equipped to ensure that high standards are met.

### **De-emphasis of Management**

This worrisome trend of delinking internal oversight from management is part of the general de-emphasis in the federal government of management skills needed to make our national government work. It is clearly reflected in the lack

of concern about operational experience of many of those selected for presidential appointments. Unless the political leadership understands the need for effective departmental management and recognizes the necessity for integrity, there will be more and more waste and abuse, more need for further investigations, and more procedural checks and balances that further tighten the constrained environment within which a manager strives to carry out programs enacted by Congress. The price paid for ignoring this need for managerial leadership is vividly illustrated by the problems in HUD during the Reagan Administration and in AID during the Bush Administration.

Except for certain financial programs, most of the management leadership that once resided in BOB and the early OMB has been lost, a loss which accounts for the growing interest in a separate Office of Federal Management. In addition, few departments still have a focal point for management to which a cabinet secretary can look for advice and leadership on his behalf. That vital role is now fractured among a group of assistant secretaries, the chief financial officer and, to some extent, the inspector general. These developments have tended to distance those concerned with good administration from the inner circle during the critical stages in which agency programs and projects are being developed, a time in which managerial input is so important.

Many of those who complain that there is too much oversight forget that nothing generates extensive oversight so much as management failing to perform as it should. Further, failure of management to respond quickly to legitimate criticisms adds to the risk of correction overkill, particularly if agency inaction appears to be allowing increasing vulnerabilities to waste and abuse. Members of Congress become frustrated with the seeming indifference and defensiveness of agency leaders toward internal waste and abuse. As a result, agencies become saddled with constraining legislation or governmentwide regulations that could have been avoided through quick and decisive actions by department heads and a supportive OMB.

Management in a number of agencies need to give more attention to ways of responding rapidly to problems that are flagged in audits and investigations which deserve action. This is another area in which OMB once played a constructive role.

One of the brighter spots in this generally discouraging scene of federal management is the revitalizing of the Office of Personnel Management

under the recent leadership of Connie Newman. Pay reform and new emphasis on training and employee development have represented vital progress, and external oversight, including Congress, has been supportive. Agencies are being given greater flexibility. This illustrates an important point that good management generally provides a good balance with external oversight. Poor management invites heavy oversight, and it should, although one might quarrel with the direction in which that oversight often moves.

## Conclusion

There has evolved a control-based system of federal management, rather than an action environment that is designed to achieve missions legislated by Congress. We address too many management deficiencies through more checks and balances, rather than improving effective management. We admire the initiative, the creativity, and the risk taking that is attributed to private sector managers, but we guarantee that initiative and creativity on the part of federal managers is held in check and can be exercised only by taking personal risks of public criticism that are not often matched in private corporations.

In the view of an increasing number of knowledgeable observers, the extent to which oversight comes to be viewed as the exclusive role of entities independent of management, and the degree to which independent oversight is strengthened at the expense of the supervisory capacity of managers, the quality of agency management will suffer. Further, if we continue with an emphasis on closing the barn door after the horse is gone, and further de-emphasize prevention, there will be more vulnerability to corruption rather than less.

As a result, the national government, in the view of these people, will be regarded increasingly as less responsive to the public and to the legitimate needs of political leadership, and it will have greater difficulty attracting and retaining high quality men and women who are concerned about where this nation is going.

The need for strong external oversight is not in dispute. What needs to be reviewed are several worrisome questions and trends regarding how this oversight is conducted. What changes need to be made in the IG legislation? To what extent is too much effort being devoted to minutiae that spawn more and more red tape and dilute the focus on mission? What are the hidden costs in time and money of this trend, and how do these

hidden oversight costs compare with the savings that can be legitimately attributed to current oversight activities? Is more balanced oversight reporting feasible? To what extent is the internal oversight component of a manager's responsibilities being de-emphasized as the external oversight increases?

## Looking Ahead

It should be stressed that the answers to these questions should not be that of reverting to weak independent oversight. Rather, they are to be found in seeking more effective oversight. The answers also lie in rediscovering the importance of selecting agency leadership with integrity and the capacity to lead, freeing their managers from the spider web of red tape within which federal managers are entangled, and developing a partnership between management with its internal oversight responsibility and independent entities with their external oversight responsibilities, in which each retains full independence, but both have the maturity to work together.

The next four years provide an opportunity for President Clinton to exercise his constitutional role of Chief Executive in revitalizing government management instead of letting it further drift toward a Gulliver-like giant immobilized by a massive network of constraining processes. The role of government may change and its size may decrease, but the public deserves a government that is equipped to act quickly and intelligently to carry out whatever its missions may be.

The Osborne argument for entrepreneur management,<sup>5</sup> and the desire of the Clinton Administration for a people-oriented government will have rough going unless current action-inhibiting trends are sharply reversed.

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### Endnotes

1. Statement of Comptroller General Charles Bowsher before the Committee on Governmental Affairs, United States Senate, January 8, 1993, p. 22.

2. See Paul Light, Monitoring Government (Brookings Institution, 1993) for an excellent discussion of the Inspector General movement.

3. P.L. 95-452, § 2.

4. "Revitalizing Federal Management: Managers and their Overburdened Systems," National Academy of Public Administration panel, 1983, p. vii.

5. See Osborne and Gaebler, Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector (Addison-Wesley, 1992).



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