MANAGEMENT FOCUS

BY DWIGHT INK

Strengthen Management and Cut the Second-Guessing

As many a federal manager can attest, oversight has been one of Washington's real growth industries in recent times.

Congressional staffs have mushroomed and become more inquisitive, the General Accounting Office has churned out report after report, and the investigative press has sharpened its techniques while pursuing new avenues of inquiry. Perhaps most significant, the spread of inspectors general has added a new dimension to agency oversight.

At the same time, the past 25 years have seen more and more scandals, and the average agency has become less equipped to accomplish its mission.

The paradox of appalling management deficiencies spreading in tandem with independent oversight raises the question of whether oversight really makes agencies more effective. Wouldn't we be better off with less oversight and more vigilant management?

The Inspectors General

To be sure, independent oversight is a fundamental element of any public activity in a democracy: Without it, government corruption and waste would be pervasive.

Inspectors general provide some assurance that abuse will be ferreted out and investigations will not be thwarted by agency leaders bent on covering up wrongdoing. Yet serious defects in the system have contributed to the red tape that has ensnared so much of the government. And, as the newly released report of Vice President Gore's National Performance Review observes, the IGs' "basic approach inhibits innovation and risk-taking."

Flaws in the system include:

- IGs, while nominally a part of their agencies, also have a statutory responsibility to report to Congress. This creates considerable uncertainty as to who their ultimate boss is and means the IGs aren't fully accountable to anyone. As a consequence, many agency chiefs do not feel comfortable about including the IG on their key management teams.
- The subsuming of key audit duties within staffs has reduced the potential contribution of the audit profession. Instead of playing a preventive role, auditors increasingly are called upon only when problems that are weakening agency effectiveness and attracting public criticism already have emerged.
- The IGs' work usually focuses on what is wrong rather than attempting a balanced assessment of the quality of agency management. As a result, agency personnel are often reluctant to cooperate with the IG as fully as the law contemplates.

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- The law requires IG offices to"provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency and effectiveness in the administration" of federal programs and operations, and to "prevent and detect fraud and abuse in such programs..."

This broad charter goes beyond what IGs and their staffs can reasonably be expected to do. It tends to press IG offices into program judgments that they are not qualified to make, thereby weakening their influence in bringing about changes needed in other areas. Even if these offices had enough staff to move into greater advocacy of specific new policies and activities, their ability to then objectively evaluate those same activities could be questioned.

Prevention De-emphasized

The ex-post-facto nature of IG work has contributed to the decline of internal controls that might prevent problems.

Last year, witnesses told the Senate Banking Committee that the Department of Housing and Urban Development had a reputation for functioning quite well during its early years, with no significant scandals. One reason disaster struck later, the witnesses said, was management's gradual shift in emphasis from preventive measures to an undue reliance upon "catching the crook" after the damage was done.

The witnesses also emphasized the importance of the early-warning systems to HUD's early success. For example, in the beginning, joint audit-program teams were sent to the field for quick reviews of programs a month or two after they got under way, to spot vulnerabilities and correct them before they could be exploited.

When the highly visible Model Cities program was launched, HUD's assistant secretary for administration had auditors make quick two- or three-day reviews to see if new grant recipients had installed systems to protect federal funds when they began to flow. Follow-up reviews were also conducted. When serious vulnerabilities appeared, funds were suspended within hours. These actions made it clear that the department was serious about keeping a lock on the cash box. Such an immediate response would be difficult to carry out today.

Investigative strengthening was needed at HUD, but not at the expense of the early-alert and quick-response measures that served it well at its inception.

Negative Incentives

The payoffs for IGs and other independent oversight groups throughout government lie chiefly in publicizing what is wrong, not in producing objective and balanced reports or in providing early warnings. Sometimes, IG and GAO reports are balanced assessments, but how many investigators are rewarded for uncovering good agency performance? The admonition to be as "mean as a junkyard dog" may be appropriate when ferreting out criminal actions, but it scarcely suggests objectivity when it comes to evaluating programs or making suggestions for improvement.

Not infrequently, agency managers first learn of the specifics of IG findings from congressional staff or the press, leading many managers to concentrate on their own defense rather than quick corrections.

The GAO has produced a number of balanced reports, but its clients in Congress tend to be much more interested in the negative findings. In fact, Members of Congress have accused both the GAO and the IGs of whitewashing agency behavior when reports are viewed as too mild. Should there not be a constituency for balanced oversight reports?

Red Tape

The proliferation of external oversight activities has spawned miles of red tape that increasingly limit federal managers' capacity to act. Oversight recommendations during any given year add steadily to the thousands of pages of internal procedures controlling employee actions. These regulations were properly derided by the National Performance Review.

A bureau director once examined 100 recommendations made by various external oversight agents over a period of several months. Ninety-eight of the recommendations would have added to internal procedures or in other ways further complicated the agency's operations. The bureau chief also found that he was spending more than 40 percent of his time dealing with external oversight matters. That left too little time for program planning, project design, personnel and contract management, negotiations with the White House and Congress, and other aspects of managing his programs, including internal oversight.

The huge labyrinth of procedural red tape that has grown up over time brings with it enormous hidden costs in time and money —costs that are never examined, and never taken into account when oversight groups trumpet the money they have saved the taxpayers. Further, the procedural overkill spawns pressure to do end-runs around the system, laying the groundwork for future abuse.

Unfortunately, lapses in one organization often bring corrections that entail new procedural or policy constraints on everyone. These regulatory barnacles accumulate over time and jeopardize the effective execution of legislated agency missions.

Oversight Role of Managers

When an agency's auditors have all been shifted to the IG's staff, program managers are deprived of an essential tool. They are left unable adequately to examine an emerging and potentially scandalous financial problem, because auditors are not available on a timely basis.

Such situations are symptomatic of the most disturbing trend in federal management: the decline of *internal* management oversight as the emphasis on *external* oversight increases.

We have forgotten that the basic responsibility for oversight lies with management, *not* with the IG, GAO, or even Congress. Internal oversight is a basic supervisory element of any manager's job.

Managers should be trained more carefully as the principal line of defense against corruption. 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.

Widespread disinterest in enhancing the capacity of line management is part and parcel of a worrisome de-emphasis in the federal government on the management skills needed to make agencies and programs perform effectively. The trend is clearly reflected in the lack of White House and congressional concern about managerial qualifications among many of those selected for presidential appointments. Unless political leaders understand the need for experience in political appointees, there will be more waste and abuse, more investigations and more procedural checks and balances that further tighten the constrained environment in which managers strive to carry out their programs.

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Few departments have a focal point for management; this vital role is now fractured among assistant secretaries, the chief financial officer and, to some extent, the inspector general. As a result, those concerned with good administration are often distanced from the inner circle during the critical stages at which agency programs and projects are being developed.

Gore would begin to address this problem by designating a chief operating officer (generally the deputy secretary of a department) as the focal point in each agency for implementing the National Performance Review.

The Gore report correctly concludes that a control-based, negative system of federal management, rather than an action environment designed to achieve missions set out by Congress, has evolved. Management deficiencies are too often addressed through additional checks and balances, rather than by improving 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 at the personal risk of enduring public criticism, a risk usually not matched in private corporations.

When oversight is viewed as the function principally of those outside the management of the agency, and independent oversight is strengthened at the expense of the supervisory capacity of managers, the quality of agency management suffers. And if we continue to emphasize closing the barn door after the horse is gone, and further de-emphasize prevention, there will be more vulnerability to corruption rather than less.

Congress could improve the IG legislation by clarifying whether IGs are part of the executive branch or Congress, sharpening the focus of their mission and restoring the audit role of management. Better arrangements need to be developed for objective program evaluations.

Gore is correct in insisting that federal managers must be freed from the spider webs of red tape woven over the years. Yet we must be cautious, lest the removal of red tape, which will doubtless bring some abuses, cause a return to control-oriented management. That will happen if the new flexibilities are not accompanied by a major strengthening of effective departmental management, a retraining program to give managers the new tools they need, and steps to prevent political manipulation of grant and contract administration and personnel actions affecting career managers. Success will require implementation skills that exceed those the Clinton Administration has thus far demonstrated.

We can hope that during next three years, President Clinton and Congress will follow through on revitalizing government management. If not, our Gulliver-like giant will increasingly be immobilized by a smothering mass of constraining processes. □

Dwight Ink served in federal policy-level positions under seven Presidents. This article is based in part on his paper published earlier this year by the New York Institute of Public Administration.