Part I Inspectors-General and the Demand for Accountability

A dominant feature of the American political culture is distrust of government.[1] A corollary is an unquenchable thirst for accountability that cuts across the political spectrum. On the right, conservatives worry that without strict demands for "financial integrity," nothing checks public officials from expanding government programs in pursuit of their own selfish interests, and nothing prevents unscrupulous clients from cheating loose government programs.[2] Similarly, businessmen accustomed to the discipline of the "bottom line" naturally want the same sort of accountability imposed on government.[3] On the left, progressives animated by visions of "good government" hope to scourge corruption and waste with the cleansing power of public oversight and the techniques of "scientific management."[4] Finally, liberals demand assurances that the government will spread its largesse (and impose its duties) fairly and decently rather than arbitrarily and intrusively. Everyone agrees, then, that the evils of corruption, arbitrariness, and inefficiency are inherent in government and that they can be exorcised through mechanisms of accountability.

Although deeply rooted in our political history, the thirst for accountability has also been stimulated by more recent trends. One is the dramatic increase in the size, scope, and complexity of government operations. Over the last two decades, the administrative capacities of government have been strained to the breaking point by an onslaught of legislation mandating broad new regulatory and entitlement programs.[5] Programs such as environmental protection, promotion of safety and health in the workplace, food stamps, medicare, and medicaid would have been politically controversial in any case. But the speed with which they were developed made it almost inevitable that significant administrative weaknesses would appear. And, indeed, scandals involving corrupt officials and unscrupulous clients have been exposed and given wide publicity—thereby confirming the public's generalized suspicions.[6] To a degree, the attacks on program administration are surrogates for political opposition to the programs: instead of attacking the substantive values that these programs are designed to pursue, political opposition focuses on issues of administrative feasibility. But the demands for accountability can be seen as legitimate in their own right as well. Indeed, it is the widespread legitimacy of the values of "tight" administration that makes the *administrative* weaknesses of both defense and welfare programs the focus of attacks even from those whose primary objection to these programs is substantive rather than procedural.

A second important trend influencing the public's demand for accountability has been the faltering domestic economy. "Stagflation" has increased both the actual and the perceived weight of the federal tax burden. To worried federal taxpayers now paying one fifth to one third of their income to the federal government, any sign of "fraud, waste, and abuse" in government is infuriating.[7] It is good politics, then, to rail against the negligent scoundrels in Washington.

A third trend capitalizes on the public's general hostility toward government. Both Presidents Carter and Reagan won elections as outsiders running against Washington's bloated bureaucracy. Their campaign and elections not only revealed but also strengthened the public's determination to root out fraud, waste, and abuse in government.

Given the durability, strength, and salience of these concerns among citizens, it is not surprising that Congress acted to combat fraud, waste, and abuse in government by creating a network of specialized institutions called Offices of Inspectors-General (OIGs).[8] Nor is it surprising that an incoming Republican administration, devoted to reducing the cost of government, would seize on the OIGs as a central instrument of its purposes and make the development of OIGs the principal managerial initiative of the Office of Management and Budget (OMB).[9] The OIGs symbolize a public value that has widespread public appeal: the interest in assuring taxpayers that their hard-earned money, grudgingly given for public purposes, is well spent.

The close connection to a durable public demand guarantees the survival of the OIGs. But the question of survival is less interesting than two more subtle questions: Will the OIGs become prominent and powerful or fade into the background? Will their impact on government credibility and performance be positive or negative?

In considering whether the OIGs will stay as prominent and powerful as they now appear to be, it is well to remember that they are only the most recent institutional response to the public demand for government accountability. In the earliest days of the federal government, bureau chiefs in the executive branch were already accountable to elected political executives, legislative committees, and the courts. More recently, the demand for closer accountability spawned the Bureau of the Budget, the General Accounting Office, and specialized offices of administration and management within executive departments.[10] More recently still, offices of planning and evaluation reaped the rewards and incurred the risks of promising enhanced accountability to a demanding public.[11] While the demand for accountability has been constant, then, its favored institutional vehicle has been far more fickle. This means that the OIGs cannot afford complacency.

Moreover, in gauging the potential impact of the OIGs on government performance and credibility, it is well to remember that the OIGs can do harm as well as good. Of course, the mechanisms through which the OIGs can do good are the most obvious. To the extent that the OIGs strengthen both the incentives and the capabilities of government managers to minimize fraud, waste, and abuse, and thereby decrease the costs of government operations, government efficiency and effectiveness will be enhanced. To the extent that the OIGs can slake the demands for accountability by assuring citizens that a powerful agency is looking after their interests, confidence in government can be restored. All this is obviously beneficial and would justify the investment made in the OIGs.

The mechanisms through which the OIGs could harm government performance and credibility are less obvious, but perhaps no less likely. It is possible, for example, that the motivations and capabilities of government managers to control fraud, waste, and abuse are already strong and that the OIGs add little to the nexus of institutions already devoted to this goal. In this case, the OIGs would *reduce* government efficiency because they would add costs to government operations, but produce no significant improvements. It is also possible that the OIGs could produce changes in government operations that reduced the government's vulnerability to fraud, waste, and abuse, but did so only by harming other valued features of government performance. This could happen, for example, if administrative "controls" proposed by the OIGs to reduce fraud, waste, and abuse made government services slower, less responsive to unusual situations, and more intrusive.[12]

Finally, if the OIGs focused public attention on levels of fraud, waste, and abuse as the only important feature of government performance, and encouraged unreasonably low tolerance of these, the OIGs could weaken both the credibility and the performance of government. To the extent that this weakened credibility discouraged citizens from relying on the government to produce valuable public services such as a strong national defense or decent social "safety nets," the OIGs would harm public sector performance.

Whether the OIGs will remain prominent or fade, and whether their impact will be positive or negative, depends a great deal on strategic choices to be made by those who oversee the development of the OIGs—the Inspectors-General (IGs) themselves and those in the Congress and the White House who take an interest in them. There are, of course, a great many operational questions that are important to the OIGs: for example, how to deploy their resources between audits and investigations; how to distribute limited audit and investigative resources across different programs; whether to rely principally on complaints as a targeting device or to take the initiative in spotting fraud, waste, and abuse on their own; and whether to focus on federal operations or those organizations that receive money from the federal government to accomplish federal purposes.

The more fundamental questions for the Inspectors-General are those that concern the ultimate accountability of the OIGs themselves. They must decide, for example, if they are in business primarily to find previous errors, assign blame, and recapture lost resources, or whether it is more important for them to use information about past errors to design better policies and procedures for the future. Similarly, the IGs must decide whether their important task is to promote fiduciary responsibility (in the sense that managers can account for all the resources entrusted to them and show that they have been used according to existing policies) or to assume a broader responsibility for promoting efficiency (in the sense that, over time, the quantity and quality of government production per unit of cost continues to increase). These are strategic questions because the answers will have an important effect on the support that the OIGs receive from their sponsors in the Congress and the White House (and therefore their survival and prominence), and the OIGs' relations with program managers (and therefore their impact on government operations).

The OIGs, then, are important government institutions. They are the current repository of our hopes for improved public sector accountability and performance. In pursuit of this goal, they can flourish or fade, enhance or erode confidence in government, and facilitate or impede government operations. Moreover, since these results will be determined by important choices made in the next several years, there should be some interest among those who are concerned about government accountability in just how these institutions are developing.

The purpose of this monograph is to provide a preliminary assessment of this important institutional innovation, with the aim of guiding the OIGs toward their most valuable uses and away from potential harms. Our method is both analytical and empirical. The analytical objective is to refine many of the concepts used in discussions of OIG operations: concepts such as "accountability"; "performance"; "efficiency and effectiveness"; "financial integrity"; "fraud, waste, and abuse"; the "prevention of fraud, waste, and abuse"; and the "promotion of efficiency." These concepts are so closely related that they are often treated as a single *gestalt*. But the reality is that these concepts differ in ways that matter to the mission and effectiveness of the OIGs and therefore need to be clarified.

The empirical objective is to trace the development and impact of OIGs throughout the federal government. At the outset, the empirical investigation confronted five problems. (1) The institutions were evolving, not fixed in stone. Thus, our description had to be a blurry picture of a moving target. (2) The OIGs differed from one another. These differences partly reflected different stages of development (some OIGs have existed longer than others), but they also reflected differences in the political and operating environments of the different organizations and the personal judgments of the individuals who became Inspectors-General. (3) The important effects of the OIGs were apt to consist of apparently small changes in procedures or managerial values that would produce large cumulative effects on important, but largely unmeasured, characteristics of government programs. (4) Any observed change in the character of government operations could be explained by factors other than OIG influence. It would be hard to sort out an OIG effect from a general effect of the emergent demand for enhanced accountability and financial integrity. (5) Our resources for investigating the important issues were quite limited.

To solve these problems we relied on the following basic assumptions. First, in describing the OIGs, we decided that it was as important to describe their future trajectory as it was to describe their current operations. The relevant forces operating on the OIGs included their political context (including their legislative mandate and the continuing pressures exerted by oversight agencies in Congress and the White House), their internal dynamics (including tensions between auditors and investigators and substantial differences about how the OIGs should manage their relationships with political overseers and the press, on the one hand, and the program managers, on the other), and the strategic conceptions of the IGs themselves. Indeed, probably the most important clues as to the future of the OIGs would be the philosophies, intentions, and strategies of those who served as IGs, for these would be not only significant causal factors in their own right, but also probably would reveal a great deal about the balance of forces (both external and internal) operating on the OIGs. Thus, an analysis of the legislative history of the statutes establishing OIGs, a review of White House activities with respect to the OIGs, and interviews with the IGs themselves became crucial data for our investigation.

Second, in seeking to characterize the development of the OIGs, it was necessary that we examine a broad enough sample of OIG operations to capture both their central tendencies and their heterogeneity. Since we did not have a great deal of time or money, we had to rely primarily on interviews with the IGs and the reports they submitted. We thought that the way the reports were constructed would give us a clue as to how the IGs thought of themselves even if they failed to give a wholly accurate picture of OIG operations. The interviews with the IGs also produced a great deal of useful information about the differences in capacities of the units they inherited and the problems of the agencies for which they were responsible. While it was not possible to determine precisely the "weighted average" of OIG activities, the interviews and published reports provided a rough sense of what was common and what was different among OIGs.

Third, by far the hardest problem was to determine the short-run and long-run effects of the OIGs on the performance of government programs. We relied on two quite imperfect instruments to measure these effects. The first instrument was to develop cases describing the operations and effects of OIGs in two different departments and four operating programs within them. The departments and programs were chosen because they differed from one another in characteristics that could plausibly affect the magnitude and scale of OIG effects. Thus, we chose the Department of Agriculture because it had had an OIG for a long time and the Department of Labor (DOL) because its experience with OIGs was more recent. We chose the Food Stamp (FS) and Comprehensive Employment and Training Act (CETA) Programs because they were large, administratively complex programs and the Farmer's Home Administration (FmHA) Loan Programs and the Federal Employees Compensation Act (FECA) Program because they were simpler and directly administered by the federal government. We chose FS because it was a welfare program, CETA because it was a treatment-rehabilitation program, and FmHA because it was a loan program.

In addition, we looked at programs that had been the focus of OIG efforts. In this respect, the sampling strategy was deliberately biased: we looked for effects in areas where we could expect to see them. This meant that we could not form any conclusions about the indirect effects of OIGs on program operations, nor about their average impact on programs, but we could get the sharpest possible look at the sorts of effects OIGs produced when they were working hard on a program.

The second instrument we used to measure the impact of OIGs on programs was to hold two meetings attended by both Inspectors-General and program managers who discussed the issue. While the data obtained through this method were less accurate and less precise than the data obtained from the cases, the meetings allowed us to tap into a broader range of departments and programs than could be covered by the cases. In effect, we used these meetings to add breadth across departments and programs to complement the (relative) depth of the cases. As it turned out, these meetings also produced enormously valuable information about an issue that was not originally part of our design—namely, the nature of the engagement between the OIGs and line managers. These conferences caused us to elevate this issue as a separate topic of analysis and to view it as perhaps the most significant factor in determining the long-run impact of the OIGs.

In summary, the kinds of data we had available to investigate the *development* of the OIGs were: (1) an analysis of legislative history, (2) documents describing executive branch initiatives affecting OIGs, (3) interviews with past and present IGs, and (4) annual reports submitted to Congress by the OIGs. The sources of data on their *impact* were: (1) original case studies of two departments and four programs within them, (2) other related case studies, and (3) two conferences of IGs and program managers. In the end, these data seemed quite rickety in terms of their ability to illuminate the nature of the OIG enterprise. But they have the virtue of being at least some data in a world in which little else has been collected.