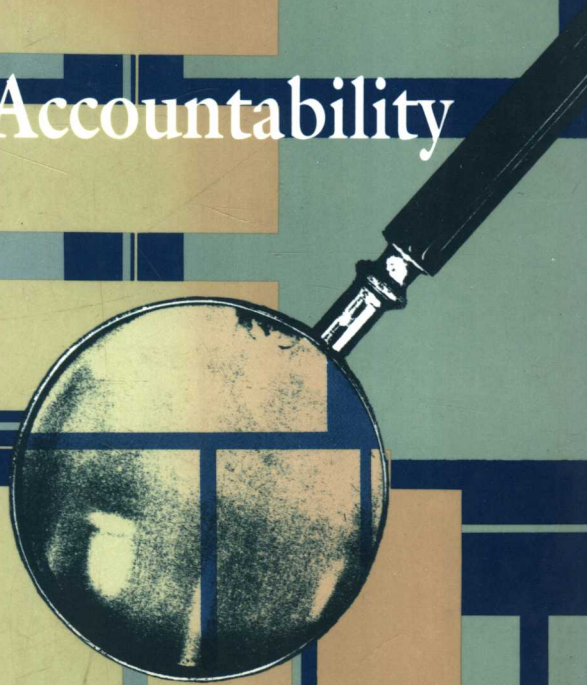


# Monitoring Government

Inspectors General  
and the  
Search for Accountability



Paul C. Light

511  
I 6  
185

PAUL C. LIGHT

---

# **MONITORING GOVERNMENT**

---

Inspectors General and the  
Search for Accountability

---

The Brookings Institution | Washington, D.C.

---

The Governance Institute | Washington, D.C.

Copyright © 1993

THE BROOKINGS INSTITUTION

1775 Massachusetts Avenue, N.W., Washington, D.C. 20036

All rights reserved

*Library of Congress Cataloging-in-Publication data:*

Light, Paul Charles.

Monitoring government: inspectors general and the search for  
accountability/Paul C. Light.

p. cm.

Includes bibliographical references and index.

ISBN 0-8157-5256-3—ISBN 0-8157-5255-5

1. Finance, Public—United States—Auditing. 2. Administrative  
agencies—United States—Auditing. 3. Governmental  
investigations—

—United States. I. Title.

HJ9801.L54 1992

353.0072'32—dc20

92-32451

CIP

9 8 7 6 5 4 3 2 1

The paper used in this publication meets the minimum  
requirements of the American National Standard for  
Information Sciences—Permanence of Paper for Printed  
Library Materials, ANSI Z39.48-1984

### **The Brookings Institution**

The Brookings Institution is an independent, nonprofit organization devoted to nonpartisan research, education, and publication in economics, government, foreign policy, and the social sciences generally. Its principal purposes are to aid in the development of sound public policies and to promote public understanding of issues of national importance. The Institution was founded on December 8, 1927, to merge the activities of the Institute for Government Research, founded in 1916, the Institute of Economics, founded in 1922, and the Robert Brookings Graduate School of Economics, founded in 1924.

The Institution maintains a position of neutrality on issues of public policy to safeguard the intellectual freedom of the staff. Interpretations or conclusions in Brookings publications should be understood to be solely those of the authors.

### **The Governance Institute**

The Governance Institute, a nonprofit organization incorporated in 1986, is concerned with exploring, explaining, and easing problems associated with both the separation and division of powers in the American federal system. It is interested in how the levels and branches of government can best work with one another. It is attentive to problems within an organization or between institutions that frustrate the functioning of government. The Governance Institute is concerned as well with those professions and mediating groups that significantly affect the delivery and quality of public services.

The Institute's focus is on institutional process, a nexus linking law, institutions, and policy. The Institute believes that problem solving should integrate research and discussion. This is why the Institute endeavors to work with those decisionmakers who play a role in making changes in process and policy. The Institute currently has three program areas: problems of the judiciary; problems of the administrative state; and challenges to the legal profession.

---

## Foreword

---

**F**EW elected officials come to Washington without first promising the voters that they will clean up government, make it work better, and return it to the people. However, once in office, they soon discover that reforming government management is not an easy task. The federal government is a far-flung enterprise, composed of hundreds of departments and agencies. It is difficult to understand and even more difficult to manage.

Nevertheless, since the early 1970s, rising budget deficits and highly visible scandals—from Watergate to the savings and loan debacle—have made the war on fraud, waste, and abuse a national priority. Enlisted in the fight were the new Offices of Inspector General (OIGs), situated throughout the federal government and created as part of the Inspectors General Act of 1978. The OIGs worked to improve government management through increasingly detailed rules and procedures—compliance monitoring—instead of performance incentives or basic investments in the way government pursues its mission.

During the 1980s, the OIGs became one of the fastest growing elements of the federal government. Even as personnel freezes limited growth in many agencies, OIGs expanded, gaining new staff and additional dollars. In this book Paul C. Light traces the evolution of the OIGs and their growing focus on investigations. Light also reviews the organization and institutionalization of the OIGs, examines what the government-wide investment in the OIG concept reveals about the prevailing philosophy of governance, and addresses how the OIG concept can be made more pertinent to the improvement of government management.

This book is a joint publication of the Brookings Institution and the Governance Institute. Paul Light is professor of public affairs at the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota and a senior fellow of the Governance Institute. He gratefully acknowledges the support of the Institute and its president, Robert Katzmman. In addition, the author would like to thank his

colleagues who provided input at various stages of this project, including Babak Armajani, John Brandl, Mort Cohen, Terry Cooper, George Frederickson, James Jernberg, Fred Kaiser, Judy Leahy, Jeffrey Lubbers, Thomas E. Mann, Mark H. Moore, Carole Neves, and G. Edward Schuh, as well as the many inspectors general and other government officials who gave generously of their time, especially Charles Dempsey, Sherman Funk, Richard Kusserow, Tom Morris, and James Naughton. He also acknowledges Patricia Ingraham, Don Kettl, Lorraine Lewis, Gilbert Steiner, and an anonymous reviewer, who read the manuscript in detail and offered important suggestions for refinement. Leslie Bruvold, John Mingus, and Gayle Zoffer provided research assistance; Colleen McGuinness and Patricia Dewey edited the manuscript; Allison Rimsky verified its factual content; Helen Hall, Susan Thompson, and Elizabeth Toy provided administrative support; and Max Franke prepared the index. The author would like to make special mention of Steven Kelman's work, which proved particularly useful in shaping his understanding of the accountability question. Finally, the author thanks his wife, Sharon Pamepinto-Light, and his daughter, Kate, for their patience and support.

The Governance Institute is grateful to the Charles E. Culpeper Foundation for its critical support for this project. The Institute also acknowledges that it was a request for assistance from the Administrative Conference of the United States that led to the decision to sponsor research on the offices of inspector general. Although this book is separate from the Administrative Conference's own on-going examination, the Institute hopes that this volume will contribute to their work.

The views expressed in this book are those of the author and should not be ascribed to the persons and organizations acknowledged above, to the trustees, officers, or staff members of the Brookings Institution, or to the directors, officers, or other staff members of the Governance Institute.

BRUCE K. MACLAURY  
*President, the Brookings Institution*

November 1992  
Washington, D.C.

---

# Contents

---

## Introduction / i

Why Study IGs? / 2

Methods of Inquiry / 4

Plan of the Book / 5

## PART I

### *Frameworks*

#### 1. The Newest Monitors / 11

Paths to Accountability / 12

Monitoring toward Accountability / 16

Conclusion: An Era of Limits / 21

#### 2. The Rise of the IG Concept / 23

An Introduction to the IG Act / 23

A Brief History / 25

A Statutory Prototype / 28

A Nonstatutory Alternative / 31

Conclusion: A Barbed Wire Fence / 35

## PART 2

### *Designing the Concept*

#### 3. Why Congress Acted / 39

The Three Horsemen of the IG Concept / 39

The Politics of Fraud Busting / 43  
The Information Imperative / 48  
Conclusion: The Choice of Compliance / 57

4. Creating a Strong Right Arm / 58  
    What Might Have Been / 59  
    The IG Job Description / 61  
    Institutionalized Ambivalence / 68

### PART 3

#### *Implementing the Act*

5. The Class of 1979 / 81  
    Carter's Choices / 82  
    An Abbreviated Term / 90  
    Conclusion: Too Much to Do, Too Little Time / 100
6. Glory Days / 102  
    Fear of Firing / 103  
    Getting Started . . . Again / 104  
    The Seeds of Alliance / 111  
    Conclusion: A Match Made in Heaven? / 118
7. Backlash / 121  
    The Class of 1985 / 121  
    Fine-Tuning / 128  
    Into the Bush Years / 131  
    Conclusion: Uncertain Futures / 145



## PART 4

*Organizing for Accountability*

## 8. A Drift toward Investigation / 149

Auditors and Investigators / 150

The Investigatory Impulse / 160

Conclusion: Protecting IGs / 169

## 9. The Organizational IGs / 175

An Organizational History of the OIGs / 177

The Organizational Future / 189

The IGs as Institutional Memory / 200

## PART 5

*Questions of Effectiveness*

## 10. Measuring the Impact of IGs / 203

Measures of Effectiveness / 204

Conclusion: Questions of Performance / 220

## 11. The Future of the IG Concept / 224

The IG Act Innovations / 225

A Reprise on Reform / 229

A Safe Harbor for Analysis / 234

Appendix: Interview Contacts / 236

Notes / 241

Index / 265

## TABLES

- 1-1. Aspects of Accountability / 14
- 1-2. Aspects of Monitoring / 18
- 2-1. Expansion of the IG Concept, 1976-89 / 26
- 3-1. Trends in Committee and Subcommittee Activity,  
1955-83 / 52
- 3-2. IG Congressional Appearances, 1977-88 / 54
- 4-1. HUD Semiannual Executive Summaries, 1981-85 / 72
- 5-1. The IG Demographic Profile, Carter versus Reagan / 83
- 5-2. Backgrounds and Opinions of IGs, Carter versus Reagan / 85
- 5-3. The IG Nomination Process, Carter versus Reagan / 88
- 5-4. Audiences and Operations of IGs, Carter versus Reagan / 93
- 5-5. The Nature of the IG Job, Carter versus Reagan / 96
- 5-6. Presidential Appointee Goals, 1964-84 / 98
- 6-1. IG, Civilian, and Political Appointee Growth, 1980-86 /  
109
- 6-2. Career and Noncareer Appointee Growth, 1980-90 / 110
- 6-3. Status of Reform '88 Proposals, 1987-89 / 114
- 6-4. Location of Job Held before Becoming IG, First and  
Second Reagan Administration Appointees / 117
- 7-1. The IG Educational Profile, by Class / 122
- 7-2. Backgrounds and Opinions of IGs, by Class / 123
- 7-3. Audiences and Operations of IGs, by Class / 125
- 7-4. The Nature of the IG Job, by Class / 126
- 8-1. The IG Demographic Profile, by Career Focus / 151
- 8-2. Backgrounds and Opinions of IGs, by Career Focus / 152

- 
- 8-3. Audiences and Operations of IGs, by Career Focus / 154
  - 8-4. The Nature of the IG Job, by Career Focus / 156
  - 8-5. Support for IG Reform, by Career Focus / 159
  - 8-6. IG Staffing Decisions, by Career Focus / 160
  - 8-7. Audit versus Investigation Staff, 1983 and 1990 / 162
  - 8-8. Change in Total Staff Devoted to Investigation versus  
Audit, 1983-90 / 164
  - 9-1. Measures of Organizational Expansion, 1980-89 / 176
  - 9-2. Measures of Organizational Independence, 1983, 1989 / 180
  - 9-3. Organizational Gains and Losses, 1983-89 / 182
  - 9-4. OIG Evaluation and Inspection Units, 1989 / 198
  - 10-1. Ratios of OIG Coverage, 1989 / 206
  - 10-2. Relative OIG Savings, April 1-September 30, 1989 / 208
  - 10-3. IG Policing Rates, 1989 / 211
  - 10-4. Characteristics of Successful Investigations / 214
  - 10-5. Rankings of OIG Activity, 1978-89 / 215
  - 10-6. Determinants of OIG Visibility / 218
  - 11-1. Support for IG Reform, by Class / 232

---

## Introduction

---

**N**O story did more to put the federal inspectors general (IGs) on the map than the 1989 Department of Housing and Urban Development (HUD) scandal. The HUD IG, Paul Adams, was quoted in almost every newspaper story about the scandal, whether revealing new details about "Robin HUD," as one of the players was nicknamed; testifying before Congress about \$300,000 consultants, such as former interior secretary James Watt, who had used their influence to win housing projects for high-priced clients; or reporting on the investigation of the apparent political slush fund that operated out of the HUD secretary's office. Suddenly, the IG was front-page news.

Despite this visibility, and the fact that the HUD story broke after an IG investigation, some in Washington believed that the IG had missed the story. Seeking answers to a scandal that went to the top of the department, Congress and the press also asked about the IG. *Time* magazine, in its story on "The Housing Hustle," said this: "How could such a scandal remain uncovered for so long? The answer lies partly in the fact that no one was looking."<sup>1</sup> By implication, that "no one" included the HUD IG, a point argued by Representative Christopher Shays (R-Conn.) in an exchange with Adams before the House investigating committee:

Mr. SHAYS. My impression of the IG's office was you looked at wrongdoing, you found it out, and then you made sure something was done about it. . . .

Mr. ADAMS. First of all, Mr. Shays, the investigation was ongoing, so we didn't have the final report nor did we have the final audit. We did report it to Congress in our September 30, 1988, report, semiannual report to Congress, that we had problems and it was an ongoing effort.

Mr. SHAYS. You are missing my point here. I am talking in general. See, I have a lot of faith, historically have had a lot of

faith in the concept of an IG's office. My understanding is we have an IG's office so we wouldn't have the kind of problems we are uncovering, and I, frankly, think this is—you know, I am not going to be shocked any more, I am simply not going to be because nothing is going to shock me. . . .

My point, though, is it is your job to make sure this doesn't happen, isn't it? That is the whole reason why we have the IG's office. And once you uncover it, to make sure it doesn't happen again.<sup>2</sup>

Whatever one thinks of Shay's comment, it sets the stage for asking about the IG's role in ensuring accountability in government.

### WHY STUDY IGs?

**A**n IG existed at HUD because of the Inspector General Act of 1978. Passed against nearly uniform executive branch opposition, the bill created Offices of Inspector General (OIGs) in twelve departments and agencies, adding to the two statutory OIGs that already existed—one in the Department of Health, Education, and Welfare (HEW), which in 1980 was divided into the departments of Health and Human Services (HHS) and Education, and the other in the Department of Energy. By 1989 the IG concept had been expanded to include the rest of the federal government, including thirty-four small agencies.

The basic thrust of the IG Act was organizational: first, consolidate the government's scattered audit and investigation units into single department and agency-wide OIGs; second, put quasi-independent presidential appointees in charge of each OIG; third, give the IGs wide latitude in setting their operational agendas and structuring their offices; last, provide greater resources for the war on fraud, waste, and abuse. Not surprisingly, as the number of OIGs continued to increase, so did their staff and funding. Despite staff cuts across much of government during the 1980s, OIGs actually grew by almost a quarter.

Beyond the draw of occasional scandals such as HUD or a fascination with the impact of government reorganization, at least two other reasons exist for examining IGs. First, IGs are interesting in their own right. Created under the same basic statute, during the same period of time, IGs and their offices provide an opportunity to examine the consequences of eight specific "innovations" in the search for accountability:

1. The IGs are among the few presidential officers in government who report to both Congress and the president, an innovation that the Department of Justice vehemently opposed in 1978.
2. The IGs also are among the few presidential appointees to be selected "without regard to political affiliation and solely on the basis of integrity and demonstrated ability."
3. The IGs are fully removable by the president requiring only a notification to Congress.
4. The OIGs combine two different professions—auditing and investigating—into a single operating unit.
5. The OIGs are allowed wide latitude in the hiring and structuring of their offices, latitude guaranteed under their basic operating statute.
6. Although the IGs are far from the only officers in government required to submit semiannual reports to Congress, they are among the few who are governed by highly detailed formats.
7. The IGs have enormous authority to blow the whistle on their departments and agencies through issuance of a warning letter that the secretary or administrator can hold for seven days but cannot edit or kill.
8. The IGs are the strong right arms of their departments and agencies, yet also provide indirect access to information for any member, committee, or subcommittee of Congress.

Second, beyond the insights that might be gained from considering questions about the implementation and impact of the 1978 act, studying the law also provides a rare glimpse into the tensions among three basic approaches to accountability in government. The first approach, *compliance accountability*, rests on efforts to assure conformity with carefully drawn rules and regulations. Using negative sanctions targeted primarily at individuals inside or outside (for example, contractors and beneficiaries) of government, compliance accountability places its faith in correcting problems after they occur and in the deterrence value of visible punishment. The second approach, *performance accountability*, centers on the establishment of incentives and rewards for desired outcomes. Using positive sanctions, again targeted primarily at individuals, performance accountability puts its emphasis on moving individuals toward the preferred result from the beginning. The third approach, *capacity-based accountability*, involves the creation of organizational competence through technologies (that is, people, systems, and structures), and the maintenance of the conditions of success through initial investment. With the availability of adequate resources, capacity building

focuses on building organizations that are staffed, trained, structured, and equipped to be effective.

Although all three approaches exist in government, compliance accountability was the preferred method throughout the 1980s, relying heavily on the IGs' role as monitors. As a metaphor for a broad philosophy of governance that rests more on fear than inducement, the government's investment in compliance monitoring offers important lessons about the general reluctance of Congress and the president to invest in performance and capacity. Compliance monitoring not only generates a much greater volume of findings of failure, and therefore higher visibility, and thus more opportunities for credit claiming by Congress and the administration, but also produces recommendations for actions that are less expensive, more politically palatable, cleaner jurisdictionally, and faster to implement. The unanswered question, however, is whether those recommendations lead to more effective government.

#### METHODS OF INQUIRY

**T**hree research methods were used to compile data for this book: (1) a structured questionnaire mailed to the IGs that served under Jimmy Carter and Ronald Reagan, (2) ninety-one semistructured face-to-face and telephone interviews, and (3) analysis of primary documents. This triangular approach allowed each method to correct and confirm the findings of the other two.

The mail survey was designed to elicit information from the thirty-eight individuals who served as presidentially appointed IGs from 1979 to 1989.<sup>3</sup> Partially based on questionnaire items developed for the National Academy of Public Administration's survey of more than five hundred appointees from Kennedy through Reagan, this questionnaire was pretested on a small group of IGs before being launched to the full sample.<sup>4</sup> As with most data sets, not every variable proved useful.

Of the thirty-eight IGs targeted for the survey, thirty-four returned completed questionnaires, yielding a response rate of 90 percent. Because several of the IGs served in more than one post during the ten-year period, the sample actually represents forty appointees from a period that totaled forty-four. Therefore, the survey produced two different samples: one of the thirty-four individuals who served between 1979 and 1989; and one of the forty appointees who were nominated and confirmed by the Senate. Both samples are used.

The sample of thirty-four IGs provided an understanding of individual differences between auditors and investigators (chapters 8 and 9) and attitudes toward IG reform (chapter 11). The sample of forty appointees yielded data for analyzing why and how the Carter and Reagan administrations selected their IGs (chapters 5, 6, and 7). When Reagan fired all of the Carter IGs on inauguration day, no guarantee was made that any would be rehired. Thus comparing the Carter and Reagan appointments requires that some IGs be asked the same questions for each post they occupied.

The face-to-face and telephone interviews, some short, some detailed, were designed to broaden the IG survey, while providing alternative points of view. The list of participants was drawn from a range of positions and backgrounds—IGs, congressional staff, General Accounting Office (GAO) employees, White House advisers, presidential appointees, cabinet secretaries, and even a former U.S. vice president. Unless otherwise noted, all interviewees were promised that their responses would be treated on a not-for-attribution basis; that is, no quotes would be identified by name without prior clearance. When face-to-face interviews could not be scheduled, telephone interviews were substituted.<sup>5</sup>

Finally, the search for primary materials was designed to provide historical and analytic context. Among the more easily accessible primary materials were IG semiannual reports, federal phone books, organizational charts, congressional hearings, records, and reports. Among the more esoteric sources were private memos to key legislators, personal diaries of a former secretary of agriculture, meeting logs of a former White House domestic policy adviser, detailed interview notes collected by the House Government Operations Committee for a 1988 ten-year review, surveys by the Senate Governmental Affairs Committee, internal departmental and agency memoranda on the IGs (particularly relating to the 1989 Office of Legal Counsel opinion discussed in chapter 7), uncorrected hearing transcripts, internal IG audit and investigatory plans, and semipublic studies on or by the IGs. In addition, an office-by-office phone survey was conducted in early 1990 to ascertain staffing numbers and organizational structure. However, because departments and agencies sometimes vary in how they count staff, these numbers should be considered rough approximations of relative OIG size.

## PLAN OF THE BOOK

**T**he three research methods yielded a rich portrait of the pressures that faced the IGs as they established their offices and set opera-



tional priorities. Before reporting on the findings, however, part 1, *Frameworks*, offers two introductory chapters.

Chapter 1 begins by focusing on the three types of accountability: compliance, performance, and capacity building. After comparing the different approaches, the discussion turns to the nature of monitoring, which is the only tool IGs have in the search for accountability; the political incentives surrounding the findings and recommendations that IGs make; and the dominance of a bureaucratic paradigm in government that supports compliance monitoring as the front line of defense against fraud, waste, and abuse.

Chapter 2 follows with a brief history of the IG concept. Congress had two models to choose from as it began drafting the HEW IG bill in 1975, which laid the foundation for the 1978 act that followed: one leading to a highly independent lone wolf investigator, the other to a more accommodating strong right arm. By going with the second, Congress gave future IGs the option to pursue performance and capacity-based accountability—albeit under more influence from the president.

The rest of the book follows the IG Act in rough chronology. Part 2, *Designing the Concept*, recounts the legislative debate surrounding its enactment. Chapter 3 asks why Congress was so attracted to the IG concept, particularly when the departments and agencies about to be covered were so adamantly opposed. More was at work than a simple concern for fraud, waste, and abuse or a lurid fascination with headlines about scandal. The legislation also reflected a need for information among increasingly entrepreneurial members of Congress and their staffs; not just any kind of information, but small bits that could be spread among more members and hearings, the kind that more easily would emerge from compliance monitoring.

Chapter 4 examines the legislative choices made en route to final passage of the bill. Congress was never sure what it wanted from the IGs. On the one hand, the IGs were to be the strong right arms of their department or agency heads, thereby pushing the performance and capacity-building visions of accountability. On the other hand, they were to serve as a source of inside information, a “mole” as one executive branch opponent put it. Institutionalized ambivalence was the result, as illustrated by the HUD case and the problem of reporting to two bosses—the president and Congress.

Part 3, *Implementing the Act*, focuses on the first decade under the IG Act, while examining differences among the Carter and first- and second-term Reagan appointees. Chapter 5 begins by detailing the difficulties facing the new IGs as they struggled to establish their