
Auditing Complex Governance Structures

**Preparing Auditors for Tomorrow:
Auditing Now and in the Future**
New England Intergovernmental Audit Forum

J. Christopher Mihm
Managing Director, Strategic Issues
U.S. Government Accountability Office

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The twin “bottom lines”

For government: new ways of thinking, new management approaches, and new organizational capacities are essential to better serve our citizens in the 21st century.

And therefore,

For public sector auditors: we need to ensure that the practice of performance auditing evolves in tandem with the complexity of the governance approaches and structures being used to address national needs.

What Does 21st Century Governance Look Like?

- The types of issues that government confronts are growing more complex and boundary-less (wicked issues).
 - The approaches (policy tools) that government uses to address these issues are wide ranging and increasingly indirect (hollow government).
 - Citizen confidence in the federal government is at historic lows and citizens are rightly demanding increased transparency and opportunities for active engagement.
 - All of this must take place in an environment where agencies are stressed to develop and maintain the basic capacities they need (austerity budgets).
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Wicked Issues

- Wicked issues are the big, complex, and boundary-spanning (by jurisdiction, organization, and professional discipline) problems which often provide little time to react, and where failure has great consequences.
 - Think 9/11, hurricanes and other natural disasters, pandemics, the financial crisis. But also consider climate change, national competitiveness, sustainable development, food safety, health care reform, education policy, complex acquisitions such as Deepwater.
 - Indeed, GAO's duplication, overlap and fragmentation work underscores that wickedness is now a way of life.
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A Hollow Government

- The hollow government is the way of understanding what government looks like as it seeks to address wicked issues.
 - The hollow federal government has devolved implementation responsibilities in many program areas to states and local governments, NGOs, and contractors.
 - Hollow government refers to the degree of separation between government and the services it funds (i.e. the number of layers between the source and use of funds.)
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A Hollow Government, cont'd

That devolution and those degrees of separation are taking place in ever more complex ways

- Tax expenditures
- Contracts
- Grants
- Loans and guarantees
- Public-Private Partnerships (PPP)
- Regulations
- Information and education
- Others

Federal direct service delivery is a small and decreasing part of the overall federal effort

What Wicked Issues and Hollow Government Mean for Public Sector Managers

- Managers must increasingly look across individual programs to clusters of related programs contributing to a common result, often involving different agencies, levels of government, and sectors.
- Managers do not “control” results but merely contribute to them, along with many other actors.
- The growth in the use of indirect tools further complicates program delivery as well as the meaning of government performance and accountability.
- Overall, to fundamentally improve the performance of 21st century government, we need to be more focused on assessing and improving connections across organizations, layers, and tools.

Food Safety

- Food safety is a major public health issue. According to the CDC, each year:
 - about 48 million people become sick;
 - 128,000 are hospitalized;
 - and 3,000 die from foodborne disease.
- Recent examples: Listeria and cantaloupes. A 2010 nationwide recall of more than 500 million eggs due to *Salmonella* contamination.
- A complex governance structure is responsible for food safety. While the Food and Drug Administration (FDA) and U.S. Department of Agriculture's (USDA) Food Safety and Inspection Service (FSIS) have the primary oversight responsibilities, a total of 16 agencies collectively administer at least 30 food-related laws.
- This complexity is exacerbated by globalization: 80% of fresh seafood and over 60% of fresh fruits and vegetables are imported.

The Egg Story

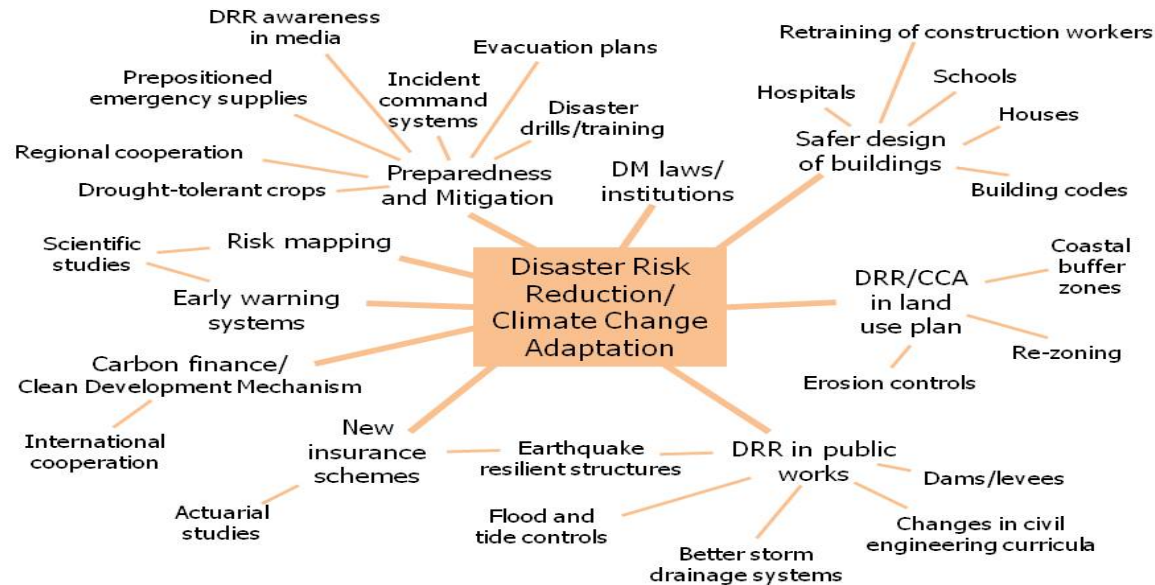
Several agencies have different roles and responsibilities throughout the egg production system:

- **FDA** is generally responsible for ensuring that eggs in their shells—referred to as shell eggs—including eggs at farms such as those where the *Salmonella* outbreak occurred, are safe, wholesome, and properly labeled.
- **FSIS**, is responsible for the safety of eggs processed into egg products.
- USDA's **Agricultural Marketing Service** sets quality and grade standards for shell eggs, such as Grade A, but does not test the eggs for bacteria such as *Salmonella*.
- Further, USDA's **Animal and Plant Health Inspection Service** manages the program that helps ensure laying hens are free from *Salmonella* at birth,
- However, **FDA** oversees the safety of the feed the hens eat.

Food safety, cont'd.

- The January 2011—FDA Food Safety Modernization Act—strengthens a major part of the food safety system. It shifts FDA's focus from responding to contamination to preventing it and expands FDA's oversight authority. The law also requires interagency collaboration on food safety oversight in areas such as inspections, seafood safety, and food imports
- In March 2009, the President established the Food Safety Working Group (FSWG), that made little progress and was dormant by the end of the Administration.

Complexity and Disaster Risk Reduction/Climate Change Adaptation



Source: Talisayon, S. Group Mind Mapping, Apin Talisayon's Weblog, 28 March 2010. URL: <https://apintalisayon.wordpress.com/2010/03/28/g1-%E2%80%94-group-mind-mapping/>.

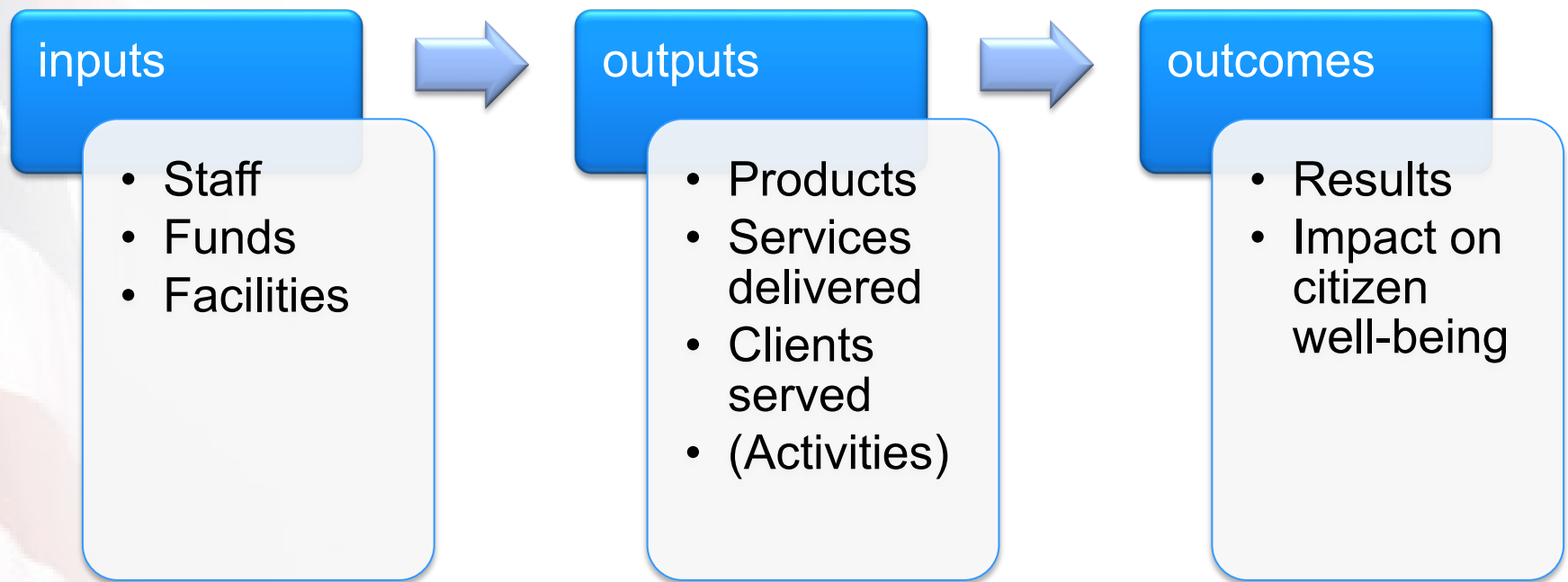
The 2030 Agenda for Sustainable Development



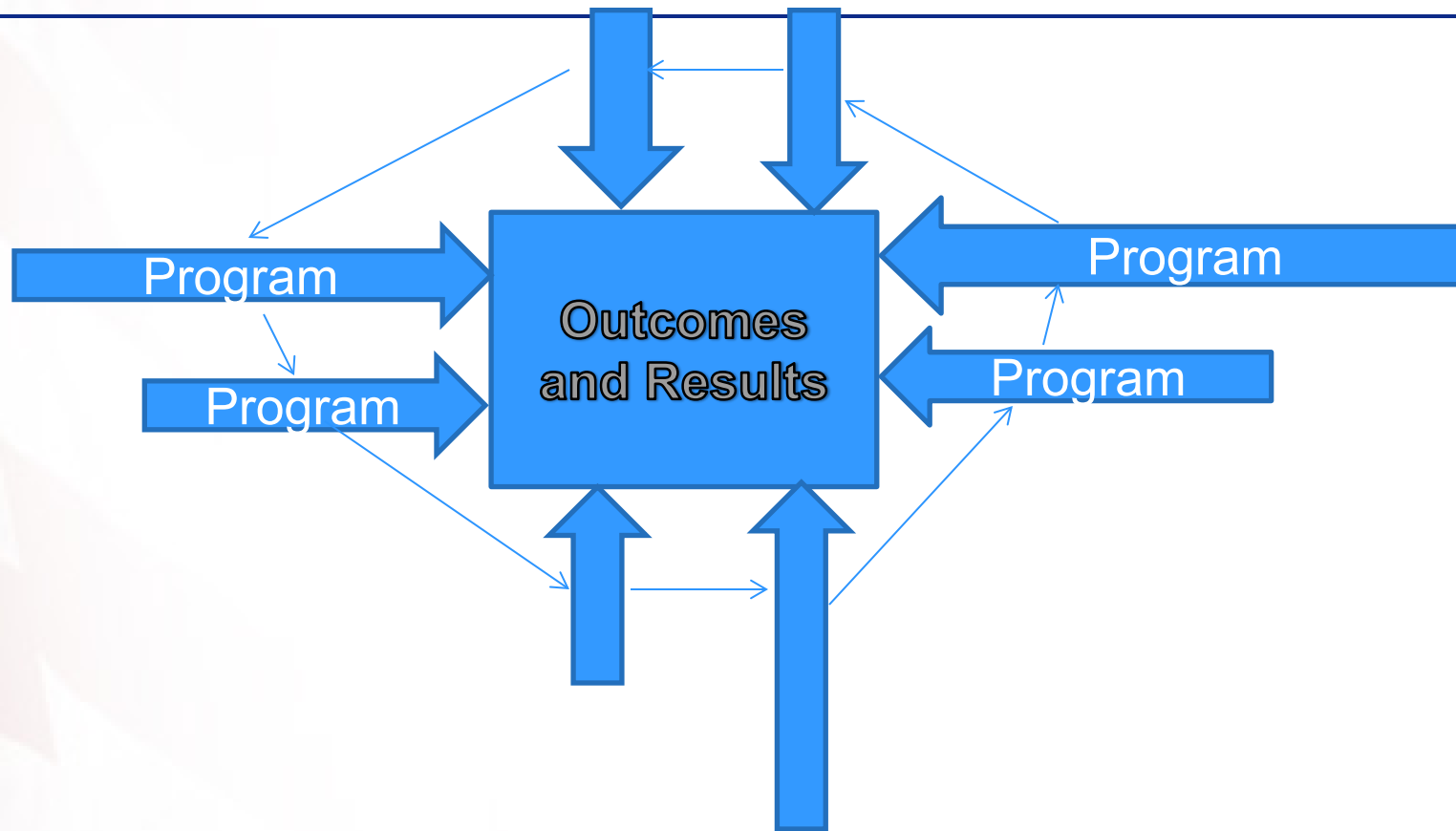
Governance Implications for Public Sector Leaders

- Focus more broadly on the results that we seek to achieve rather than on the operations of any single program or agency. This entails adopting an enterprise or whole of government orientation (or even whole of society), and looking at policy coherence.
 - Manage systemic risk in addition to the operational and enterprise risk confronting any single agency.
 - Employ collaborative mechanisms and network management across levels of government, sectors, and with the public.
 - Build government capacity in new and different ways. Specifically, strengthen the capabilities the Center of Government needs.
 - Create strategies for civic engagement, open government, and transparency.
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Performance Audit Using A Logic Model



Performance Audit Using A Results Map



GAO's Fragmentation, Overlap, and Duplication Reporting Mandate

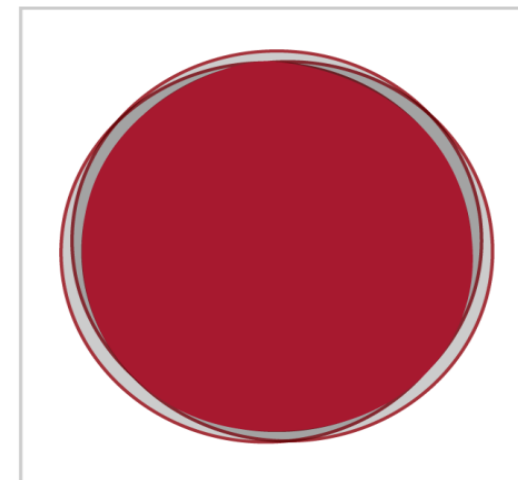
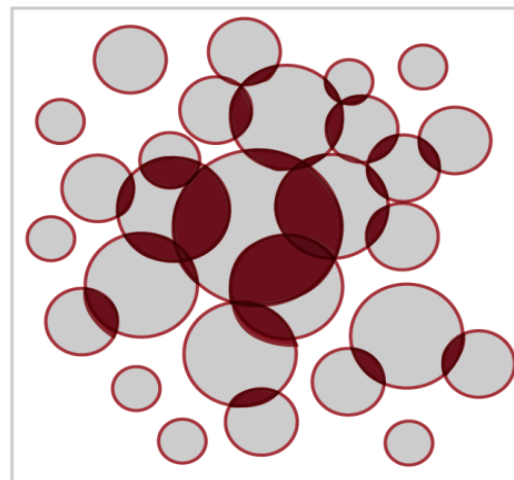
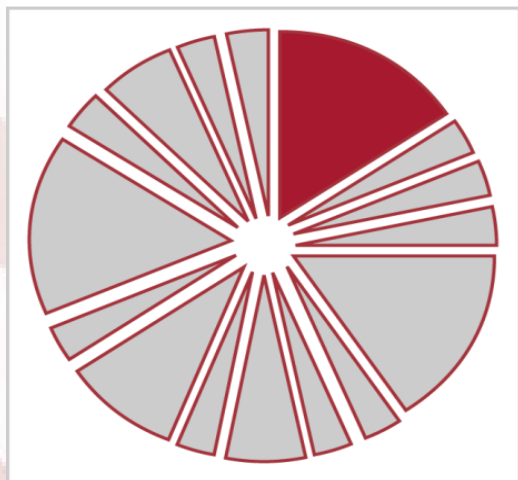
- In 2010, GAO was mandated to report annually on “duplication in the federal government and recommend ways to reduce or eliminate it.”
- GAO reports on federal programs, agencies, offices, and initiatives—either within departments or government-wide—that have duplicative, overlapping, or fragmented goals or activities. GAO also identifies opportunities to achieve cost savings and enhanced revenue collection.
- <http://www.gao.gov/duplication/overview>

Definitions of Fragmentation, Overlap, and Duplication

Fragmentation refers to those circumstances in which more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and opportunities exist to improve service delivery.

Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries.

Duplication occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries.



Source: GAO. | GAO-15-404SP

Results To Date

- Including the 2017 report, GAO has identified well over 700 recommended actions for Congress or executive agencies.
 - This has resulted in roughly \$75 billion in financial benefits from fiscal years 2010 through 2016, with at least an additional \$61 billion in estimated benefits projected to be accrued in future years 2025.
 - Not all fragmentation, overlap, and duplication needs to be corrected. For example, obtaining information from different sources, building in redundancy to foster resilience, and piloting alternative approaches.
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GAO's High-Risk Program

- Areas most in need of reform or most vulnerable to fraud, waste, abuse, and mismanagement
 - 34 areas currently on GAO's High-Risk list
 - Helps focus attention of both agencies and the Congress on important issues
 - Began in the 1990s. Issued with each new Congress (i.e., every 2 years).
 - Next issuance: early 2019
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Most High-Risk Areas Involve Working Across Boundaries

Food Safety – 16 federal agencies involved

Medicaid – Federal and state governments

Protecting Critical Technologies – DOD, DHS, Commerce, State Department

National Flood Insurance Program – FEMA, private sector insurers, and state and local governments

Modernizing Federal Disability Programs – SSA, VA, DOD

Terrorism-Related Information Sharing – Several federal agencies, state and local governments. Removed in 2017.

Thank you!

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