MITIGATING BREAKDOWNS THAT IMPACT PERFORMANCE NEED NOT BE A BRIDGE TOO FAR

By Andrew C. Lewis, Lisa Buhler, Marcus Melton and Jeffrey C. Steinhoff

With $6.55 trillion in spending — 31% of the nation's gross domestic product in 2020[1] — the staggering magnitude and complexity of federal programs make them vulnerable to serious breakdowns that impact performance. Exposure is increased when agencies struggle with antiquated, inadequately integrated IT systems and processes; high-risk areas — some of which seem to have eternal life; siloed business operations that can be expensive and ineffective; and program fragmentation, overlap and duplication. This environment should sound familiar to those in government, who enter public service with a sense of dedication to the nation and an aim toward a higher purpose.

Performance breakdowns result in systemic shortfalls in mission achievement and customer service and negatively impact public confidence. Layer on stories of fraud, waste and abuse and public perception worsens. In 2021, the Pew Research Center reported that about 29% of the public were "content" with the federal government — the highest figure since 2004. However, about 52% were "frustrated" and another 17% were "angry."[2]

The solution need not be a "bridge too far." Six actions can lay the groundwork to curb breakdowns and boost performance.

I. Keep Your Fingers on the Program Performance Pulse

Continuous oversight, monitoring, reporting and timely corrective actions are essential to the kind of program performance that engenders public trust and customer satisfaction. The goal is to deliver quality, cost-efficient service by avoiding or mitigating risks.

Conduct recurrent assessments of program operations and third-party data and activities that support the program, whether from other government entities or private contractors. Make sure programs are properly designed and operate as intended, and make necessary adjustments in problem areas to avoid breakdowns that lead to crises. Assessments are best when they are part of routine program management.

A good example is in the Department of Defense (DoD), where mission preparedness involves exercises to assess readiness to engage an adversary. DoD understands the rules of engagement and what it takes to be successful. They simulate actual operations, whether a mission in a war zone, delivery of humanitarian aid, hostage rescue, or targeting terrorists. Preparation includes:

- Defining the mission with a clear vision and concept of operations.
- Thoroughly reviewing and understanding the situation and risks.
- Simulating outcomes in various conditions and scenarios.
- Planning strategies to overcome obstacles.
- Developing operational plans — the tactical solutions.
- Practicing, practicing and practicing some more, so when the time comes, they are ready to engage.

Applying a similar approach that begins with understanding the risk environment and involves regular preparedness exercises is an excellent way to address risks in any program. For instance, organizations could perform a table-top exercise to simulate the tests auditors will perform over benefit payments to be sure controls are effective and will get the right benefits to the right people at the right time.[3]

Also, continual feedback on customer service — from both the public and internal customers — is crucial. Governments must strive to lead in customer service, yet in 2020, the federal government remained at the bottom in customer satisfaction in Forrester Research's annual Customer Experience Index. The score was 60.1% versus an average score across all sectors of 71.8%. Forrester reported that 73% of federal agencies covered in the survey, some of which interact heavily with the public, rated "poor" or "very poor" in customer experience.[4]

II. Find the Right Balance Between Risk and Control

Be strategic and proactive by:

- Establishing measures of mission excellence that drive the right performance.
- Anticipating what could go wrong.
- Focusing on what you want to achieve and avoid.
- Identifying emergent risks.

Organizations cannot and should not try to control everything at the same level. This is why risk appetite is so important, and developing mature enterprise risk management (ERM) programs remains essential.[5] In responding to an audit finding, management may tell auditors they accept the outcome because they did not consider the issue important enough to fully control. But rarely does management present documentation to support how and when they made that determination and how they measure impact to confirm they set risk appetite properly.

Policies and procedures, which represent controls, are investments in mission performance. They should result in measurable returns even when difficult to quantify. Their purpose should be clear and continually recalibrated, since risks and priorities change. Especially important to remember is that countless controls do not necessarily equate to strong risk management.

> **"Federal managers must carefully consider the appropriate balance between risk, controls, costs, and benefits in their mission support operations. Too many controls can result in inefficiencies, while too few controls may increase risk to an unacceptable level."**
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> — Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*

Organizations can become awash in policies and procedures so onerous they jeopardize mission accomplishment and waste resources.

Look for ways to leverage technology to further automate controls and eliminate costly ones that provide little return on investment. Again, the risk appetite should drive these determinations. The beauty of ERM is its focus on performance and impact in addressing risks as an interrelated portfolio, rather than within individual silos. ERM done properly lets organizations answer the what, why and how of risk — and never say, "Because we've always done that way."

Interactive performance reports should be integral to day-to-day management. When accountability professionals are transparent in sharing program results, costs and impact, their reports reduce or eliminate surprises. At the same time, they continually gauge progress against goals to inform policy and program decision-making. For federal agencies, strategic goals and planning and performance reporting are anchored in the Government Performance and Results Act Modernization Act.[6] The process is both an internal management tool and a mechanism for public reporting.

III. Identify Root Causes of Performance Shortfalls

Understand the baseline starting point — both formal processes and informal cultural norms that currently drive program performance — to locate the levers most likely to move the organization in new directions. A prerequisite to improvement is identifying the root cause(s) of program risks and performance shortfalls. Treating only the symptom can exacerbate an already bad situation and provide a false sense of security.

Finding the root cause can be tricky, especially when it transcends multiple agencies, multiple programs within an agency, multiple levels of government and/or the private sector. Causes could include lack of agility, antiquated IT systems and operating practices, personnel and training shortfalls, weak oversight, failure to understand public expectations, unidentified emergent risks, inability to harness technological advances, and/or cultural inertia.

It is essential to fix the "right problem" with the "right solution." Recognize that more than one alternative may be possible, and know when it is advantageous to pilot more than one solution. Be innovative — look outside the box, seek leading practices, and consider shared services and outsourcing. Promote input from staff, stakeholders and, especially, the public. Transformation, which may be what is needed in many government programs, should challenge the status quo.

IV. Leverage the Audit Process

Governments face not only financial statement audits but also a range of performance audits. The objectives of performance audits[7] take many forms, including:

- Achievement of program goals and objectives, such as benefits reaching the right people and having the intended impacts.
- Operational economy and efficiency.
- Internal controls design that achieves effective, efficient operations and reliable financial and performance reporting.
- Forensic reviews.
- Fraud audits and investigations.
- Vulnerability to cyberattack.
- Reliability, validity and relevance of performance measures.
- Adherence to legislative and regulatory requirements.
- Performance quality by a particular function or organization, such as financial management, personnel and acquisition.
- Program fragmentation, overlap and duplication.
- Assessments of alternatives.
- Fiscal sustainability.

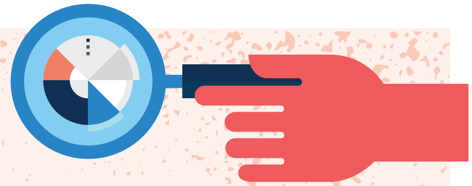
Program managers can learn a lot from government auditors' evaluation and investigative approaches and techniques, especially since auditors consider the overall control environment in developing an audit approach. Active program agency oversight and monitoring programs, which demonstrate commitment to mission achievement, can accelerate the audit process if auditors have confidence in management's oversight.

V. Vigorously Address Open Recommendations and Attack High-Risks

Auditors, internal study teams, think-tanks and academics provide a treasure trove of actionable recommendations for improving government performance. Don't let implementation of their recommendations languish. Also, look around to see if something recommended in another agency would apply to your organization and take action.

For example, audit reports provide important context sophistication and road maps to improvement. Ignoring

ASSESS YOUR RAPPORT WITH THE AUDITOR



Take stock of your relationship with your auditor. Is it healthy? Is there mutual trust and respect? To maintain or improve rapport, try our seven helpful hints:

1. Approach audits as a beneficial process to identify needed improvements to enhance program performance. Avoid negativity that can lead to an overly defensive or adversarial attitude toward auditors. Instead, engage with your auditor and proactively address findings. For example, upon learning of a serious problem early in a U.S. Government Accountability Office (GAO) performance audit, an Air Force general[8] did not wait for the audit work to be completed and the report issued. She visited the command with the auditor, quickly confirmed the situation, took immediate corrective action, and saved millions of dollars. The corrective action was recognized in the audit report.

2. Notify your auditor of problems and issues before the auditor finds them, because auditors typically will. Giving your auditor advance notice as your agency works through key issues or delays also helps build a relationship. Auditors appreciate candor and honesty, and they can usually tell when management is not being forthright.

3. Assign a knowledgeable, capable audit liaison — someone who is helpful and trusted. Throwing up roadblocks and being uncooperative only increases auditors' skepticism and strengthens their resolve. A key characteristic of a good liaison is an ability to point the auditor to the right agency officials and help translate the auditor's request for information into terms or report titles that agency personnel understand and can locate in a timely fashion.

4. Track auditor requests for documentation, meetings and information. Auditors naturally ask a lot of questions and request a lot of information. It's extremely helpful to maintain a log of auditor requests, perhaps a sequential list with due dates and links to earlier and follow-on requests. Agility, thoroughness and timeliness in responding are critical.

5. Hold regular audit status meetings. A meeting can last several hours to cover detailed debits and credits of individual accounting entries, while a perfunctory meeting may last five minutes. The best status meeting is somewhere in between and includes senior leaders who are ultimately accountable for performance, as in the example of the Air Force general. Agency personnel should leave each meeting with a clear understanding of the most urgent items and the key issues and concerns identified by the auditor.

6. Keep key stakeholders apprised of issues and take actions to expeditiously address audit findings. Stakeholders may include department-level leaders, OMB, Congressional staff and partner organizations.

7. If the auditors missed or misunderstood something, let them know. Auditors realize they are not infallible. You may not agree with the auditors' bottom line, but it is of utmost importance to auditors that the facts underlying the findings and recommendations are accurate, complete and within proper context. Auditors should welcome such feedback in developing their report.

By following this sage advice and establishing a relationship of mutual respect with your auditor, candid two-way discussions become the norm during all facets of an audit. The end result will be better government performance.

findings and recommendations only exacerbates a problem, as shown on July 2, 2021. That day, the federal Inspectors General (IGs) reported 10,919 open recommendations in federal agencies — 491 were over five years old, and 5,000 were one to five years old. Seventeen, which were designated as priority recommendations, had an estimated financial impact of $860 million.[9] Meanwhile, on the same day, GAO reported 4,822 open recommendations, with 454 designated as priority.[10]

GAO and individual IGs also issue periodic high-risk reports. In 2021, GAO identified 36 high-risk areas; five of them have been on the list since 1990, and another four are at least 20 years old.[11] GAO also reported that five areas had regressed since 2019. One area of regression — national cybersecurity, first listed in 1997 — is now a critical national security threat. GAO's 302-page report describes progress and highlights open recommendations demanding action and continued congressional oversight. The reports, although lengthy, should be required reading for all program and operational managers, because they contain so much to learn.

VI. Eliminate Fragmentation, Overlap and Duplication

Another challenge in government is fragmented, overlapping and duplicative programs. GAO 's 11th annual report on fragmentation, overlap and duplication — another candidate for required reading — highlights opportunities for financial benefits and increased service delivery.[12]

Fragmentation, Duplication, and Overlap, as Defined by GAO:

Fragmentation: "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: "Multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries."

Duplication: "When two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries."

From 2011 to 2021, GAO identified more than 1,100 actions to reduce fragmentation, overlap and duplication. In 2021, it reported that this work produced at least tens of billions of dollars of financial benefits — just since May 2020 — over and above the $439 billion already gained from implementing earlier recommendations. The situations GAO identified do not inspire public confidence in government's financial stewardship. Among new findings in 2021, GAO reported that:

- Over the next five years, the government could save billions of dollars and potentially eliminate duplicative contracts by (1) improving the way agencies buy common goods and services, such as medical supplies and computers; (2) addressing data management challenges; and (3) establishing performance metrics.
- Enhancing third-party information reporting would increase compliance with tax laws, taking an "important step in reducing the tax gap."
- Actively identifying and encouraging states to pursue IT system sharing opportunities across state Medicaid programs could save millions of dollars annually.

Build the Bridge

The six actions to help build a bridge to mitigate breakdowns and increase performance are not a panacea for reversing the pernicious loss of public confidence in government performance. They help frame an arduous journey, supported by mature ERM programs, that will require innovation and willingness to embrace transformation in program delivery and oversight. The financial management community must lend its expertise to program managers — the ultimate owners of government performance. J

Endnotes

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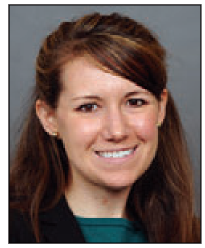

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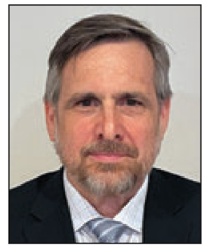

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