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Testimony

of

The Honorable Dan G. Blair

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Before the

Committee on Oversight and Government Reform

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Mr. Chairman and members of the Committee, I appreciate the opportunity to testify today. I have been a Fellow of the National Academy of Public Administration (the Academy) since 2008 and have served as its President and Chief Executive Officer since July 2011. Established in 1967 and chartered by Congress, the Academy is an independent, non-profit, and non-partisan organization dedicated to helping leaders address today's most critical and complex challenges. The Academy has a strong organizational assessment capacity; a thorough grasp of cutting-edge needs and solutions across the federal government; and unmatched independence, credibility, and expertise. Our organization consists of nearly 800 Fellows—including former cabinet officers, Members of Congress, governors, mayors, and state legislators, as well as distinguished scholars, business executives, and public administrators. The Academy has a proven record of improving the quality, performance, and accountability of government at all levels.

I appreciate this opportunity to offer my perspective on effective ways that the federal government can address waste, fraud, and abuse through specific agency and programmatic actions, as well as through broader structural and reorganization efforts. Our Congressional charter precludes the organization itself from taking an official position on legislation, and my testimony does not represent an official position of the Academy.

My testimony today will elaborate on the following major points:

1) Congress is holding this hearing at an opportune time given the federal government's long-term governance and fiscal challenges;
2) Collaboration between federal, state, local, and private sector stakeholders is key to improving program delivery and minimizing waste, fraud, and abuse;
3) In these tough fiscal times, evidence-based public policy should be a guiding principle for Congress and the Executive Branch. While working to reduce expenditures as a way to address fiscal challenges, the federal government needs to remain focused on identifying investments in programs that work;
4) Opportunities exist to reduce waste, fraud, and abuse in federal programs;
5) Opportunities exist to streamline programs across the federal government in order to save money and improve services, but this must be carefully considered, planned, and implemented. Consolidation is likely to work best if it takes place within an existing department or agency; and
6) Congress and the Executive Branch should work together to reduce waste, fraud, and abuse; invest in effective, evidence-based programs; appoint and confirm appointees in a timely manner; and create a results-oriented performance culture inside the federal government.

THE NATION'S LONG-TERM GOVERNANCE AND FISCAL CHALLENGES

As we all know, the federal government faces long-term fiscal challenges. Our revenues and expenditures are fundamentally out of balance both now and into the future. In 2008, my organization and the National Academy of Sciences established the Commission on the Fiscal Future of the United States. This Commission's report, *Choosing the Nation's Fiscal Future*, presented a number of feasible ways to address the long-term imbalance. The federal government has been running a sizeable deficit for several years, and these deficits cannot continue forever. We have a window of opportunity to begin to stabilize matters before

structural fiscal stresses increase even more in the 2020s, when the baby boomers begin to draw more heavily on Social Security and Medicare. Given the nation's long-term fiscal challenges, as well as the looming sequestration, the federal government must improve service delivery while reducing costs.

Governing in the 21st century has become increasingly complex. This complexity has been compounded by the challenges of not only delivering on current government programs, but also managing the new responsibilities that the federal government has assumed for health care and financial regulation.

The Academy and the American Society for Public Administration (ASPA) launched a joint "Memos to National Leaders" project last year to develop memos to national leaders on how to address the most challenging policy and management challenges facing the nation: [1]

- Strengthening the Federal Budget Process;
- Rationalizing the Intergovernmental System;
- Administrative Leadership;
- Strengthening the Federal Workforce;
- Reorganization of Government;
- Information Technology and Transparency;
- Managing Big Initiatives;
- Next Steps in Improving Performance; and
- Managing Large Task Public-Private Partnerships.

The memos were developed with both a Presidential and Congressional focus, reflecting the joint ownership of problems and solutions for these major challenges. I will draw upon a number of the ideas contained in these memos in my testimony today.

THE POWER OF STAKEHOLDER COLLABORATION

Collaboration between federal, state, local, and private sector stakeholders is key to improving program delivery and minimizing waste, fraud, and abuse. In October 2011, the Academy became the administrator of the Office of Management and Budget (OMB)'s Collaborative Forum, which consists of stakeholders nationwide who work to develop pilot projects that test innovations in how states administer federally funded programs. These innovations are intended to support one or more of the goals of OMB's Partnership Fund for Program Integrity Innovation: (1) improve payment accuracy, (2) improve service delivery, (3) improve administrative efficiency, and (4) reduce barriers to program access.

Solving these complex problems requires the collaborative effort of all parties potentially affected. Learning from the work done by the Collaborative Forum—both a virtual and in-person mechanism for collective problem solving—we have witnessed the value of bringing all invested stakeholders to the table. As the program administrator for the Collaborative Forum, the Academy team facilitates engagements to share best practices and lessons learned. Ideas are generated to address issues of program integrity and to explore innovation. While work groups

[1] These memos are the opinions and views of their respective authors, and are not the opinions of the Academy or ASPA. They can be accessed at http://www.memostoleaders.org/memos-national-leaders.

facilitated the development of pilot projects to test innovative approaches to improving performance, the group of over 750 members has also addressed issues of measuring impact, maximizing resources, and identifying outcome-based solutions to program integrity.

To date, nine funded pilots have resulted from the collaboration of federal, state, local, academic, non-profit, and association organizations:

1) "Do Right by Youth: A Comprehensive Strategy for Juvenile Justice Reform and Reinvestment"—Department of Justice;
2) "Identifying State Innovations for Improving Temporary Assistance for Needy Families"—Department of Health and Human Services pilot with at least three states;
3) "Interoperability Innovation Grants"—Department of Health and Human Services pilot with up to four states;
4) "Automating the Provider Enrollment Process for Risk Assessment and Comparative Analysis"—Centers for Medicare and Medicaid Services;
5) "Improving Medicaid Provider Program Integrity through State Shared Services—Centers for Medicare and Medicaid Services;
6) "State Debt Recovery via the Treasury Offset Program"—Department of Treasury pilot;
7) "Accessing Financial Institutions' Data for Employment Detection"—Department of Labor;
8) "National Accuracy Clearinghouse"—Department of Agriculture; and
9) "Assessing State Data for Validating Earned Income Tax Credit (EITC) Eligibility"—Department of the Treasury.

The EITC project assesses the quality, completeness, and overall usefulness of state-administered benefits data, as well as state benefits screening processes, to help validate eligibility for the EITC. The pilot addresses whether state data can identify both ineligible individuals who receive improper EITC payments and eligible individuals who are not claiming the EITC. The diverse perspective of the federal, state, local, nonprofit, and private partners resulted in an innovative and multi-faceted approach to eligibility determination. Working solely with the Department of Treasury, or solely with state program administrators, would most likely not have yielded the same innovative approach to reducing improper payments. These collaborative efforts strive to develop replicable solutions that possess both specificity of objective and broad utility to be applied across programs and levels of government to reduce duplicative activities and will support a common objective of reducing waste, fraud, and abuse.[2] Additionally, the collaborative process has illustrated the inherent value of fostering innovation and intergovernmental cooperation in order to achieve common goals of improved service delivery and responsible stewardship of the taxpayers' dollars – often identifying actions requiring administrative flexibility and coordination as opposed to simply requiring financial support. Stakeholders within the Collaborative Forum are tackling the challenge of doing more with less with an arsenal of perspective and experience.

[2] For more information on the Collaborative Forum and the other pilot projects developed to improve program integrity, visit the website at www.collaborativeforumonline.com.

Another example of stakeholder participation in solution development includes the *National Dialogue on Innovative Tools to Prevent and Detect Fraud, Waste, and Abuse* (the Dialogue). The Dialogue was part of the Recovery Board's continuing commitment to identifying and using state-of-the-art tools to enhance accountability, and improve oversight of Recovery Act funding. The Dialogue reached out to technologists, thought leaders, and other interested parties and sought to engage them in a discussion about the most promising advances in the fight against fraud, waste, and mismanagement. The Academy hosted the public, week-long Dialogue, where participants used the opportunity to share their expertise and knowledge to submit ideas that were then supplemented by additional interviews, and research to ultimately identify recommendations warranting further exploration by the Recovery Board and for potential government-wide follow-up. The recommendations focused on technology innovation that would allow for enhanced accountability, and improved oversight of Recovery Act funding – a critical component being the management of data.

EVIDENCE-BASED PUBLIC POLICY

In these tough fiscal times, evidence-based public policy should be a guiding principle for Congress and the Executive Branch. While working to reduce expenditures as a way to address fiscal challenges, the federal government needs to remain focused on identifying investments in programs that work. Agencies have been encouraged to demonstrate the use of evidence in their 2014 budget submissions and the Administration has emphasized the need to use evidence and rigorous evaluation in budget management decisions to make government work more efficiently. Some of the ways that federal, state, and local governments have addressed evidence-based decision making include using administrative data or technology to conduct low cost evaluations, incorporating waivers and administrative flexibility, and using comparative cost-effectiveness data to allocate resources.

A key evidence-based approach to improving spending decisions is Pay for Success. At a time when all levels of government are facing cutbacks, Pay for Success offers a new way to invest in critical services for vulnerable populations by leveraging private sector investment and targeting dollars to programs that achieve positive, measurable impact. Under a Pay for Success bond, the federal, state, or local government enters into a contract with a financing organization that specifies the population to be served, the outcomes to be achieved, the measurement methodology to be used, and the schedule of payments to be made. The financing organization works with philanthropic and other investors to invest in innovative, data-driven service providers that can achieve results. Current Department of Justice and the Department of Labor grant opportunities are focusing on reducing recidivism and improving workforce development.[3] The structure of the model allows for payment when objectives are achieved and prevents wasteful payment for undelivered services, conserving critical government resources.

Another important resource in identifying evidence-based decision-making opportunities is the innovative approaches that states are taking to determine the effectiveness of programs and to make difficult budget decisions. Through the Academy's work with the OMB Collaborative Forum, we have recognized the value of the Washington State Institute for Public Policy (WSIPP) as a promising evidence-based model. The Results First Initiative at the Pew Center on

[3] The Obama Administration: New Flexibility for State and Local Governments; http://www.whitehouse.gov/sites/default/files/docs/nga_state_flexibility_report_2.pdf ;

the States is currently adapting this model for implementing cost-benefit analysis tools in over a dozen states. The intent is to provide the best outcomes for citizens while remaining vigilant about a state's fiscal health. The WSIPP model uses sophisticated analysis of multiple data sources as well as rigorous national studies to calculate potential program return on investment and to enable state policy makers to make sound investments in outcome-driven programs. For example, the cost-benefit tools enabled decision makers in Washington State to invest in crime-prevention and treatment programs that have resulted in lower -than- national- average juvenile arrest and incarceration rates, which in turn led to savings of $1.3 billion in a budget, closing a juvenile detention center as well as an adult prison and eliminating the need to build additional facilities.[4] The evidence derived from this model also allows for targeted cuts of ineffective programs, reducing duplicative and ineffective programs as opposed to "across-the-board" budgets cuts that allow wasteful spending to continue, at the expense of effective initiatives.

OPPORTUNITIES TO REDUCE WASTE, FRAUD, AND ABUSE

Opportunities exist to reduce waste, fraud, and abuse in federal programs. The current environment of wasteful and redundant spending has led to depletion of funds and the lack of available resources has created near-crisis scenarios. For example, Department of Defense (DoD) civilian workers are facing one-day-a-week work furloughs. With reported estimates of improper payments government-wide steadily increasing over the past decade from about $20 billion in 2000 to about $125 billion in 2010,[5] resources are not being applied to citizens most in need.

In 2011, the Academy conducted a national dialogue for the Recovery Accountability and Transparency Board (RATB) to identify innovative tools for preventing and detecting waste, fraud, and abuse. Our independent Panel issued key recommendations for RATB and government-wide consideration:

1) Increase emphasis on predictive analysis, particularly to prevent and detect contract/grant fraud;
2) Increase use of sophisticated textual analysis tools to mine the abundance of narrative information that is unstructured;
3) Increase data sources, particularly state and local governmental data and proprietary business data, to improve data validation;
4) Work across government to establish and publicize more consistent performance metrics for fund recipients and increase transparency of outcomes for tax dollars spent;
5) Consider establishing a permanent, centralized portal for data to enhance federal data management and analysis;
6) Evaluate ways to expedite the sharing of aggregated federal data to enhance federal predictive modeling;
7) Consider establishing a uniform system for identifying federal contracts and grants to improve tracking of federal payments to recipients; and

[4] For more information on the Results First initiative, visit http://www.pewstates.org/projects/results-first-328069
[5] *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, Government Accountability Office, March 2011.

8) Explore regulatory changes to require applicants for federal funding to sign a waiver allowing access to their tax records.[6]

Departments and agencies across the federal government could choose to adopt the first four recommendations. The remaining four would require statutory and/or regulatory change and would need to be adopted government-wide.

The federal government should utilize the most advanced tools and techniques to collect and analyze a wide array of data in order to ensure that tax dollars are used as intended. By strengthening financial management controls and facilitating improved mechanisms for preventing and detecting improper payments, the government can better ensure that taxpayer dollars are spent wisely and efficiently. Dialogue participants emphasized that federal agencies should engage individuals in the fight against waste, fraud, and abuse by explaining the associated costs and getting buy-in on prevention mechanisms. As one dialogue participant noted, "[t]he risks must be presented in a factual, credible way that is related to an individual's domain and clearly identifies the risk for exposure."

STREAMLINING FEDERAL PROGRAMS

Opportunities exist to streamline programs across the federal government in order to save money and improve services, but this must be carefully considered, planned, and implemented. In the short term, consolidation is likely to work best if it takes place within an existing department or agency. Because it can be so challenging to fundamentally restructure departments and agencies, or to create new ones, the use of interagency councils can help achieve a "virtual reorganization" of overlapping programs that cut across existing departmental boundaries.

The Government Accountability Office's (GAO) 2012 annual report on overlap and duplication identified 32 areas in which duplication, overlap, or fragmentation among federal programs exists. According to GAO:

> [A]gencies can often realize a range of benefits, such as improved customer service, decreased administrative burdens, and cost savings from addressing the issues we raise in this report. Cost savings related to reducing or eliminating duplication, overlap, and fragmentation can be difficult to estimate in some cases because the portion of agency budgets devoted to certain programs or activities is often not clear. In addition, the implementation costs that might be associated with consolidating programs, establishing collaboration mechanisms, or reducing activities, facilities, or personnel, among other variables, are difficult to estimate, or needed information on program performance or costs is not readily available. As the "Actions Needed" presented in this report show, addressing our varied findings will require careful deliberation and tailored, well-crafted solutions … Collectively, this report shows that, if actions are taken to address the issues raised herein, as well as those from our 2011 report, the government could

[6] A Report by a Panel of the National Academy of Public Administration for the Recovery Accountability and Transparency Board, *The National Dialogue on Innovative Tools to Prevent and Detect Fraud, Waste, and Abuse*, December 2011

potentially save tens of billions of dollars annually, depending on the extent of actions taken.

The GAO report demonstrates how many national issues are addressed by multiple agencies and programs with responsibility for just one narrowly defined slice of the topic. For example, GAO found that 10 agencies administer 82 teacher quality programs; 4 agencies administer 80 economic development programs; 20 agencies administer 56 financial literacy programs; and 3 agencies administer 47 employment and training programs. The highlights of the GAO report are shown in Table 1.

Table 1. GAO Reported Areas of Federal Overlap, Duplication, and Fragmentation

Federal Mission	Areas of Overlap, Duplication, and Fragmentation
Agriculture	– Protection of food and agriculture
Defense	– Electronic warfare – Unmanned aircraft systems – Counter-Improvised explosive device efforts – Defense language and culture training – Stabilization, reconstruction, and humanitarian assistance
Economic Development	– Support for entrepreneurs – Surface freight transportation
Energy	– Department of Energy contractor support costs – Nuclear nonproliferation
General Government	– Personnel background investigations – Cybersecurity human capital – Spectrum management
Health	– Health research funding – Military and veterans healthcare
Homeland Security and Law Enforcement	– Department of Justice grants – Homeland Security grants – Federal facility risk assessments
Information Technology	– Information technology investment management
International Affairs	– Overseas administrative services – Training to identify fraudulent travel documents
Science and the Environment	– Coordination of space systems organizations – Space launch contract costs – Diesel emissions – Environmental laboratories – Green building
Social Services	– Social Security benefit coordination – Housing assistance
Training, Employment, and Education	– Early learning and child care – Employment for people with disabilities – Science, technology, engineering, and math education – Financial literacy

Source: Government Accountability Office, Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue (2012 Report)

In an enterprise as large as the federal government, a certain amount of overlap and fragmentation is unavoidable. And some programs may appear duplicative, but, on closer examination, are best administered separately because of their unique characteristics. Once a set of programs have been determined to have unnecessary overlap, duplication, or fragmentation, this problem can be addressed in a number of ways—from incremental to fundamental. More incremental options include consolidating programs *within their existing departments or agencies* and/or performing a "virtual reorganization" by developing interagency councils to coordinate cross-cutting programs. More fundamentally, unnecessary overlap and duplication can be dealt with by structurally reorganizing programs to consolidate those that cut across departmental and agency boundaries.[7]

Consolidation of programs within a department has the advantage of achieving programmatic efficiencies without the turmoil of interagency reorganization. When paired with the development of interagency councils—"virtual" reorganizations—these reforms offer a reasonable middle ground. The establishment of interagency councils focused on broad national goals can be an important mechanism for bringing overlapping, duplicative, and fragmented programs together under a specific framework. These councils can use the 2010 Government Performance and Results Act's requirement for the development and implementation of cross-cutting federal priority goals as a tool to help identify and reduce program overlap, duplication, and fragmentation and improve coordination across similar programs. The creation of interagency councils focused on broad national goals may not be sufficient. Additional tools such as the development and implementation of broad national strategies may be necessary to adequately implement virtual reorganizations.

Broader structural reorganizations—that is, reorganizing programs that cut across the boundaries of multiple federal agencies—requires careful consideration. It is tempting to seek to restructure departments or agencies, or even to create large new organizations to compensate for the deficiencies of current ones. These large reorganizations make sense in theory, but can be very challenging in practice. Unfortunately, such reorganizations can take years before the reorganization's intent is realized, as we have seen with the creation of the Department of Homeland Security (DHS). GAO put DHS on its high-risk list the year it was established, in 2003, because of the monumental task of transforming 22 agencies into one department. DHS remains on the high-risk list to this day. As this example shows, it can take a long time for new organizations to gel; they cost money up front; they create a lot of employee anxiety; and the initial phases of implementation planning and implementing reorganizations may cause a temporary decrease in program effectiveness.[8]

Both the President and Congress must provide support and expend political capital for broad structural reorganizations to be successful, and the case needs to be clear that they will, in fact, improve the efficiency and effectiveness of the agencies and their programs over time. To be most successful, reorganizations should not focus solely on structure, but consider changing

[7] For more information on this topic, see Allen Lomax's "Reorganizing the Federal Government" [available at: http://www.memostoleaders.org/sites/default/files/LomaxReorganization.pdf].
[8] GAO's last update of the high-risk list was February 28, 2012.

processes to expand interagency coordination mechanisms and increase incentives for employees to work across organizational boundaries.

THE PATH FORWARD

Congress and the Executive Branch should work together on a new agenda to:

- **Reduce waste, fraud, and abuse;**
- **Invest in effective, evidence-based programs;**
- **Ensure that individuals are nominated and voted upon in a timely manner; and**
- **Create a results-oriented performance culture inside the federal government.**

These are not partisan issues. They are a prime opportunity for both parties to show the American people that they are willing to work across the aisle to strengthen services and reduce unnecessary expenditures.

Federal programs do not appear out of nowhere. They are created by Congress, and the structure of the legislative branch often reflects the executive branch's structure. Much like the overlapping, duplicative, and fragmented programs, Congress and its current committee structure reflects the nature of these programs. These multiple committees and subcommittees request thousands of reports and hold hundreds of hearings a year regarding the agencies and their programs under their jurisdiction. Many of these reports and hearings provide fragmented information on many broad national issues, and it is difficult for Congress to obtain a complete understanding on the results of agencies' programs and to adequately identify the best Congressional solutions.

Voters frequently demand the expansion of federal programs without agreeing on how these should be funded, and political polarization makes it more difficult for the federal government to operate effectively. In moving forward, we must ensure that programs are designed and administered in a way that accords fair and equal access for public benefits. Further, we need our political leaders to demonstrate the necessary political courage and leadership to make tough decisions to address our rising debt as well as identifying resources to fund demands, for investments in infrastructure, social programs and other emerging needs.

Both the President and Congress should consider concrete steps to improve performance across the federal government and reduce waste, fraud, and abuse in federal programs.[9]

The President and the Executive Branch should consider taking the following actions:

- The President should nominate candidates in a timely manner;
- Appointees should improve performance by increasing the use of performance data;
- Appointees should be responsible for building the skills and capabilities to foster better performance;
- Appointees should use administrative flexibilities whenever possible to reduce burdens on state and local governments and encourage innovations;

[9] For more information on this topic, see Don Moynihan's "Creating a Performance-Drive Federal Government" [available at: http://www.memostoleaders.org/sites/default/files/MoynihanPerformance.pdf].

- OMB should proactively consult with Congress early in the goal-setting process, and demonstrate a willingness to reflect Congressional priorities;
- Departments and agencies should make performance information more useful to Congress;
- The OMB Deputy Director for Management and Chief Operating Officers should invest effort in developing mechanisms and strategies to improve collaboration across agencies;
- The OMB Deputy Director for Management and Chief Operating Officers should make data-driven reviews a signature management initiative;
- Agency leaders and Chief Operating Officers should demonstrate leadership commitment to performance; and
- The OMB Deputy Director for Management and Chief Operating Officers to should strengthen and integrate analytical capacity across the government.

Congress and its committees should consider taking the following actions:

- The Senate should hold confirmation hearings and up-or-down votes on nominees in a timely manner;
- The Congressional leadership should make a public commitment to use performance information as it carries out legislative responsibilities;
- Authorization committees should look across the federal government's major mission areas and take actions to streamline programs with unnecessary overlap, duplication, and fragmentation; and
- Relevant committees should proactively meet with agencies and be responsive when they reach out to discuss their goals, and also review the goals agencies set in their annual performance plans, raising questions if they need additional information about the proposed goals and planned agency actions in accordance with the Government Performance and Results Modernization Act (GPRMA) of 2010.

Other promising practices moving forward include:

- Congress and the Executive Branch can use the principles of "Smart Lean Government" to optimize the delivery of core public services by peeling away unnecessary layers that exist between government and those it serves to achieve more cost effective and responsive services;
- Federal departments and agencies can make better use of their existing human capital flexibilities to recruit and retain the diverse high-performing workforce required by agencies;
- Federal departments and agencies can use so-called "big data"—large datasets that typical database software tools have difficulty capturing, storing, managing, and analyzing—to increase transparency, enable experimentation, promote customization for specific populations, automate decisions, and modernize business models;[10]
- OMB and Congress can link budgets with program performance in a much tighter way by making greater use of performance-based budgeting; and

[10] McKinsey Global Institute (May 2011), "Big Data: The Next Frontier for Innovation, Competition, and Productivity."

- Federal departments and agencies can harness the power of technology in new and better ways to improve citizen engagement, reduce costs, and improve performance.

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Mr. Chairman, the federal government performs critical duties for the American people each and every day. The Departments of Defense and State meet our nation's national security and foreign policy commitments in far flung places throughout the world, while the Department of Homeland Security has protected us from another large-scale attack on American soil. The Social Security Administration provides benefits (retirement, survivors, disability, and supplemental security income) to over 55 million Americans. Federal investments in medical research have saved countless lives and improved the quality of life for all of us, and federal investment made the information revolution possible.

Much has been accomplished, but much remains to be done. Given the nation's long-term fiscal challenges, the federal government must work to improve its effectiveness and efficiency if it is going to be successful in meeting the 21st Century demands of the American public. I believe that the approaches outlined above can ensure that the federal government works better for all of us. Congress and the President have the opportunity to improve performance dramatically while reducing waste, fraud, and abuse in federal programs. The National Academy of Public Administration stands ready to assist in these efforts.

Mr. Chairman, that concludes my written statement, and I would be pleased to answer any questions you or the Committee members may have.