

# EFFICACY OF CONGRESSIONAL OVERSIGHT

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Levin Center  
State Oversight Symposium  
November 10th, 2023

## Oversight of bureaucracy



M Hotel, Henderson, NV

Site of October 25-29  
2010 **General Services  
Administration** Western  
Regions Conference

- 2012 Inspector General Report:
- *excessive and wasteful and ... in many instances GSA followed neither federal procurement laws nor its own policy ...*
- *GSA employees conducted two “scouting trips,” five off-site planning meetings, and a “dry run” (Pre-conference expenses \$136,504)*

## Inspector General report

- *GSA actions included:*
- *Disclosing a competitor's proposal price to a favored contractor;*
- *Providing free rooms to a contractor's employees;*
- *\$146,527.05 on catered food and beverages during the WRC itself; (300 attendees)*
- *[I]mpermissibly purchased food for non-employees;*
- *\$75,000 for team-building training including 24 bicycles.*

## Oversight of bureaucracy

- GSA mission: “Delivering effective and efficient government services for the American people.”
- ↔ Resignation of Chief Administrator Johnson, two deputies fired.
- Criminal conviction for one administrator with three months imprisonment.
- GSA Inspector General Miller testified, “the oversight system worked.”



## Example of Congress's principal-agent problem

- Congress authorizes and oversees executive bureaucracy. But, informational and contractual challenges limit control.
- Some say Congress maintains political control over bureaucracy (e.g., McNollGast 1987, 1989; McCubbins Schwartz 1984).
- Others say congressional tools limited and congressional incentives misaligned → executive dominance (e.g., Moe 1987; Wilson 1885).



# Oversight

- Political Science: **Oversight** as tool for Congress to control executive agents.
- **How effective is congressional oversight?**
- Empirical work has shown...
  - when* Congress performs oversight
  - what* happens in oversight hearings
  - how distribution of oversight across committees affect
  - perceptions* of oversight.
- But surprisingly little on actual effectiveness.

## Surprisingly little on efficacy of oversight

- Challenge: how to assess efficacy of oversight?
- In principle: Take what congress wants, compare to what bureaucracy delivers.

*But this is a hard problem:*

Bureaucratic output hard (impossible) to quantify, to compare  
+ Need something that sets aside party politics, interbranch competition, heterogeneous preferences, multiple-principal problems

## Our measure of bureaucratic efficiency

- Executive agency **IMPROPER PAYMENTS:**
- OMB: “any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirement.”
- ↪ **A bureaucratic deficiency measured in dollars in each fiscal year.**
- Plausibly comparable across time and agencies.
- D and R legislators and executives have worked to decrease improper payments since late 1990s.



## Improper payments: Brief history

- GAO: found \$19.1 billion in improper payments reviewing nine agency financial audits fiscal year 1998.
- Five statutes:
  - Erroneous Payments Recovery Act 2001;
  - Improper Payments Information Act 2002;
  - Improper Payments Elimination and Recovery Act 2010;
  - Improper Payments Elimination and Recovery Improvement Act 2012;
  - Payment Integrity Information Act 2019.
- Executive Order 13520 “Reducing Improper Payments” (November 20, 2009).
- OMB, GAO, IG reports along the way.

## Measurement: Congressional oversight

- **Congressional hearings:**
- ProQuest Congressional search “improper payment,” “payment integrity,” “erroneous payment,” “fraudulent payment,” and “payment error” in title, summary, subjects, or testimony subjects.
- Identifies 131 hearings, House and Senate, 1968 through 2021.

# Data and research design

# Data

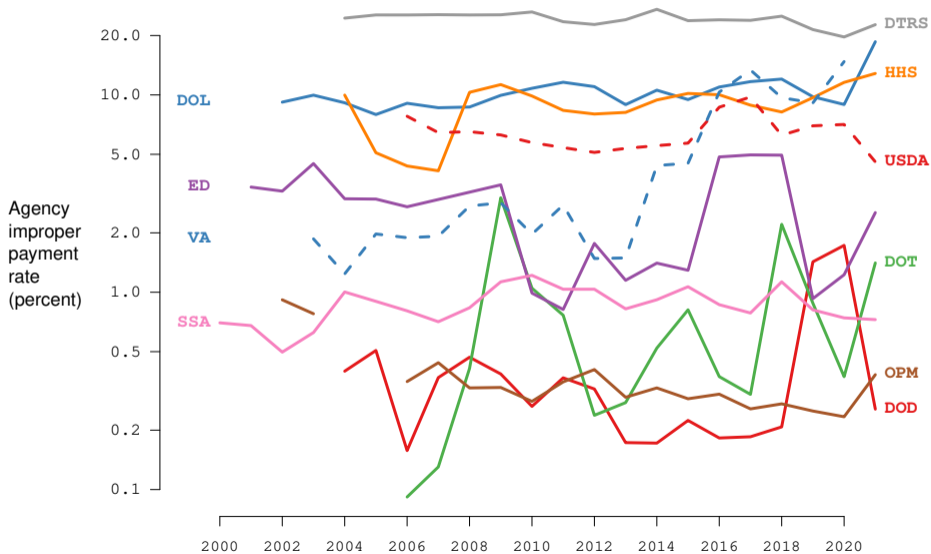
## 1a. Improper payments:

Statutes + OMB early 2000s required programs deemed high-risk to sample payment databases, estimate improper payment rates each fiscal year.

1b. Pre-2014 IP from agency annual financial reports. Web archive.

1c. Measure :=  $100 * \text{Improper payment } \$ / \text{Total outlay } \$$

## Data: Improper Payment Rates



## Data

### 2a. Oversight:

Treatment := Witness from agency called to testify in at least one hearing on improper payments in fiscal year.

### 2b. Moderators:

Number of witnesses (+ political appointees),

number of hearings,

length of hearings,

chamber,

presidential election year,

unified govt.

## Research design

- Two-way fixed effects;
- impact linear in time.

$$\text{Improper payment rate}_{it} = \beta \text{Hearing}_{it} + \gamma \text{Years since hearing}_{it} \\ + \alpha_j + \delta_t + \varepsilon_{it}.$$

# Results



# Effect of oversight on AGENCY improper payments

		Agency-level	
	(1)	(2)	(3)
Years Since Last Agency Hearing	-0.10*** (0.035)	-0.082** (0.040)	
Years Since Last Unified Govt Hearing		-0.082 (0.074)	
Years Since Last House Agency Hearing			-0.079** (0.032)
Years Since Last Senate Agency Hearing			-0.10 (0.062)
Agency Hearing	0.58 (0.49)	0.62 (0.57)	
Agency Hearing * Unified Government		-0.32 (0.79)	
House Agency Hearing			0.87 (0.54)
Senate Agency Hearing			-0.41 (0.62)
Fiscal Year FE	Yes	Yes	Yes
Agency FE	Yes	Yes	Yes
Observations	302	302	302

Standard errors in parentheses.

\*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

## Other specifications

- Characteristics for strength/quality of oversight
  - ↔ No clear moderator
- Account for cumulative effect of multiple hearings across time for an agency
  - ↔ Dynamic effect of a hearing still persists
- Econometrics issue: TWFE may make comparisons between treated and already-treated units
  - ↔ Alternative method (local projection DiD)

## Summary: efficacy of oversight

- Each year beyond oversight hearing  $\sim$ 0.1-0.2 percentage point decline in improper payment rate.  $\rightsquigarrow$  **Oversight works!**
- But, median IP rate of 2.7 percent in 2021, dollar-weighted mean almost 8 percent.
- $\hookrightarrow$  Congressional oversight of limited effect.

## Other methods of legislative and executive control

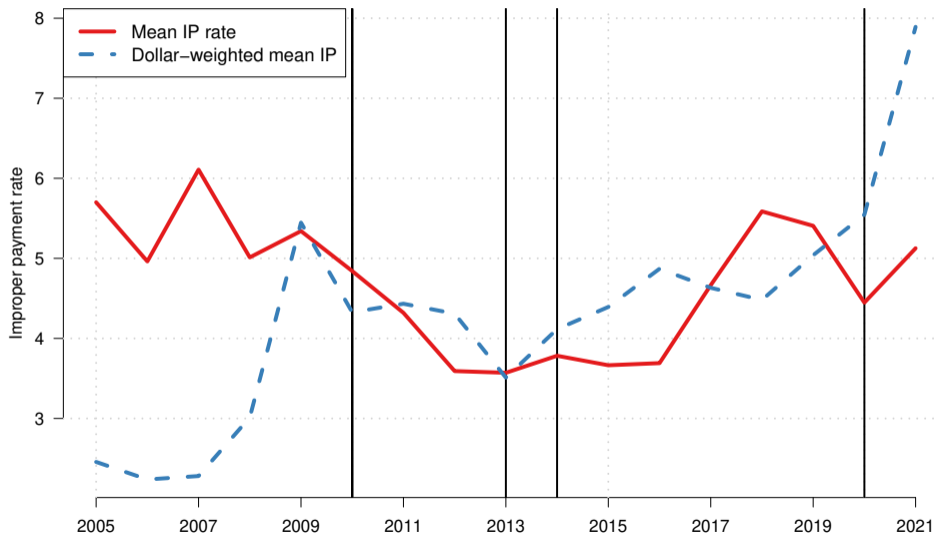
## Non-hearing techniques

1. Correspondence between legislators and agencies (e.g. Lowande 2018, Ritchie 2018)
  - Informal comments and inquiries from legislators
2. Appropriations committee reports (e.g. Bolton 2022)
  - Committees instruct agencies on priorities, requirements
  - Searched House Appropriations reports for reference to improper payment keywords (75 reports, FY 2000-2021)

## Statutes and executive actions

- If congressional oversight ineffective, perhaps executive drives efficiency?
- Major executive actions to combat improper payments:
- Executive Order 13520, OMB memorandum M-10-13, and IPERA 2010 statute (fiscal 2010);
- IPERIA 2012 statute (fiscal 2013);
- OMB: threshold defining significant overpayments reduced to 1.5% (fiscal 2014);
- PIIA 2019 statute (fiscal 2020).

## Fiscal year trends



## Implications

- Apparently stark limits on Congress's best known tool for oversight, hearings.
- Neither other methods of oversight or executive actions clearly superior.
- Improper payments in fiscal year 2022 \$247 billion (GAO), \$2.4 trillion since 2003.
- ↪ Our study: America's elected officials struggle to control the bureaucratic agents empowered to implement law.



Thank you!

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