

Changing the Culture of Wasteful Spending in the Federal Workforce

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The U.S. Ambassador to an African nation asked his facility manager to order four flower pots for the embassy; nothing fancy, just four plastic flower pots. He came back and said, on second thought order a truck load of them. There is a lot of money left in the facilities budget and I need to spend it. The facility manager ordered the pots and when they arrived, four of them were placed where they were needed around the embassy compound. The rest were unloaded and placed out of site behind a building where they were left to slowly crumble in the blazing African sun.

This is a true story told to me by the facility manager who was required to buy the flower pots. Is it an anomaly? Is it an isolated case? In my experience, it is unfortunately the norm. When there is money left in a budget at the end of the year, all federal government managers actively seek ways to spend it. They would prefer to spend it on things they need but they will spend it on anything. The Department of State is notorious for spending half its budget in August and September which is the end of the fiscal year.

What would cause otherwise honest and dedicated American citizens, federal workers, to consistently make the most egregiously wasteful spending decisions? These are people who are committed to defending our nation, promoting our interests worldwide, and working tirelessly to manage the behemoth our government has become. When given the decision to waste money at the end of the fiscal year or return it to the Treasury, these loyal Americans will always choose to waste the money. I have heard many of them say they hate the process and they hate themselves for doing it. If this is the case, one must ask why these good people always make the worst decisions regarding surplus funds.

The Incentives

It is all about incentives. If a manager returns money to the Treasury, it will have a negative career impact. Here is a list of three positive incentives to change the culture of wasteful spending in the federal government workforce:

1. Managers who complete their programs within budget should receive a high rating for fiscal responsibility on their annual Employee Evaluation Rating (EER).
 - a. Managers who complete their programs under budget and return surplus funds to the Treasury should receive **the highest fiscal responsibility rating** on their EERs.
2. Managers should be given positive public recognition whenever they return unspent funds. This recognition should be documented in their personnel files.
3. Modest monetary bonuses should be given to managers who return funds to the Treasury. Senators Rand Paul and Mark Warner should be commended for adding language about monetary bonuses to the National Defense Authorization Act for FY16.

This issue transcends differences in political ideology because all programs would benefit. **It takes time and effort to waste money.** The cost savings created by this simple culture change could be phenomenal and program managers would be released from the burden of having to waste precious resources at the end of every fiscal year.

Congressional Obstacles

The most frequent objection to these common sense incentives is that whenever a program does not spend its entire budget, it will lose all or some of its budget during the next fiscal cycle. Suffice it to say that under the present system, incentives are in place to actually encourage, almost mandate, the wasteful spending of surplus funds.

There are many legitimate reasons why funds might remain unspent by the end of the year. The habit of Congress using continuing resolutions to “keep the government running” instead of agreeing on a budget, forces all federal managers to use very short-term thinking regarding their budgets. They cannot enter into contracts if they are not sure the funds will be there to support the contract. Short-term continuing resolutions may allow the program to limp along until a final budget is in place but delayed approval of the final budget forces the manager to spend it in a fraction of the time originally planned. Weather delays, inability to perform due to security concerns, and a host of other legitimate problems may prevent the execution of a budget which results in managers having surplus funds at the end of the year. It is at this point the managers are forced to decide whether to spend the money quickly on sometimes needless services and equipment or risk damaging their careers.

Funds returned to the Treasury should be used to reduce the deficit or saved as surplus. They should not be diverted to other programs. A homeless children’s program does not want the money it saves diverted to highway construction and the reverse is true as well.

Leadership to Implement Real Culture Change

Culture change is not about reducing or eliminating programs. Authorizing budgets is the responsibility of Congress. This initiative is focused on changing the culture or mindset of the entire federal workforce. It is about creating a culture of responsible financial management for every program. When Lady Bird Johnson promoted a litter free America back in the ‘60s, our nation’s streets and highways were littered with trash and few people thought anything of it. Today there is a stigma prevalent throughout society that littering is a low class thing to do. It will take time and leadership but we can change the culture.

The Office of Personnel Management (OPM) is responsible for setting policy concerning pay, benefits, and incentives for the entire federal government. The OPM should be encouraged to lead the way in implementing these guidelines. It should proactively put incentives in place to encourage federal managers to use their resources effectively and efficiently and return surplus funds to the Treasury.

When the president and the heads of agencies speak, the text of the speech is often given broad distribution throughout the agencies. Key elements of the speeches are quoted by lower level managers as justification for their plans. “We propose this action because it supports the president’s or agency head’s goal” is a common phrase in government documents. Conserving valuable resources should be a goal for every federal program but people act based on guidance and examples they receive from higher authority. Positive leadership combined with the right incentives will result in changing the culture of wasteful spending by federal employees.