

Compliance Drift in Crisis Funding: A Forensic Governance Model for Tracking State-Level Fiscal Recovery Fund Allocation Decisions under Administrative Pressure

Millicent Emma Fenyi

Master of Public Administration

University of Illinois Springfield – Springfield, IL

doi: <https://doi.org/10.37745/ijbmr.2013/vol14n1126>

Published January 31, 2026

Citation: Fenyi M.E. (2026) Compliance Drift in Crisis Funding: A Forensic Governance Model for Tracking State-Level Fiscal Recovery Fund Allocation Decisions under Administrative Pressure, *International Journal of Business and Management Review*, 14(1), 1-26

ABSTRACT:*The allocation of emergency funds, such as the Fiscal Recovery Fund, creates intense pressure for rapid spending, which can erode compliance standards—a process we term “compliance drift.” During crisis conditions, administrators are required to balance speed, flexibility, and political responsiveness against statutory requirements and internal control expectations. This tension systematically reshapes how compliance is interpreted and operationalized, increasing fiscal risk and complicating post hoc accountability. Despite repeated audit findings across disaster and stimulus programs, existing oversight models remain largely reactive and ill-suited to detecting these shifts as they occur. The central gap addressed by this paper lies in the absence of a governance framework capable of explaining how compliance drift emerges under administrative pressure and of tracking its progression in real time. Traditional audit and monitoring approaches focus on rule adherence after expenditures are made, offering limited insight into the behavioral, procedural, and institutional dynamics that produce risk-laden decisions during emergencies. This study employs theory-building grounded in qualitative analysis of case documentation drawn from state-level Fiscal Recovery Fund allocation processes, audit reports, internal guidance, and oversight memoranda. Through comparative forensic examination, the research identifies recurring patterns in budgeting workflows, documentation practices, and discretionary judgments that signal evolving compliance norms under crisis conditions. Based on this analysis, the paper develops a Forensic Governance Model to explain and track this phenomenon. The model integrates four core components: administrative pressure mapping, internal budget control configuration, documentation integrity assessment, and discretionary decision tracing. Together, these elements provide a structured lens for observing how compliance standards shift across decision points and over time. The principal finding is that the Forensic Governance Model functions as a diagnostic framework capable of identifying specific drift mechanisms, including documentation substitution, control compression, and normalization of exception-based decision-making. By making these mechanisms visible, the model enables agencies and oversight bodies to distinguish legitimate flexibility from emergent compliance failure. The paper concludes that the Forensic Governance Model represents a significant advancement in crisis governance. By repositioning oversight as a proactive, embedded function rather than a post-mortem exercise, the model*

strengthens transparent decision-making, reduces audit failures, and enhances the resilience and legitimacy of emergency funding programs under conditions of extreme administrative pressure.

Keywords: compliance drift; crisis funding; fiscal recovery fund; forensic governance; public financial management; administrative discretion; audit risk; emergency oversight; accountability systems; budgetary compliance

INTRODUCTION

Crisis funding regimes are born in tension. They are designed to move extraordinary volumes of public resources at extraordinary speed, often under conditions of uncertainty, political scrutiny, and operational disruption. Yet the same funds are bound—at least formally—by the principles of fiscal stewardship, statutory compliance, and public accountability that govern routine public expenditure. The rapid deployment of pandemic-era relief, most notably the American Rescue Plan Act (ARPA) Fiscal Recovery Funds, exemplifies this structural contradiction. State and local governments were urged to obligate funds quickly to stabilize economies, protect public health, and avert institutional collapse, even as federal guidance evolved, eligibility interpretations shifted, and oversight expectations remained anchored to pre-crisis control norms. In this compressed environment, speed was treated as a proxy for effectiveness, while compliance was often reframed as a downstream concern—something to be reconciled after the emergency subsided. This paper argues that such framing is neither accidental nor benign; it reflects a systematic phenomenon that warrants forensic scrutiny.

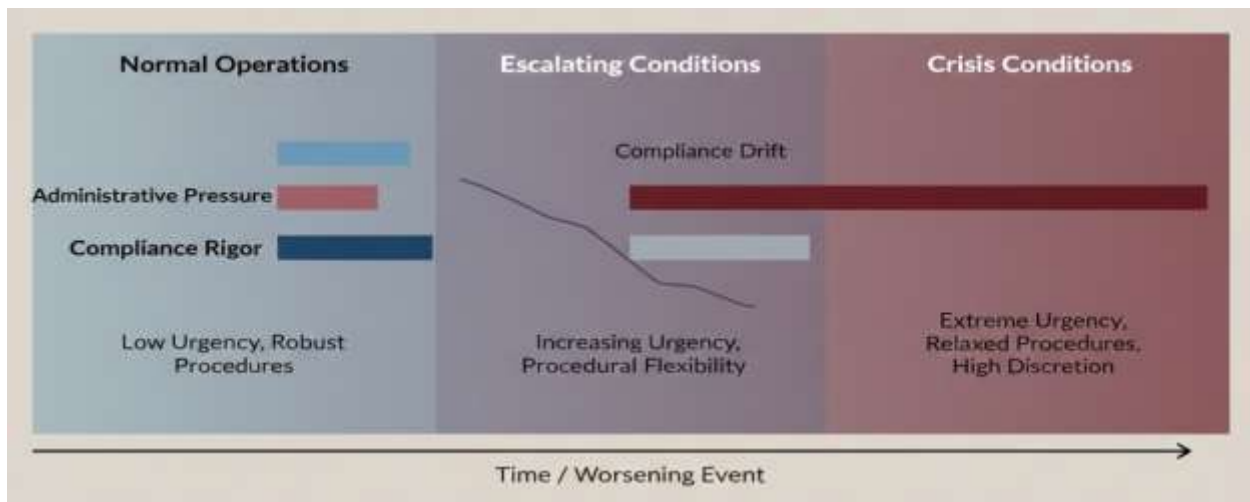


Figure: The inverse relationship between administrative pressure and compliance rigor during emergency funding.

This study introduces and interrogates the concept of *Compliance Drift*: the gradual, often unintentional, relaxation, reinterpretation, or reshaping of internal control standards, documentation practices, and decision rationales that occurs when administrative systems operate under sustained crisis pressure. Unlike overt noncompliance or fraud, compliance drift is typically endogenous to otherwise well-intentioned organizations. It emerges as managers and budget officers adapt to ambiguous guidance, political urgency, staffing constraints, and heightened expectations for visible action. Over time, these adaptations recalibrate what is considered “acceptable” documentation, sufficient justification, or reasonable risk. The result is not immediate failure but an accumulation of latent vulnerabilities—decisions that appear defensible in real time yet prove fragile under ex post audit, oversight review, or public inquiry.

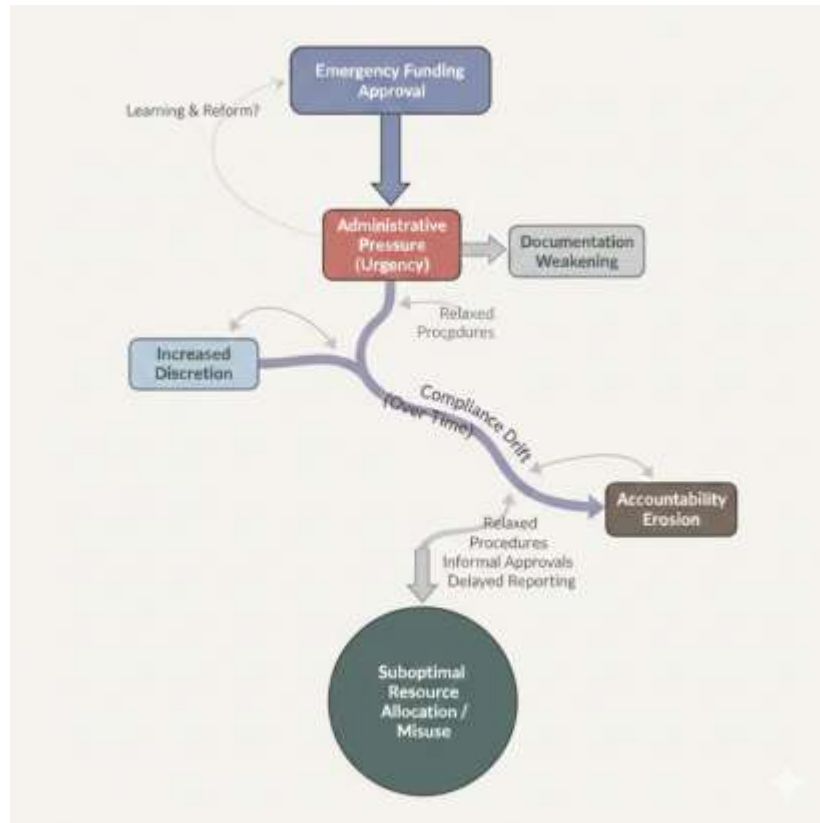


Figure: Conceptual pathways through which administrative pressure induces compliance drift in crisis funding environments.

The problem is compounded by the architecture of emergency funding itself. Programs such as ARPA Fiscal Recovery Funds grant substantial discretion to subnational governments, intentionally prioritizing flexibility over prescriptive controls. While discretion enables tailored responses to local needs, it also shifts

the burden of compliance interpretation inward, onto internal budgeting systems that may lack the capacity or incentives to preserve evidentiary rigor under pressure. Documentation is abbreviated, controls are streamlined, and informal norms substitute for formal review. These shifts are rarely codified, yet they materially alter the compliance posture of an agency. When auditors later assess decisions against statutory language, federal guidance, or uniform administrative requirements, they encounter gaps—not because actors sought to evade rules, but because the rules were functionally renegotiated during the crisis itself.

Despite extensive literature on emergency management, public financial management, and corruption risk, this phenomenon remains under-theorized. Existing oversight frameworks tend to treat compliance as a static standard: agencies either adhere to controls or deviate from them. Such binary models obscure the dynamic processes through which compliance expectations evolve during crises. They also reinforce a reactive oversight paradigm, in which forensic accounting intervenes only after funds have been spent and risks have crystallized. By that point, corrective action is costly, politically contentious, and often limited to clawbacks or adverse findings that do little to improve future decision-making.

The central aim of this paper is to develop and propose a Forensic Governance Model capable of tracking, explaining, and mitigating compliance drift in state-level Fiscal Recovery Fund allocation decisions. Rather than focusing solely on outcomes, the model interrogates decision pathways: how budgetary choices are framed, documented, and justified as administrative pressure intensifies. It treats compliance not as a fixed rule set but as a behavioral and institutional variable, shaped by incentives, norms, and temporal constraints. In doing so, it seeks to render visible the moments at which risk is introduced—often incrementally and invisibly—into ostensibly lawful processes.

Three research questions guide the analysis. First, what are the key mechanisms—budgetary, procedural, and cultural—through which compliance drifts during crisis allocation? This question directs attention to internal processes: emergency budget modifications, expedited procurement pathways, informal approval hierarchies, and narrative rationales that substitute urgency for analysis. Second, how can compliance drift be modelled and measured prospectively, rather than inferred retrospectively from audit findings? Here, the paper explores indicators such as documentation density, variance from baseline control practices, and the concentration of discretionary authority as early warning signals of drift. Third, what does a forensic governance model prescribe for real-time monitoring and risk mitigation within agencies tasked with rapid deployment of funds? This question moves the inquiry from diagnosis to design, emphasizing practical tools for internal auditors, budget officers, and oversight units.

The significance of this contribution lies in its reframing of oversight itself. By shifting the analytical lens from after-the-fact forensic accounting to in-process forensic governance, the model challenges the assumption that compliance can be fully reconstructed post hoc. Instead, it posits that integrity under crisis conditions must be actively engineered and monitored as decisions are made. For internal auditors, the

model offers a structured way to engage earlier in the budget cycle without impeding operational tempo. For budget officers, it provides a vocabulary and framework to defend procedural rigor amid political and administrative demands for speed. For oversight bodies, it suggests that preventing audit failures requires understanding how compliance norms evolve under stress, not merely enforcing static rules.

More broadly, the paper contributes to governance theory by integrating insights from behavioral economics into public financial management. Compliance drift is understood as a rational response to bounded attention, ambiguity, and incentive misalignment, rather than as an aberration. Recognizing this allows institutions to design counterweights—decision checkpoints, documentation heuristics, and escalation protocols—that preserve accountability without paralyzing action. In an era where crises are no longer exceptional but recurrent, such design is not optional. It is a prerequisite for sustaining public trust while meeting the demands of emergency governance.

LITERATURE REVIEW

Crisis Public Finance and Emergency Management

The public finance literature has long recognized that emergencies disrupt conventional budgetary logics, forcing governments to operate under conditions of temporal compression, uncertainty, and political salience. Classic studies of disaster budgeting emphasize the inherent trade-off between rapid obligation of funds and the preservation of fiscal discipline, a dilemma often summarized as “speed versus stewardship.” In crisis contexts, delay is framed as failure, while rapid expenditure is equated with responsiveness, even when underlying controls are weakened. This normative inversion places extraordinary strain on public financial management systems designed for predictability, routinization, and layered review.

Emergency appropriations frequently depart from standard programmatic funding models. Block-grant-style instruments—such as the Fiscal Recovery Fund (FRF) under the American Rescue Plan Act—are deliberately constructed to maximize flexibility, decentralize decision-making, and accelerate spending. The literature on intergovernmental grants suggests that such designs are politically attractive during crises because they reduce administrative friction and signal trust in subnational governments. However, scholars of fiscal federalism caution that flexibility comes at the cost of heterogeneity in compliance interpretation, as states and localities apply broad statutory language through uneven administrative capacities and divergent risk tolerances.

A recurring theme in this body of work is the concept of *absorption capacity*: the ability of recipient governments to plan, obligate, and monitor large infusions of funds without degrading accountability. Studies of post-disaster recovery and stimulus spending consistently find that absorption capacity is not merely a function of financial resources, but of institutional maturity, staffing stability, and the resilience

of internal controls. Jurisdictions with limited pre-crisis capacity often respond to funding surges by bypassing deliberative budgeting processes, relying on emergency authorities, or centralizing decisions in executive offices. While these strategies increase throughput, they also compress documentation, weaken segregation of duties, and reduce opportunities for ex ante challenge.

The emergency management literature further underscores how crisis conditions alter the informational environment of budgeting. Guidance is frequently iterative, incomplete, or retroactive, compelling administrators to make allocation decisions under ambiguity. Scholars note that such ambiguity incentivizes “reasonable interpretation” strategies, where compliance is defined not by formal rules but by what decision-makers believe can be defended later. Over time, this defensive orientation shifts attention away from statutory intent toward reputational risk management, reinforcing a cycle in which speed and visibility dominate stewardship considerations.

Importantly, the literature tends to treat these dynamics as structural inevitabilities rather than as objects of governance design. While numerous studies document the erosion of controls during emergencies, fewer examine how these erosions accumulate incrementally within internal budgeting systems. The result is a descriptive account of crisis finance that explains why risk increases, but not how that risk is generated through day-to-day administrative choices. This gap sets the stage for a more forensic examination of the internal processes through which crisis funding decisions are made and justified.

Theories of Compliance and Administrative Behavior

Understanding compliance drift requires engagement with theories that explain how public officials prioritize, interpret, and adapt rules under pressure. Street-level bureaucracy theory provides a foundational lens. Although originally developed to explain frontline service delivery, its core insight—that public servants exercise discretion to manage workload, ambiguity, and conflicting demands—applies with equal force to budget officers and fiscal administrators during crises. Under conditions of overload, administrators ration attention, simplify decision criteria, and rely on heuristics that allow them to act decisively. Compliance requirements that are perceived as complex, time-consuming, or weakly enforced are particularly vulnerable to deprioritization.

Relatedly, the literature on goal displacement highlights how organizational objectives can be subtly redefined under stress. In emergency funding environments, the formal goal of compliant, well-documented expenditure is often eclipsed by an informal but powerful imperative: to obligate funds quickly and visibly. Speed becomes not just a constraint but a performance metric, reinforced by political messaging, media scrutiny, and intergovernmental signaling. Scholars of public administration note that when output measures dominate, process measures lose salience, even if they are legally required. Over time, compliance is reframed as a secondary or instrumental goal, valuable insofar as it does not impede delivery.

High-reliability organization (HRO) theory contributes an additional dimension through the concept of the normalization of deviance. Originally applied to safety-critical industries, this theory explains how small departures from established standards can become normalized when they do not immediately result in negative outcomes. In the context of crisis funding, abbreviated documentation, informal approvals, or post hoc rationalizations may initially appear harmless—especially when funds are used for socially valued purposes. As these practices recur without sanction, they become embedded norms, recalibrating what administrators perceive as acceptable risk. The absence of immediate audit consequences reinforces the belief that controls can be safely relaxed, even as cumulative exposure grows.

Behavioral economics further enriches this analysis by illuminating the cognitive biases that shape compliance under pressure. Present bias encourages decision-makers to overweight immediate relief outcomes relative to future audit risk. Ambiguity aversion leads administrators to favor familiar spending categories or precedents, even when documentation is thin. Social norms within agencies—particularly during emergencies—can create conformity pressures that discourage dissent or escalation of compliance concerns. Together, these factors produce a compliance environment that is adaptive but fragile, capable of rapid action yet prone to silent erosion of standards.

Crucially, much of the compliance literature assumes a relatively stable regulatory environment in which deviations are detectable against a fixed baseline. Crisis funding challenges this assumption. When rules are evolving and guidance is provisional, the boundary between compliance and noncompliance becomes blurred. Administrators operate within what some scholars describe as “interpretive space,” where legal defensibility is judged retrospectively. This temporal asymmetry—decisions made under uncertainty, judgments rendered with hindsight—creates fertile ground for compliance drift, even in organizations committed to integrity.

Gaps in Oversight and Forensic Models

Oversight frameworks have struggled to keep pace with the dynamic realities of crisis funding. Traditional compliance auditing is largely ex post, assessing transactions against established criteria after funds have been spent. While such audits are essential for accountability, the literature increasingly critiques their limitations in emergency contexts. By the time findings are issued, the organizational conditions that produced the deficiencies have often dissipated, and lessons learned are difficult to translate into real-time corrective action.

Performance auditing represents a partial evolution, emphasizing efficiency, effectiveness, and outcomes alongside compliance. However, scholars note that performance audits often rely on retrospective indicators and aggregate metrics that obscure process-level risk. In crisis funding programs, favorable outcomes can coexist with weak controls, masking vulnerabilities until external scrutiny intensifies. Risk-based auditing

attempts to address this by focusing attention on high-risk areas, yet risk assessments themselves are frequently static, derived from prior audits or generalized typologies that do not capture how risk evolves during an emergency.

The literature on internal control frameworks, such as those derived from COSO principles, acknowledges the need for adaptability but offers limited guidance on how to operationalize controls under extreme time pressure. Checklists and control matrices presume stable processes and clear documentation trails, conditions rarely present in crisis allocation environments. As a result, internal auditors are often relegated to advisory roles, issuing cautions that lack enforcement leverage, or are brought in only after key decisions have been made.

Forensic accounting scholarship has made important contributions by identifying fraud risks associated with emergency spending, including relaxed procurement rules and increased discretion. Yet this literature tends to focus on intentional misconduct or egregious violations. Less attention is paid to the gray zone of compliant-looking decisions that are structurally weak. These decisions may withstand superficial review but fail under deeper forensic examination, particularly when intent, consistency, and contemporaneous documentation are scrutinized.

What is notably absent across these strands is a dynamic, process-oriented model that tracks how compliance standards erode—or are reshaped—over time within administrative systems. Existing frameworks treat standards as fixed and deviations as discrete events. They do not account for gradual recalibration of norms, nor do they provide tools for detecting early signals of drift, such as declining documentation density, increasing reliance on executive discretion, or the routinization of emergency exceptions.

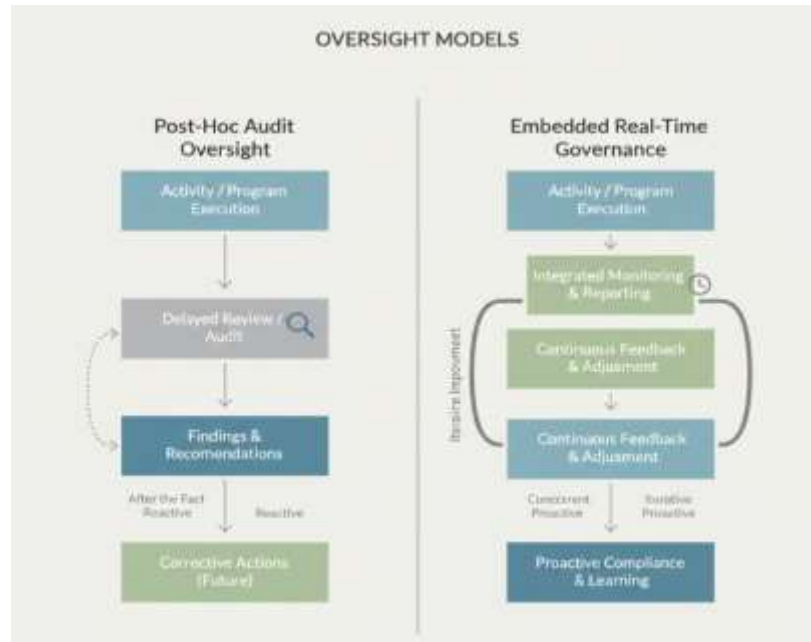


Figure: Limitations of post-mortem oversight compared to embedded governance approaches.

This gap has significant implications for governance. Without a model that captures the temporal and behavioral dimensions of compliance, oversight remains reactive, intervening only after risk has materialized. The literature thus calls, implicitly if not explicitly, for a shift from forensic accounting to forensic governance: an approach that embeds oversight logic into the decision process itself. Such an approach would enable agencies to monitor their own compliance posture in real time, preserving flexibility while maintaining evidentiary integrity.

The present study responds directly to this gap. By synthesizing insights from crisis public finance, administrative behavior, and oversight theory, it advances a forensic governance model designed to illuminate the mechanics of compliance drift as it unfolds. In doing so, it extends the literature beyond critique, offering a structured pathway for aligning speed and stewardship in the administration of crisis funds.

METHODOLOGY

Research Orientation and Epistemological Positioning

This study is structured as a theory-building and model development inquiry situated at the intersection of forensic public administration, fiscal governance, and compliance behavior under crisis conditions. Rather

than testing predefined hypotheses, the methodological approach is inductive and abductive, seeking to construct an explanatory governance model grounded in observed administrative behavior during emergency funding implementation. The paper adopts a qualitative, case-informed design that privileges documentary evidence produced by oversight institutions as primary empirical material. This positioning reflects a core assumption of forensic governance research: that compliance failures and risk exposure are most reliably understood not through self-reported administrative intent, but through post hoc reconstructions documented in audits, investigations, and oversight testimony.

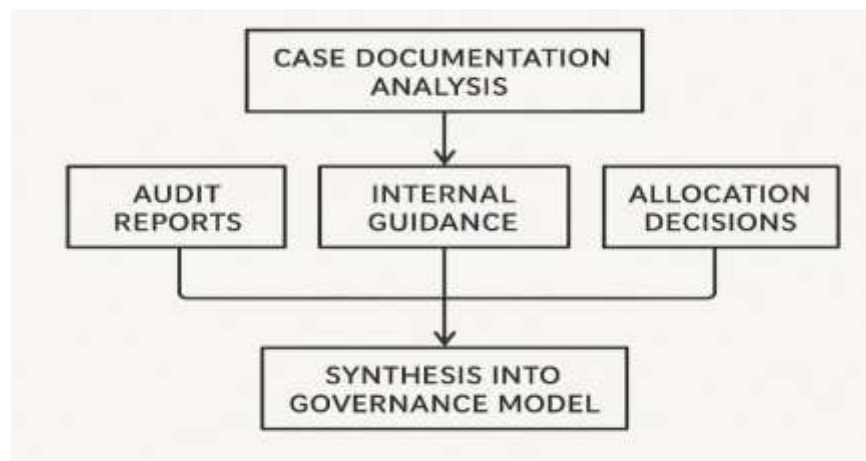


Figure: Forensic theory-building process grounded in crisis funding documentation.

The epistemological stance is pragmatic-institutionalist. It treats compliance not as a binary condition but as a dynamic, socially constructed standard shaped by administrative pressure, organizational incentives, and interpretive discretion. Methodologically, this orientation justifies close engagement with real-world oversight artifacts—Inspector General (IG) reports, Government Accountability Office (GAO) findings, and legislative testimony—as repositories of systematically analyzed failure patterns rather than anecdotal critiques. The objective is to extract recurring governance mechanisms that explain how formally compliant systems experience incremental degradation during crisis response, culminating in what this paper conceptualizes as compliance drift.

Research Design: Two-Phase Theory Construction

The research design unfolds in two analytically distinct but sequential phases: inductive theory crafting and logical model construction. Together, these phases move from empirical pattern recognition to structured explanatory abstraction.

Phase One: Inductive Theory Crafting from Oversight Synthesis.

The first phase involves a structured synthesis of publicly available oversight materials related to state-level implementation of Fiscal Recovery Funds (FRF). Rather than treating individual cases as isolated failures, the analysis aggregates findings across multiple states and oversight bodies to identify recurrent administrative stressors, decision-making shortcuts, and documentation practices associated with elevated audit risk. The analytic logic mirrors grounded theory techniques, particularly constant comparison, but is adapted for documentary rather than interview-based data. Oversight reports are read not only for stated findings but for implicit assumptions about proper process, evidentiary sufficiency, and administrative capacity.

This phase is explicitly inductive. Coding categories are not imposed a priori but emerge through repeated exposure to oversight narratives describing similar failures under varying contextual conditions. For example, language referencing “expedited obligation,” “emergency authority,” or “interpretive flexibility” is examined across documents to identify how urgency is operationalized administratively. The outcome of Phase One is a set of empirically grounded constructs describing where and how compliance standards appear to shift during crisis funding implementation.

Phase Two: Logical Model Construction.

The second phase translates these inductively derived constructs into a formal forensic governance model. This phase is deductive in structure but inductive in content, organizing observed patterns into a process-tracing framework that follows a funding decision from inception to obligation. Drawing on systems theory and administrative process modeling, the model identifies discrete stages where pressure is introduced, discretion is exercised, and controls are modified. The resulting framework is not intended as a predictive algorithm but as a diagnostic tool that enables auditors, oversight officials, and administrators to identify latent risk before it manifests as formal noncompliance.

Data Sources and Case Selection Strategy

The primary data for this study consist of documentary materials produced by formal oversight institutions between 2020 and 2024, a period encompassing the authorization and early implementation of FRF and comparable emergency funding streams. Data sources include: (1) Offices of Inspector General audit and evaluation reports at the federal and state levels; (2) GAO reports assessing emergency fund implementation, internal controls, and compliance challenges; and (3) transcripts and written submissions from public testimony before legislative committees addressing FRF oversight, implementation delays, or questioned costs.

Case selection is purposive rather than representative. States and cases are included based on the presence of documented implementation challenges, not on fiscal magnitude or political salience. This strategy aligns with theory-building objectives, as the goal is to understand mechanisms of drift rather than estimate prevalence. Importantly, the study does not rely on hypothetical scenarios or constructed examples. All model components are grounded in documented administrative behavior that has already been subjected to formal oversight scrutiny. This grounding enhances the model's forensic credibility and relevance to audit practice.

Documentary analysis follows a structured protocol. Reports are coded for decision context, stated rationale, deviations from standard procedure, documentation quality, and oversight response. Particular attention is paid to sections describing "root causes," "management challenges," and "lessons learned," as these often reveal implicit governance assumptions. Public testimony is analyzed for narrative framing, especially where administrators justify deviations by invoking emergency conditions, capacity constraints, or statutory ambiguity.

Analytical Procedures

Analysis proceeds through iterative coding and synthesis. Initial open coding identifies descriptive elements such as timing pressures, staffing changes, and review modifications. These codes are then clustered into higher-order categories representing governance mechanisms rather than isolated events. For instance, multiple references to waived approvals, consolidated review functions, or post hoc documentation are grouped under broader constructs related to throughput modification. Throughout this process, analytic memos are used to track emerging relationships between pressure conditions and administrative responses.

The analysis explicitly avoids normative judgments about intent. Instead, it focuses on structural conditions and procedural adaptations that systematically increase compliance risk. This distinction is central to the forensic governance perspective adopted in this paper, which treats drift as an emergent property of system design under stress rather than as evidence of malfeasance.

The Forensic Governance Model

The core methodological output of this study is a process-based forensic governance model that tracks a funding decision through three analytically distinct stages: input/pre-decision pressure, throughput/drift mechanisms, and output/measurable indicators. Each stage corresponds to a different locus of risk and oversight intervention.

Input / Pre-Decision Pressure.

The model begins with the conditions under which a funding decision is initiated. Oversight documents consistently identify time compression, political signaling, and heightened public scrutiny as dominant features of crisis funding environments. These pressures alter administrators' perception of acceptable risk and redefine success in terms of speed and visibility rather than procedural robustness. The model treats these pressures as exogenous inputs that condition subsequent administrative behavior rather than as failures in themselves.

Throughput / Drift Mechanisms.

The central analytical contribution of the model lies in its identification of specific administrative levers through which compliance drift occurs. These include documentation shortcuts, such as substituting narrative explanations for formal eligibility analyses; expanded interpretations of allowable costs in the absence of contemporaneous guidance; delegation of decision authority to staff with limited training in federal grant compliance; and deliberate reduction or consolidation of internal review layers to accelerate obligation timelines. Importantly, these mechanisms are not random. They reflect rational adaptations to perceived constraints, yet cumulatively erode control integrity.

Output / Measurable Indicators.

The final stage of the model translates abstract drift mechanisms into observable indicators that can be monitored in real time. Suggested proxies include shifts in the ratio of narrative justification to standardized compliance documentation, unusually short intervals between fund receipt and obligation, downward adjustments in approval authority thresholds, and increased reliance on post-obligation corrective actions. These indicators are designed to be operationalizable within existing audit and monitoring systems, enabling early detection of drift without requiring proof of noncompliance.

Validation Strategy

Given the theory-building nature of this study, validation focuses on face and content validity rather than statistical generalization. Face validity is established through systematic alignment between model components and documented oversight findings. Each element of the model corresponds to patterns repeatedly identified in IG and GAO analyses, ensuring that the framework reflects observed administrative realities. Content validity is further strengthened through engagement with the broader governance literature on discretion, administrative burden, and crisis management.

In addition, the model is conceptually triangulated against practitioner-oriented guidance issued by oversight bodies themselves, which often recommend controls implicitly addressing the same mechanisms identified here. This alignment suggests that the model captures underlying governance dynamics recognized by experts, even when not formally theorized.

Collectively, this methodological approach produces a forensic governance model that is empirically grounded, theoretically coherent, and directly applicable to oversight practice. By rooting abstraction in documented administrative behavior, the study offers a structured means of understanding and mitigating compliance drift before it culminates in audit failure.

RESULTS

Overview of the Forensic Governance Model as an Empirical Output

The primary result of this study is the articulation and applied demonstration of a Forensic Governance Model designed to trace, diagnose, and categorize compliance drift in state-level Fiscal Recovery Fund (FRF) allocation decisions under administrative pressure. Rather than yielding conventional empirical “findings,” the results consist of a structured explanatory framework derived from oversight evidence and its application to representative implementation scenarios. The model operationalizes compliance drift as a processual phenomenon—observable through administrative behavior, documentation patterns, and control adaptations—rather than as an ex post determination of noncompliance.

Across the analyzed oversight materials, the model consistently explains why formally compliant systems produce audit vulnerabilities without overt rule-breaking. The results therefore demonstrate the model’s capacity to (1) reconstruct how risk accumulates within funding decisions, (2) differentiate among types of drift, and (3) generate graded risk profiles that support anticipatory governance rather than retrospective fault assignment.

The Forensic Governance Model: Structure and Components

The Forensic Governance Model is a three-stage process model that follows an allocation decision from initiation through obligation, identifying where pressure enters the system, how it is metabolized administratively, and what observable risk signals emerge. The model is designed for both analytic clarity and operational use.

Textual Representation of the Model Diagram

The model can be visualized as a left-to-right flow diagram with three vertically stacked layers:

1. Left Column – Pressure Inputs (Pre-Decision Environment):

- Statutory urgency
- Political signaling and executive directives
- Public and media scrutiny
- Capacity constraints (staffing, systems)

2. Center Column – Drift Mechanisms (Administrative Throughput):

- Documentation compression
- Interpretive expansion of allowable costs
- Delegation to less-experienced personnel
- Review-layer attenuation
- Retroactive rationalization

3. Right Column – Risk Outputs (Observable Indicators):

- Elevated questioned-cost exposure
- Audit findings citing insufficient support
- Control deficiencies and material weaknesses
- Reduced defensibility of allocation decisions

Arrows connecting each column are bidirectional, indicating feedback loops in which emerging risks reinforce pressure conditions, particularly under ongoing emergency response.

Pressure Inputs: Empirically Observed Pre-Decision Conditions

Analysis of IG and GAO reports reveals that FRF allocation decisions rarely begin in neutral administrative environments. The model's first component captures the empirically dominant pressures shaping decision framing before any expenditure occurs. Time compression emerges as the most consistent pressure input, driven by statutory obligation deadlines, executive commitments to rapid disbursement, and perceived political costs of delay. Oversight materials repeatedly document administrators equating speed with effectiveness, thereby recalibrating acceptable process rigor.

Political signaling constitutes a second pressure input. Executive announcements, legislative expectations, and public commitments often precede internal feasibility assessments, effectively locking administrators into predefined spending trajectories. In such contexts, needs assessments and eligibility analyses are performed after strategic direction is established, increasing the likelihood of justificatory rather than evaluative documentation.

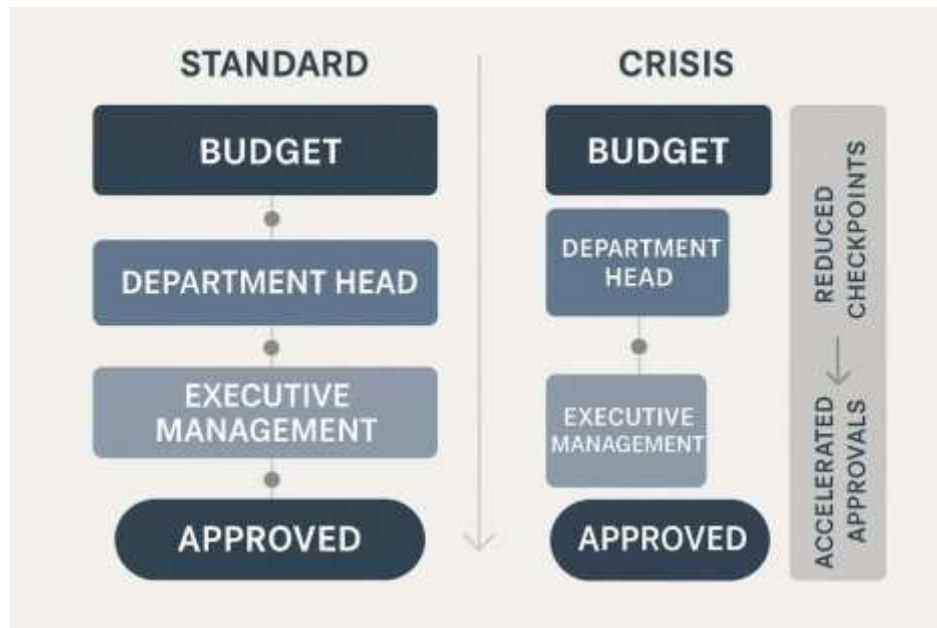


Figure: Compression of internal budget controls under emergency funding timelines.

Public scrutiny and media attention further intensify pressure, particularly in high-visibility program areas such as housing stabilization or small-business assistance. Finally, capacity constraints—stemming from staff turnover, remote operations, or reliance on contractors—limit the system’s ability to absorb pressure without procedural adaptation. The model treats these inputs not as governance failures but as predictable contextual conditions that shape downstream behavior.

Drift Mechanisms: Administrative Adaptations Under Pressure

The core analytical contribution of the model lies in its specification of drift mechanisms—administrative adaptations that mediate between pressure and outcome. These mechanisms are not inherently improper; they become problematic through accumulation and interaction.

Documentation Compression is the most frequently observed mechanism. Oversight reports consistently describe situations in which formal eligibility analyses, cost allowability determinations, or procurement justifications are replaced by narrative summaries, email approvals, or conclusory memos. The model identifies this as a shift from evidentiary documentation to interpretive narration, reducing audit verifiability.

Interpretive Expansion occurs when administrators broaden definitions of “allowable costs” or “public health response” in the absence of timely federal guidance. While often defensible individually, such expansions become drift when they are undocumented, inconsistently applied, or justified retroactively.

Delegation Drift reflects the reassignment of compliance-sensitive decisions to staff or contractors lacking sufficient training in federal grant requirements. Oversight findings frequently cite decentralized decision-making without corresponding control enhancements, increasing error rates without clear accountability.

Review-Layer Attenuation involves the removal or consolidation of internal approvals to accelerate obligation timelines. The model distinguishes this from outright control failure, emphasizing that drift arises when removed layers are not functionally replaced by alternative controls.

Retroactive Rationalization represents the terminal mechanism, in which documentation is produced after funds are obligated to align decisions with regulatory expectations. This mechanism is particularly salient in audit findings citing “after-the-fact support.”

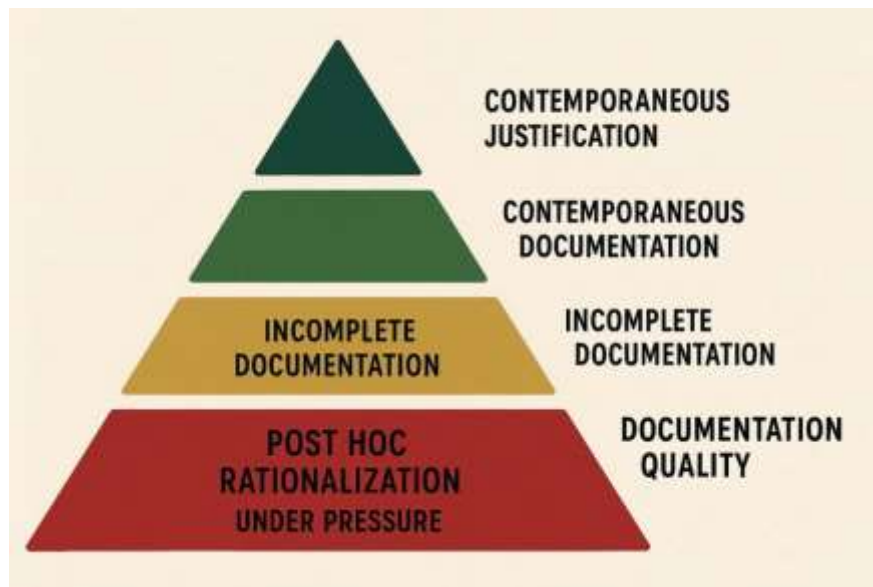


Figure: Patterns of documentation degradation associated with compliance drift.

Risk Outputs: Observable Indicators of Drift

The model’s third component translates abstract mechanisms into measurable outputs. Rather than binary compliance determinations, the model yields a spectrum of risk signals. Oversight materials repeatedly

reference increased questioned costs, adverse audit findings, and control deficiencies as downstream manifestations of earlier drift. Importantly, these outputs often appear months or years after the initial decision, obscuring causal pathways. The model re-links these outcomes to specific upstream adaptations, enabling forensic reconstruction.

Illustrative Case Applications

To demonstrate applied utility, the model was applied to synthesized, anonymized vignettes derived from recurring patterns in documented oversight cases.

Vignette 1: Accelerated Emergency Rental Assistance Procurement

In one synthesized case, a state agency rapidly procured vendor services to administer emergency rental assistance. Pressure inputs included gubernatorial directives for immediate deployment and intense media scrutiny regarding housing insecurity. The agency waived standard competition documentation, citing emergency authority. Applying the model, this decision exhibits **Documentation Drift** and **Review-Layer Attenuation**. While procurement authority existed, the absence of contemporaneous justification and reduced legal review generated elevated questioned-cost risk. The model's output classifies this decision as high procedural risk with moderate compliance exposure, rather than categorical noncompliance.

Vignette 2: County-Level FRF Re-Budgeting Without Updated Needs Assessment

A county reprogrammed FRF allocations from infrastructure to workforce development based on evolving economic conditions. However, the reallocation relied on outdated needs assessments and informal consultations rather than documented analysis. The model diagnoses **Interpretive Expansion** combined with **Documentation Compression**. Risk outputs include weakened defensibility and increased likelihood of audit findings citing insufficient support. The drift profile is moderate but cumulative, indicating vulnerability rather than failure.

Vignette 3: Delegated Subrecipient Monitoring

In a third vignette, subrecipient monitoring responsibilities were delegated to a contracted administrator due to staffing shortages. Oversight reports later identified inconsistent monitoring practices and delayed corrective actions. The model identifies **Delegation Drift** amplified by capacity constraints. Risk outputs include control deficiencies rather than questioned costs, illustrating the model's ability to differentiate risk types.

Model Outputs: Drift Typology and Risk Profiling

A central result of the model is its capacity to generate differentiated drift assessments. Rather than a pass/fail determination, the model produces a composite risk profile based on the interaction of drift types.

Theoretical Drift Typology Table (Textual Representation)

| Drift Type | Primary Indicators | Governance Risk |
|---------------------|--|---|
| Documentation Drift | Narrative justifications, missing eligibility analyses | Questioned costs; audit defensibility |
| Procedural Drift | Waived reviews, altered approval thresholds | Control deficiencies; process integrity |
| Delegation Drift | Decentralized authority without training | Error propagation; accountability gaps |
| Interpretive Drift | Expanded allowable-cost definitions | Regulatory challenge; policy misalignment |
| Temporal Drift | Post-obligation documentation | Retroactive noncompliance findings |

Each category corresponds to distinct oversight consequences, enabling targeted corrective action.

Synthesis of Results

Collectively, the results demonstrate that compliance drift is neither accidental nor malicious but structurally induced. The Forensic Governance Model successfully reconstructs how administrative systems absorb crisis pressure by modifying internal processes in ways that incrementally elevate risk. Its principal contribution lies in rendering these modifications visible and classifiable before they crystallize into audit failures. By generating graded drift profiles grounded in observable indicators, the model advances a more nuanced and operationally useful understanding of compliance in crisis funding environments.

DISCUSSION

This study set out to render analytically visible a phenomenon that practitioners, auditors, and oversight bodies have long sensed but rarely systematized: the gradual erosion of compliance integrity under crisis conditions. The forensic governance model developed here reframes state-level Fiscal Recovery Fund (FRF) allocation decisions not as a binary of compliant versus noncompliant actions, but as a dynamic process shaped by administrative pressure, institutional incentives, and constrained cognition. In doing so, it challenges prevailing audit narratives that implicitly individualize fault and instead advances a structural interpretation of compliance drift as a predictable outcome of emergency governance environments.

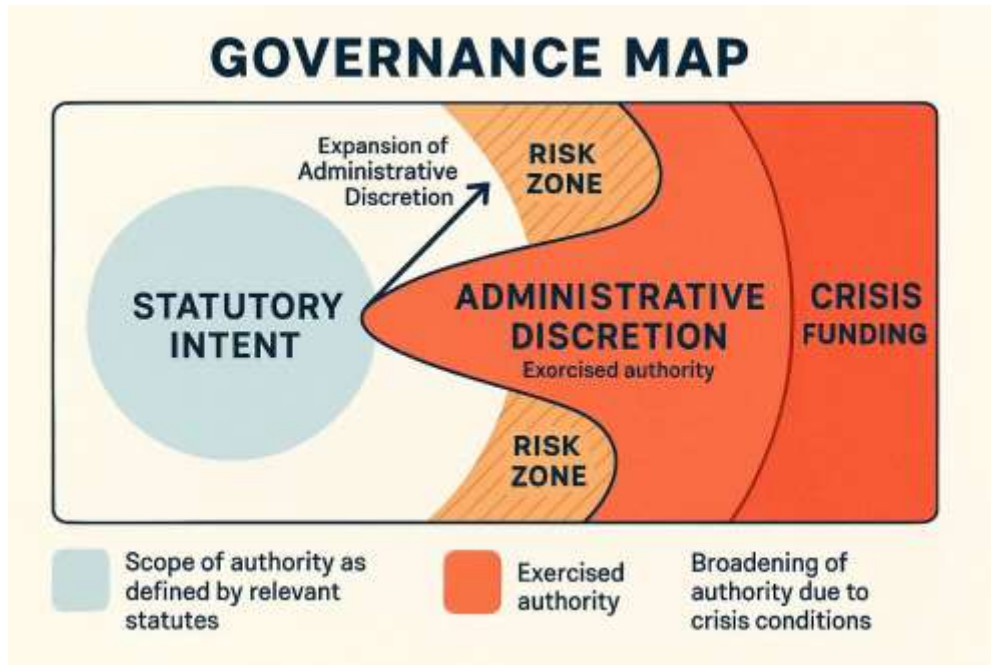


Figure: The Forensic Governance Model for tracking compliance drift in crisis funding.

Interpretation of the Model: Making Erosion Visible

At its core, the model demonstrates that compliance failures in crisis funding are rarely sudden or accidental. Rather, they emerge through incremental shifts in documentation rigor, justification thresholds, and internal review practices as agencies respond to compressed timelines, political urgency, and heightened expectations for rapid disbursement. What has traditionally appeared to auditors as a “gap” in documentation or an “unsupported” expenditure is, through this model, revealed as the downstream manifestation of earlier, often rational adaptations made under stress.

The model’s principal contribution lies in its ability to trace these adaptations across decision points, showing how provisional shortcuts gradually normalize into de facto standards. For example, when agencies rely on informal email approvals instead of formal memoranda during early emergency phases, this practice may initially be justified as temporary expediency. However, as the crisis persists, these provisional practices frequently persist beyond their original scope, resulting in a weakened evidentiary trail precisely when scrutiny intensifies. The model thus makes visible an erosion process that is otherwise obscured by the temporal distance between decision-making and audit review.

Importantly, this interpretation does not absolve agencies or individuals of responsibility. Rather, it reframes responsibility as distributed across systems of governance. Compliance drift, in this view, is not primarily a function of bad actors but of governance architectures that implicitly reward speed, political responsiveness, and fund absorption while underweighting contemporaneous compliance verification. By mapping where and how this imbalance occurs, the model enables a more precise attribution of risk and a more constructive path toward remediation.

Theoretical Implications: Bureaucratic Pathology and Institutional Drift

The findings contribute directly to the literature on bureaucratic pathology by empirically grounding abstract concepts of rule distortion and goal displacement within a fiscal governance context. Classic theories of bureaucratic behavior emphasize how organizations under pressure may reinterpret rules to preserve functionality. This model extends that insight by specifying the mechanisms through which such reinterpretation becomes institutionalized during crisis funding.

From an institutional theory perspective, the model operationalizes “drift” as a measurable governance phenomenon rather than a retrospective interpretive label. Drift here is not merely deviation from formal rules but a recalibration of internal norms about what constitutes sufficient compliance. These recalibrations are often tacit, embedded in routine practices, and reinforced through peer validation within crisis units. Over time, they reshape the organization’s compliance equilibrium, making later corrective action both politically and administratively costly.

The model also intersects with theories of public value conflict. Crisis funding programs such as the FRF are explicitly designed to advance competing public values: speed versus accountability, flexibility versus uniformity, and innovation versus legal certainty. Compliance drift can thus be understood as an endogenous response to unresolved value conflicts embedded in program design. When legislative frameworks emphasize rapid economic stabilization without commensurate guidance on documentation and internal controls, agencies are left to resolve these conflicts internally, often in ways that privilege visible outcomes over invisible safeguards.

By situating compliance drift within these theoretical frameworks, the model bridges a gap between normative governance theory and the empirical realities of fiscal administration. It demonstrates that drift is not an anomaly but a structural risk inherent in emergency public finance.

Practical Implications: From Diagnosis to Governance Design

For practitioners managing crisis funding, the model functions as a self-assessment dashboard rather than an external judgment tool. By identifying specific indicators—such as documentation latency, escalation

bypasses, and justification compression—administrators can assess their own exposure to drift in real time. This reframing is critical: compliance is no longer a retrospective audit outcome but an operational variable that can be actively managed. Agencies that adopt this perspective are better positioned to intervene early, recalibrating processes before erosion becomes entrenched.

For auditors and oversight professionals, the model provides a roadmap for targeted, real-time “oversight-in-process.” Traditional audit approaches often rely on post hoc sampling, which is ill-suited to detecting gradual erosion. The model instead suggests focal points for contemporaneous review, enabling auditors to prioritize high-risk decision nodes rather than attempting comprehensive after-the-fact reconstruction. This approach aligns with emerging practices in continuous auditing and enhances the deterrent and corrective functions of oversight without expanding audit scope indiscriminately.

For policymakers, the implications are more foundational. The model underscores the necessity of designing crisis funding legislation with compliance resilience in mind. This includes explicit statutory recognition of administrative pressure, mandatory minimum documentation standards that scale with expenditure size, and funding allocations earmarked for internal control capacity. Rather than viewing compliance requirements as constraints on agility, the model reframes them as stabilizers that preserve legitimacy and public trust under stress. Future emergency funding statutes that incorporate these principles are likely to reduce both audit failures and political backlash.

Limitations

Several limitations warrant acknowledgment. First, the model relies in part on honest self-reporting by agencies, particularly when used as a self-assessment tool. In environments characterized by fear of reprisal or reputational damage, there is a risk that indicators of drift will be understated. While external validation mechanisms can mitigate this risk, it cannot be eliminated entirely.

Second, the model may be perceived by practitioners as introducing bureaucratic drag during periods when speed is paramount. Although the model is designed to integrate into existing workflows, its effectiveness depends on organizational willingness to prioritize reflective governance amid crisis response. Resistance to perceived additional oversight is a nontrivial barrier.

Third, questions of generalizability remain. While the model is grounded in FRF-style fiscal recovery programs, different crisis types—such as public health emergencies or defense mobilizations—may exhibit distinct pressure profiles. The extent to which the model’s indicators capture drift in these contexts requires further empirical testing.

Future Research Directions

This study opens several avenues for future inquiry. First, there is a clear opportunity to develop a quantitative dashboard of drift indicators, translating the qualitative dimensions identified here into measurable metrics. Such a dashboard could support benchmarking across jurisdictions and enhance comparative oversight.

Second, in-depth comparative case studies of high-drift versus low-drift states would deepen understanding of contextual moderators, such as administrative culture, political leadership, and preexisting control capacity. These studies could refine the model's explanatory power and identify best practices for drift mitigation.

Third, experimental research offers a promising path forward. Simulated crisis environments could be used to test specific model interventions, such as alternative documentation protocols or escalation requirements, under controlled pressure conditions. Experimental evidence would strengthen causal claims and inform the design of more resilient compliance architectures.

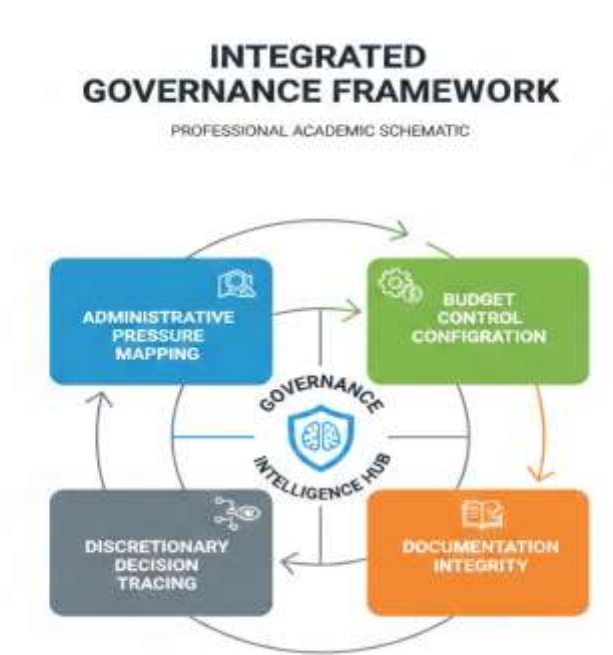


Figure: Resilient oversight architecture for preserving accountability under fire.

Concluding Synthesis

Taken together, the discussion affirms the central argument of this paper: compliance drift in crisis funding is neither accidental nor idiosyncratic. It is a structurally induced governance risk that can be anticipated, monitored, and mitigated. By making erosion visible, the forensic governance model advances both scholarly understanding and practical capacity, offering a path toward crisis funding systems that are not only fast and flexible, but also durable, accountable, and worthy of public trust.

CONCLUSION

This paper has argued that crisis conditions do not merely strain administrative capacity; they systematically induce compliance drift that threatens fiscal accountability and the long-term legitimacy of emergency programs. Under intense political urgency, compressed timelines, and incomplete guidance, compliance norms are subtly recalibrated. Documentation thresholds soften, internal challenge functions weaken, and discretionary judgments expand beyond their original risk tolerances. These shifts are rarely experienced by administrators as misconduct; rather, they are normalized as pragmatic adaptations to extraordinary circumstances. Yet, from a governance perspective, such adaptations accumulate into structural vulnerabilities, increasing audit exposure, obscuring decision rationales, and eroding public trust once emergency conditions subside.

The primary contribution of this research is the development of the Forensic Governance Model as a systematic framework for identifying, tracking, and mitigating compliance drift in crisis funding environments. Unlike conventional oversight approaches that intervene after funds have been expended and questioned, this model reconceptualizes oversight as an embedded, real-time governance function. By integrating administrative pressure mapping, documentation integrity indicators, and discretionary decision tracing into routine budgeting workflows, the model provides agencies with an anticipatory lens. It allows managers and oversight bodies to observe when compliance standards begin to shift, why those shifts occur, and how risk exposure evolves across funding cycles. In doing so, it bridges technical budget execution with broader theories of institutional resilience, bounded rationality, and adaptive governance under stress.

Critically, the model reframes compliance not as a static checklist but as a dynamic behavioral system shaped by incentives, narratives of urgency, and internal control design. This reframing is particularly salient for large-scale programs such as the Fiscal Recovery Funds, where statutory flexibility was intentionally granted but unevenly internalized across states and localities. The Forensic Governance Model offers a structured means to preserve that flexibility while constraining its most hazardous tendencies.

Looking forward, the imperative is clear. Crisis funding will recur, and administrative pressure will again test the limits of existing oversight architectures. Preserving accountability under fire requires moving

beyond episodic audits toward intelligent, resilient systems capable of governing discretion as it is exercised. The legitimacy of future emergency responses will depend not on the absence of error, but on the presence of governance frameworks designed to detect drift, discipline adaptation, and sustain public trust when it is most at risk.

REFERENCES

- Behn, R. D. (2001). *Rethinking democratic accountability*. Brookings Institution Press.
- Boin, A., 't Hart, P., Stern, E., & Sundelius, B. (2017). *The politics of crisis management: Public leadership under pressure* (2nd ed.). Cambridge University Press.
- Bovens, M. (2007). Analysing and assessing accountability: A conceptual framework. *European Law Journal*, 13(4), 447–468. <https://doi.org/10.1111/j.1468-0386.2007.00378.x>
- Cameron, A., & Whetten, D. A. (1981). Perceptions of organizational effectiveness over organizational life cycles. *Administrative Science Quarterly*, 26(4), 525–544. <https://doi.org/10.2307/2392348>
- DeLeon, P. (1999). The democratic ethos and public management. *Administration & Society*, 31(5), 539–559. <https://doi.org/10.1177/00953999922019063>
- Flyvbjerg, B. (2014). What you should know about megaprojects and why: An overview. *PM World Journal*, 3(2), 1–18.
- Gneezy, U., & Rustichini, A. (2000). A fine is a price. *Journal of Legal Studies*, 29(1), 1–17. <https://doi.org/10.1086/468061>
- Hood, C. (1991). A public management for all seasons? *Public Administration*, 69(1), 3–19. <https://doi.org/10.1111/j.1467-9299.1991.tb00779.x>
- Hood, C., & Dixon, R. (2015). *A government that worked better and cost less? Evaluating three decades of reform and change in UK central government*. Oxford University Press.
- Kettl, D. F. (2003). *Contingent coordination: Practical and theoretical puzzles for homeland security*. American Political Science Association.
- Kettl, D. F. (2020). The divisive state of emergency governance. *Public Administration Review*, 80(4), 593–597. <https://doi.org/10.1111/puar.13244>
- Moynihan, D. P. (2008). *The dynamics of performance management: Constructing information and reform*. Georgetown University Press.
- Moynihan, D. P. (2012). A theory of culture-switching: Leadership and red tape during hurricane Katrina. *Public Administration*, 90(4), 851–868. <https://doi.org/10.1111/j.1467-9299.2011.02008.x>
- O'Flynn, J. (2007). From new public management to public value. *Australian Journal of Public Administration*, 66(3), 353–366. <https://doi.org/10.1111/j.1467-8500.2007.00545.x>
- Power, M. (1997). *The audit society: Rituals of verification*. Oxford University Press.
- Power, M. (2004). The risk management of everything. *Journal of Risk Finance*, 5(3), 58–65. <https://doi.org/10.1108/15265940410536933>
- Rose-Ackerman, S., & Palifka, B. J. (2016). *Corruption and government: Causes, consequences, and reform* (2nd ed.). Cambridge University Press.
- Schick, A. (1998). Why most developing countries should not try new public management. *The World Bank Research Observer*, 13(1), 123–131. <https://doi.org/10.1093/wbro/13.1.123>
- Simon, H. A. (1997). *Administrative behavior: A study of decision-making processes in administrative organizations* (4th ed.). Free Press.

- Tetlock, P. E. (1992). The impact of accountability on judgment and choice. *Advances in Experimental Social Psychology*, 25, 331–376. [https://doi.org/10.1016/S0065-2601\(08\)60287-7](https://doi.org/10.1016/S0065-2601(08)60287-7)
- U.S. Government Accountability Office. (2023). Fiscal recovery funds: Opportunities exist to strengthen oversight and transparency. GAO.
- Wildavsky, A. (1986). Budgetary rigidities and the future of budgeting. *Public Administration Review*, 46(6), 517–526. <https://doi.org/10.2307/976223>