SHOW ME THE MONEY: IMPROVING THE TRANSPARENCY OF FEDERAL SPENDING

WEDNESDAY, JULY 18, 2012

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:31 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Joseph I. Lieberman, Chairman of the Committee, presiding.

Present: Senators Lieberman, Carper, Coburn, Johnson, and Portman.

OPENING STATEMENT OF CHAIRMAN LIEBERMAN

Chairman LIEBERMAN. Good morning, and welcome to this morning's hearing on improving transparency into how the Federal Government spends taxpayers' money.

Senator Warner, who is the first witness, is reported to be on his way according to his office.

Senator COBURN. Government Accountability Office (GAO) reports it.

Chairman LIEBERMAN. GAO are watching us all the time. So we will proceed with our opening statements. I want to welcome Senator Coburn, who is sitting in for Senator Collins as Ranking Member, but takes on this role because of his long-time active interest in the subject that we are here to talk about, which is transparency in how the Federal Government spends taxpayers' money—a issue which is definitely as old as our great Republic. And to validate that statement, I will read now from a letter that President Thomas Jefferson wrote to his Treasury Secretary in 1802. “We might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every Member of Congress and every man of any mind in the Union should be able to comprehend them, to investigate abuses, and consequently to control them.” A statement that has a timeless essence to it.

Of course, Federal spending in 1802 added up to about $11 million, and the national debt was about $80 million. For fiscal year 2012, we are going to spend more than $3 trillion, with a national debt closing in on an astounding $16 trillion.

Now, those numbers really do seem incomprehensible, but, of course, that makes it all the more important that Federal spending be publicly transparent so that, as Jefferson said, any citizen should be able to see where taxpayer dollars are being spent and help root out waste in the budget and alert not just elected officials
but friends, family, and the traditional media—even using new social media tools, like Facebook and Twitter—to spread the message. I mean, the government has become vastly larger, of course, but our technological capability has also become vastly better, and, therefore, the goal of transparency remains, in my opinion, attainable.

So this is the subject of today’s hearing: “Show Me the Money: Improving the Transparency of Federal Spending.” We are going to examine current efforts to make this kind of information available electronically.

In 2006, Senator Coburn and then-Senator Barack Obama—what ever happened to him? He is now President, of course. The two of them co-sponsored, and the Committee reported out the Federal Funding Accountability and Transparency Act (FFATA), and it became law.

This bill was a very important first step in improving the public’s ability to learn more about what the Federal Government was spending and a Web site called USASpending.gov whereby was created that could be used to track the trillion dollars the Federal Government awards annually in grants, contracts, and loans.

However, 6 years after passage of this Act, which became known as FFATA, the USASpending.gov Web site has not achieved Congress’ goals for it—and let me explain. The site itself has been found to be not as user friendly as it should be. The data is not stored in a consistent fashion, making it hard to draw comparisons between different data sets. And contractors are often listed under multiple names, making searches unreliable. But those problems do not diminish the validity and importance of the goal and purpose of USASpending.gov. And, therefore, we have asked our witnesses to provide an update on the current state of it and what improvements are either in the works or should be in the works.

Times have changed since the passage of that legislation, and we now have the opportunity to take advantage of another attempt to make government transparent through advanced technology, and that is with regard to the American Recovery and Reinvestment Act of 2009, which aimed to track the nearly half a trillion dollars spent on economic stimulus.

The Act created the Recovery Accountability and Transparency Board, an independent body to conduct oversight and audits of Recovery Act funds, which in turn created a public Web site of its own—Recovery.gov—which detailed who got the money and what they were doing with it.

Whatever one thinks of the Recovery Act, the Recovery.gov Web site has generally received high marks for its reliability, accessibility, and in some sense its simplicity, and obviously that gives us something more to build on as we go forward.

Then last April, the House of Representatives passed the Digital Accountability and Transparency Act (DATA Act), which would create a new five-member Commission, modeled after the Recovery Act’s Board, to act as the hub to collect spending data, set data standards, and analyze the information.

The goals of the bill, which include transparency of Federal spending and consistent data standards, are admirable, and I certainly support them. We have, perhaps not surprisingly, heard con-
cerns from some State and local officials about the cost of complying with the DATA Act and more generally a concern about the creation of another Federal entity.

Senator Warner has introduced a Senate version of the DATA Act, and it is the subject of this hearing, although we expect to hear testimony on the other matters I talked about earlier.

Given the difficult, to put it mildly, budget climate that we are going to face in the upcoming years, it is more important than ever that we keep Jefferson’s words from 1802 as our ideal and that we take advantage of modern technological means to improve transparency and accountability of Federal spending.

We have a really excellent group of witnesses here to help educate us. I look forward to their testimony, and now I am pleased to call on the Acting Ranking Member, Senator Coburn of Oklahoma.

OPENING STATEMENT OF SENATOR COBURN

Senator COBURN. Thank you, Mr. Chairman, and I welcome our witnesses and their testimony today.

The urgency of the problems before us cannot be overstated. I checked today—we are at $15.875 trillion in debt. The size of the Federal Government is twice the size it was 11 years ago. As a matter of fact, the deficit we will run this year is greater than our total budget was 16 years ago. And part of the problem is that there is only one agency in the Federal Government that actually knows all their programs, and that is the Department of Education.

When you ask the Congressional Research Service (CRS) or GAO how many programs there are, they cannot tell you. We did put in one of the debt limit bills a requirement for GAO to review all the government programs, and that is an ongoing process for which I appreciate immensely. But what it has shown us that we have hundreds of billions of dollars in duplication every year with no change in outcomes.

The great challenge before us today is to move politics out of the realm and put policy back supreme, not because it is good government and not because it makes sense, but because the greatest risk facing our Nation right now is our debt. It is greater than any military threat we face. It is greater than any other problem we face. And the fact is that the children born today will owe $53,000 each of money we have spent that they are going to have to pay back. And by the time they are 25, if we stay on the projected course we are now, it will be in excess of $1 million. And at historical interest rates, that means the first $55,000 they earn will go towards paying interest on the debt before they ever pay taxes, before they ever do anything. So the problem before us is great.

I must say two of my heroes are the GAO and CRS. They do immense service for our country. I agree with the Chairman that Recovery.gov was better than USASpending.gov. But what we were promised is when they set up Recovery.gov that they would take the lessons from Recovery.gov and utilize them to improve USASpending.gov. That has not happened. As a matter of fact, even the directions that have gone out from the Office of Management and Budget (OMB) to the agencies have not been enforced in terms of compliance with that.
The last thing we should do is create a third one, so the idea behind the DATA Act should be to make everything we are doing now consolidated, put together, responsive, available, and easy for the American people to know. The American people know what kind of trouble we are in. It is only Washington that does not know what kind of trouble we are in. And that is proven by the fact that we have spent an entire year not addressing the real problems in front of the country. We have spent an entire year playing politics for the next election, which is the problem. The politicians are more interested in their political careers than they are the best interests of this country, and it is proven by the fact of our performance this year.

So I look forward to our witnesses. This is something we can do. This is something that will make us better. It is something that will give us discipline, and it is something that we should not wait to do. And then we should put the whole resources of the Office of Management and Budget behind getting it done so that we can truly have transparency, so that when we steal from the American people dollars that are wasted, they can actually see it and change Washington on the basis of that.

I look forward to hearing from Senator Warner. He is a great friend. He is a great champion for addressing the real problems in front of our country. He understands this is part of the problem. And I look forward to hearing from our other witnesses, and I thank you, Mr. Chairman.

Chairman Lieberman. Thank you, Senator Coburn. I could not have offered a better introduction of Senator Mark Warner of Virginia, our friend and colleague, sponsor of the DATA Act, and a really principled and persistent advocate of transparency in spending.

Senator Coburn. May I also add, I am participating in a Finance Committee markup, so I will be in and out, and I apologize to our witnesses for that.

Chairman Lieberman. Not at all. Understood. Senators do have the unique capacity to be in two places at once.

Senator Warner, good morning.

TESTIMONY OF HON. MARK R. WARNER, 1 A U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator Warner. Good morning. Thank you, Mr. Chairman, Senator Coburn, and Senator Johnson. I would ask that my full statement be submitted for the record.

Chairman Lieberman. Without objection.

Senator Warner. I also want to apologize to the Committee. You have all had to endure at times stories from me of my glory days as governor. One of the things I was not able to put on my completed checklist was solving Northern Virginia's traffic, so I apologize for being a bit late.

Chairman Lieberman. You also lost those State troopers you used to have.


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1 The prepared statement of Senator Warner appears in the Appendix on page 41.
I think building on what Senator Coburn said, the title of today’s hearing could not be more perfect: “Show Me the Money.” It is a simple message that captures, I think, this important goal if we are going to get to the questions about debt and deficit, and all the Members of this Committee have been actively involved in this issue. You have to be able to follow the money.

As has been mentioned, as I think the Committee knows, I introduced the Digital Accountability Transparency Act last year, and that legislation passed the House in April. The primary goal of the DATA bill is to show us—both the taxpayers and the policymakers—the money.

Now, I have had some evolution in my thinking on the DATA bill over the last year, and I want to get to that in a moment. The legislation will, as Senator Coburn said, expand the financial information available online to include agency expenditures. It will identify better, I think, contracts and grants within the context of the programs and activities they support. Ultimately, I hope DATA, or whatever form it takes, can show us the full cycle of Federal spending.

Now, I may take exception with Senator Coburn. I think there have been areas where there have been some improvement, and this effort ought to not be trying to re-create the wheel but build upon what is working and what is not working within the Federal Government. A lot of this originated back with Senator Coburn and then-Senator Obama’s legislation in 2006, the Federal Funding Accountability and Transparency Act, as we mentioned. Then there was Recovery.gov that I think built upon that. And you are right, I do not think we have taken all the lessons of Recovery.gov. There were some areas where in terms of down the line contracts, some actual duplication of reporting, which we need to avoid as well. And, again, last year, President Obama established the Government Accountability and Transparency Board that I think is also a step in the right direction.

I think you are going to hear, particularly in the second panel, some folks from the Treasury Department where I do think there has been some good progress made.

With the enormous debt and deficit and the challenges that we have as we try to wrestle with this, those of us who want to try to put the long-term fiscal health of the country ahead of politics, our abilities are a bit undermined if you do not have transparency. If you do not have transparency, it feeds into the public’s distrust and cynicism of everything we do. It raises concerns about waste, fraud, and abuse in Federal spending. The public deserves to know how each Federal dollar is spent, and we have to try to make sure we use that information to make sure those dollars are spent more efficiently and effectively.

Now, I came to this issue with prior experience as a business guy and governor, and then on the Budget Task Force they gave me a little subcommittee to try to work on these issues. And it is why I am hoping that this Committee will act upon the legislation that I hope to reintroduce shortly.

This also will go to a question that I know the Chairman, Senator Coburn, and Senator Johnson all have concerns about: Program duplication. If you do not know how the money is being
spent, you are not going to be able to identify, with the exception of the good work that GAO has done, the amount of program duplication that, I agree, runs rampant throughout our whole Federal Government.

I also have done business and looked at business accounting. I have learned State government accounting. Trying to learn Federal Government accounting is an arcane art in itself, and trying to figure out how much any government program costs and the breakdown of expenses and trying to follow those expenses requires skill, and that should not be the case when we are having the kind of debt and deficit numbers that confront us.

For example, how can you really tell if we are getting good value for a program if we do not have a detailed explanation of the costs and the spend that goes about from that?

Now, the primary goal of the DATA legislation is to build upon the existing law to require that the full cycle of Federal spending be publicly disclosed in greater detail. And, again, I think this is a bipartisan goal that we can all embrace. How we accomplish this goal is to broaden debate.

I will admit that a year ago I believed we might need a new government entity to oversee transparency. My thinking has evolved on that issue. I do not think we need to simply create one more entity out there when we have already got existing entities that are supposed to work on that goal, and I think we have worked with your staff, Mr. Chairman, and others to try to refine the legislation to get this in a better spot. Let me go through three or four quick points and then allow you to move to the next panel.

First, I think we need to use existing technology to collect data. As I mentioned earlier, I think I have been impressed with technology being implemented at the Department of Treasury. The Treasury’s new Payment Information Repository could be expanded to consistently collect budget and accounting information that we are looking for. Connecting the transparency to the actual funds spent, essentially creating an online Quicken for the Federal Government checkbook, makes a lot of sense to me. It is the most accurate way, I think, to show us the money, and it does not require a whole new technology or whole new entity.

Second, we need to develop consistent data standards for this online checkbook so that the data can be compared across agencies. We have to be able to compare apples to apples, and this data standards issue, while fairly arcane, is one that we really need to dig into with the host of different financial accounting systems across our whole Federal Government. If you do not have some kind of standardized data accounting systems, you are never going to have that kind of comparison. If these standards are integrated into Treasury’s new data collection technology, we could get this data we need at a lower cost and building an entirely new approach.

Third, we must ensure that this data is accurate and easy to understand. Currently we see so many errors, as Senator Coburn mentioned, on USASpending.gov, and that is because there is no system in place to monitor the completeness and quality of this data. The inspectors general (IGs) and the GAO need to regularly
review this data every couple of years and maintain a scorecard for the quality and completeness of the data provided.

Fourth, even as we are designing financial data standards, we must also stop unnecessary or duplicative financial reporting. I have heard a number of concerns, as we had the first version of this legislation, that maybe it went a little too far. But when I heard from lots of State and local governments and universities about the burden of financial reporting that is already required, if we simply make information that is already reported, and broke down three or four different ways, that does not bring about any greater efficiency. It just adds unnecessary marginal costs to all of these transactions. So we must, again, make sure that this is focused and comes to ultimately a single source, but if part of the Federal Government has got that information, it should not need to be reported another way.

And the final point I will raise today is that we have to make sure this data is used. At times we get overwhelmed with the mass of information. We keep being additive to our reporting requirements. We never go back and subtract requirements that may have outlived their usefulness. And I think in this legislation we start down a framework to go about elimination as well as trying to consolidate.

The Executive Branch could use this data to proactively prevent waste, fraud, and abuse because it would allow more transparency and analysis before payments are made. Again, I think the Administration has taken a good step, and President Obama has set up a system with great potential in the “Do Not Pay List.” That is something that should be expanded. The taxpayers could use this information to better understand how Federal funds are distributed in their local communities.

Again, we have moved a great way in the year I have been digging into this and since we first introduced this legislation. I commend the House for their work. I think there may be a better product that we could introduce in the Senate. I look forward to reintroducing this legislation shortly. I would love to work with all the Members of this Committee on further ways that we might improve it. And echoing what the Chairman and the Ranking Member said, this ought to be something that even in the political “silly season” that we can get done. This will be enormous value to whoever takes the oath of office next year, and we ought to give the next President that tool, and we ought to make sure that we in Congress do our responsibility to make sure we are more able to monitor and eliminate the kind of duplication that we see that ends up costing us a great deal of trust with the public at large.

With that, Mr. Chairman, again, I thank you for the courtesy of allowing me to testify, and my apologies for being a little bit late.

Chairman LIEBERMAN. Not at all. Thanks for your thoughtful testimony, and we do look forward to working with you on this legislation.

Senator Coburn and Senator Johnson, any questions for Senator Warner?

Senator COBURN. I just would again like to thank Senator Warner. We are keenly interested in this, but we are also keenly inter-
ested in making sure it does not cost a whole lot more, and it should not.

Chairman LIEBERMAN. Right.

Senator COBURN. And from cybersecurity all the way down to data centers in the Federal Government, there is a lot of money to be saved if we do things right and smart by doing the right thing, not just trying to pound our chest and say we are right. So I congratulate you on this and look forward to working with you in detail to get this corrected.

Senator WARNER. Thank you, Senator. And I would just add two quick responses. One is I do think one area that we ought to continue to promote is having the Federal Government—and there are clearly security concerns—move more quickly into the cloud, which can dramatically cut back in terms of data centers. And I think you will find that this new version of the legislation is significantly—and I underline “significantly”—a lower cost burden than what was passed in the House. Again, part of that is because we do not need to re-create the wheel. If there are parts that are working and we build upon the good work that you and then-Senator Obama did, take some of the best practices from Recovery.gov, and——

Senator COBURN. And Treasury.

Senator WARNER. I think we can get it done.

Senator COBURN. Thank you.

Senator WARNER. Thank you.

Chairman LIEBERMAN. Thank you very much, Senator Warner. Have a good day.

We will call the second panel: Gene Dodaro, Comptroller General of the United States, and head of the U.S. Government Accountability Office; Daniel Werfel, Controller, Office of Federal Financial Management at OMB; and Richard Gregg, Fiscal Assistant Secretary at the U.S. Department of the Treasury.

Mr. Dodaro, welcome. You are, as Senator Coburn said, regarded very highly by this Committee, and I would say by most Members of Congress. Good morning.

TESTIMONY OF HON. EUGENE L. DODARO, 1 COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. DODARO. Good morning, Mr. Chairman, Senator Coburn, and Senator Johnson. It is a pleasure to be here this morning.

Before I start about the subject of today, though, given your impending retirement from the Senate, Senator Lieberman, I wanted to just take a minute on behalf of myself and all my colleagues at GAO to thank you for your years of dedicated service to our country. It has been a privilege to work with you on many initiatives to improve government. Please know that when you leave, you leave with the best wishes from myself and our organization. So thank you very much.

Chairman Lieberman. Thanks very much. That was very kind of you, and it has been a pleasure to work with you. And based on that opening remark, I am probably going to try to arrange for you

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1 The prepared statement of Mr. Dodaro appears in the Appendix on page 44.
to appear before the Committee at least three or four times more before the end of the year. [Laughter.]

Mr. Dodaro. Well, since I thought this might be my last appearance, I cannot guarantee it at every session. But with regard to today’s subject, it is a very important topic. We have been reviewing both USASpending.gov and Recovery.gov. We have statutory responsibilities to do that. And I think the USASpending.gov, as has been mentioned, including Senator Coburn’s sponsorship, was pioneering legislation. We took a good look at it and issued a report in 2010. We found OMB had stood up the Web site, and it was searchable, but there were a lot of quality, accuracy, and completeness issues. We took a sample of 100 awards back then and found a data problem with each of the 100, and in 70 percent of the cases, multiple data quality issues.

Also, some agencies at that point in time were not reporting, and OMB had missed a deadline for including sub-award data, which was set for January 2009.

Now, we made a number of recommendations. OMB has acted on some of the recommendations. Sub-award data is now available on the site. They have designated accountable officials at each of the departments and agencies, and they are to have a quality assurance framework in place. But we still think there ought to be more reporting by OMB on the usage of the site. The Act required an annual report, and only once has OMB issued that report to the Congress.

So we think there is more to do. The Committee has recently asked us to look again at the quality of the information on USASpending.gov, so we will be launching another review to do that carefully, and we will report back to the Committee.

Now, the Recovery Act introduced novel concepts in addition to those introduced by USASpending.gov in that it had the recipients of the information reporting the data; whereas USASpending.gov had the Federal agencies reporting the award data. And I must say the efforts were very impressive to stand that up within the 30-day period of time on a national scale with thousands of recipients receiving the money.

Not surprisingly, we did find, though, at early stages of it, data quality problems, and made a number of recommendations. OMB and the Recovery Board were quick to implement our recommendations. We had a very good working relationship with them. And the information began to improve. But there were some critical lessons learned out of that process that I think are really important.

There was two-way communication with the Federal Government and the State and local government community. Shortly after the Act was passed, actually a number of State officials sent a letter to myself and the Director of OMB at the time, Peter Orszag, about trying to have a working arrangement on the reporting requirements. So I talked to him. We set up weekly meetings with OMB, Treasury, and other stakeholders so that these issues could be discussed.

There was training provided to the recipients so they knew how to report, particularly those that had not reported previously to the Federal Government. And there was also, after a period of time, a need for the Federal agencies to review the quality of the informa-
tion being reported. In some cases early on recipients information conflicted with the Federal agencies’ information, and once Federal agencies started reviewing the quality of the data and there was ability to make changes to the data, the quality improved after that period of time. And, also, there were other lessons learned where the Federal agencies could actually pre-populate some of the information to reduce the burden on the recipients going forward.

So I think there are a lot of opportunities here to build upon the lessons learned from the Recovery Act and USASpending.gov to broaden the amount of information that is made available and the transparency of that information to the American public, to build upon both of those efforts, to learn from them, and to expand that so that there is more information made available in better formats that could be accessible to the American people and that a premium be placed on the quality and the reliability of the information. That is pivotal. We could make a lot of information available, but if it is not reliable and accurate, it does not really serve the American people well and it does not serve policymakers and other decisionmakers well. So we are going to be continuing to focus on the efforts to ensure the quality of the information.

I would say that legislation is absolutely essential here going forward, and I commend the House as well for starting the legislative ball rolling on this process. I say that for several reasons. I think it is really important to get consensus on what information is required to be reported. I think legislation is needed to ensure continuity over time; and that there are data standards that are set in place in order to make sure that the information is comparable and can be consistent over time; and that there is proper stakeholder involvement. I think there are legitimate issues on reporting burden that could be worked through appropriately so that this could be done in an efficient manner and that we could take advantage of the latest technology in order to not only be more efficient but also to allow for more searchability. I think some of the features of the Recovery.gov, particularly the geographic distribution of the information, were very helpful, and there are a lot of lessons that could be learned there.

So with the legislation that has moved through the House and new legislative initiatives in the Senate, hopefully something can be done here to provide a proper foundation for this going forward so it can be successful, done well, and be enduring over a period of time.

Thank you very much for your time and attention this morning. I would be happy to answer questions at the appropriate time.

Chairman Lieberman. Thank you, Mr. Dodaro. That is a good beginning.

Next we have Daniel Werfel, also known as “Danny.”

Mr. Werfel. That is right.

Chairman Lieberman. He is the Controller at the Office of Federal Financial Management at the OMB. Good morning and welcome, Mr. Werfel.
Mr. Werfel. Good morning, Chairman Lieberman, Senators Coburn, Johnson, and Carper. Thank you for the invitation to discuss Federal spending transparency and how the Federal Government can best provide important information to the public about how Federal dollars are spent.

In response to the President’s call for a 21st Century government that is both open and competent, this Administration has initiated substantial reforms and improvements in the three areas most critical to meeting this objective: Government accountability, performance, and transparency. In each of these areas, the partnership between the Administration and Congress—and this Committee in particular—has been critical to our success.

Improvements to performance achieved under the Government Performance and Results Act (GPRA) Modernization Act and to accountability under the Improper Payments Elimination and Recovery Act are inexorably linked to our focus today: Improving transparency in how Federal dollars are spent. By holding ourselves to a high standard in each of these areas, we allow program managers to focus on better outcomes and help overseers and the public hold agencies accountable for the government’s stewardship of Federal dollars.

The landmark Federal Funding Accountability and Transparency Act of 2006, sponsored by then-Senator Obama and Senator Coburn, dramatically changed the way we approach Federal spending transparency. Through the implementation of FFATA, as well as the bold transparency and accountability requirements included the Recovery Act, we have made marked progress in making Federal spending information publicly available by initiating web-enabled and user-friendly tools for tracking who receives awards and how they are used.

Our challenge now is to leverage these achievements in order to realize the President’s vision for a 21st Century that is open, high-performing, and accountable. And that means not just collecting and displaying more information, but focusing on better quality and more reliable information. Reliable, understandable, and consistent data is essential to creating a transparent government, and that is the primary focus of our efforts going forward.

We see two key ways to enhance the quality and reliability of our Federal spending data. The first is through better integration and reconciliation of data. To drive this effort, we are working closely with agencies and the audit community to integrate the quality assurance framework that is in place today for audited financial statements with Federal spending data and reporting.

For instance, OMB has developed a new Schedule of Spending that will include information in agencies’ annual audited financial statements about how dollars are spent. In addition, agencies and OMB are working together to shore up internal controls to create data that is internally consistent and externally understandable. We are providing enhanced validation tools for the data, providing

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1 The prepared statement of Mr. Werfel appears in the Appendix on page 59.
The prepared statement of Mr. Gregg appears in the Appendix on page 67.

Mr. GREGG. Chairman Lieberman, Ranking Member Coburn, and Members of the Committee, thank you for inviting me to discuss the Department of Treasury's initiatives to increase Federal financial transparency and accountability.

Each year, Treasury processes billions of financial transactions on behalf of Federal agencies, including payments, revenue and debt collections, and intra-governmental transfers. Over the past several years, Treasury has launched a number of initiatives to modernize its financial systems, improve transparency, and streamline its transaction execution and reporting processes.

Treasury makes 1 billion payments every year, and historically, Treasury's goal has been to make sure that every payment was

1The prepared statement of Mr. Gregg appears in the Appendix on page 67.
made accurately and on time, and that continues to be the goal. However, more recently, Treasury recognized that we need to make more payment information available to the public and have that information available quickly and presented in a way that is meaningful.

To achieve greater transparency, Treasury is developing a robust business intelligence and data analytics system. This new system, called the Payment Information Repository (PIR) will allow information from payment systems to be viewed and analyzed in a single application that consolidates data from all Federal spending, including grants, contracts, loans, and agency expenses, thereby increasing Federal payment transparency. The PIR payment transaction data can be linked to other government databases, such as USASpending.gov, to enable the public to follow a payment through the complete spending cycle—from appropriations to the time the payment is disbursed.

In support of this effort to streamline the payment process, we have already developed the Payment Automation Manager (PAM), which replaces over 30 mainframe-based software applications previously used by Treasury into a single, standardized application.

A key component of PAM is that it requires agencies for the first time to submit data in a standard format. Beginning in August of this year, agencies will be able to submit payment data along with the related appropriation data in this standard format, and all agencies will be required to use this new format no later than October 2014.

The flow of this information from PAM into the PIR will begin in the third quarter of 2013, and standard reports will be available to the public by July 2013, and more robust inquiries will be available by December. And we will keep building on this as we add more data elements.

This information will allow taxpayers, agencies, and policymakers to more easily track Federal spending. Users will be able to chart which areas of the country the government is spending the most on contracts, grants, benefit payments, and administrative spending. And Personally Identifiable Information will be highly protected and not available to the public, such as Social Security numbers.

Let me now turn quickly to accountability. Following the President’s June 2010 memorandum directing agencies to improve payment accuracy by using a “Do Not Pay List,” Treasury, in collaboration with OMB, began developing the “Do Not Pay” Business Center. The Business Center is comprised of the Do Not Pay Portal and the Data Analytics Service.

The portal is a one-stop shop for agencies to check several key databases to verify eligibility before making a payment or award. The Data Analytics Service provides customized analysis allowing agencies to compare program, payment, and vendor data with secondary sources to find patterns that might suggest fraud, waste, or abuse. In April 2012, the Do Not Pay Business Center developed a partnership with Treasury’s Financial Crimes Enforcement Network, or FinCEN. This partnership will leverage FinCEN’s investment in data analytics tools and their existing relationships with
the law enforcement community. I should add we are also working closely with our Inspector General in this area.

Treasury expects this financial accountability to increase even further with the release of OMB guidance that directs agencies to develop a plan for using a “centralized solution” to reduce improper payments. The Do Not Pay program is already assisting 27 programs in preventing improper payments, and this number continues to grow in response to OMB’s directive.

I would just like to say a word on data standards. Really, to achieve the transparency and accountability we all want, it is necessary to move forward on developing governmentwide standards. Data standardization or the consistent use of common formats and definitions for key data elements supports sound financial management and decisionmaking by improving the consistency and accuracy of the government’s financial data.

In addition to the payment modernization efforts I just mentioned, Treasury has in the past worked closely with OMB to implement a Common Government-wide Accounting Classification structure.

Treasury, OMB, the General Services Administration (GSA), and other agencies are moving, I would say with vigor, to bring more data standardization to financial management.

In conclusion, I would like to thank Senator Warner for his statement on the progress that is being made to increase data transparency. I also appreciate his statement on rethinking the DATA Act as a result of the progress we have made, and I would welcome any questions that the Committee might have on the DATA Act.

Chairman Lieberman. Thank you, Mr. Gregg. Thanks for the work that all of you are doing in this area.

We are going to have 7-minute rounds of questions. I am going to yield to Senator Coburn to go first because he has got a conflicting hearing before the Finance Committee.

Senator Coburn. I have to go right now.

Chairman Lieberman. See, I had the best of all worlds. I yielded to you and you yield back to me. Thanks, Senator Coburn. Come back soon. [Laughter.]

Senator Coburn has been a real leader in this regard, and I hope he is able to come back to ask some questions.

This is a hearing that is not just about the DATA Act, but that is the legislation that is before the Committee, so I appreciate what the witnesses have had to say about USASpending.gov and about Recovery.gov. But let me now ask each of you to give us some of your thoughts about the DATA Act, and let me just fill that out by saying, as you heard, Senator Warner said that he is responding to some of the feedback he has received already. The DATA Act in its initial iteration creates a new commission to serve as the central hub to collect spending data, set standards, and analyze spending information. I would ask you whether you think it is necessary to have that. It is pretty clear to me that Senator Warner is moving back from that.
We have also heard complaints from award recipients about the cost of complying, and, finally, I would say the other concern generally, which I also think Senator Warner in responding to, is the cost in the House bill to the Federal Government to set up the new procedures.

Those are all topics on which I would welcome your input, and, Mr. Dodaro, we will begin with you.

Mr. DODARO. First, I would say that when you look back on USASpending.gov and Recovery.gov, without legislation neither of those initiatives would have been started.

Chairman LIEBERMAN. That is an important point.

Mr. DODARO. In fact, I would underscore the point that legislative initiative in this regard has really led to the improvements that have been in place, along with the implementation, obviously, of the legislation. And one of the reasons, in my opinion, that Recovery.gov was more successful with data quality issues than USASpending.gov is Congress dedicated a group of people full-time to implementing that site. I think, off the top of my head—and I may be wrong—about $80 million was to go into developing that site. And the President selected a great person in Earl Devaney to lead that, and there were people dedicated on the Board, and they had staff, and so it was properly resourced. And with that dedication, they were able to achieve, I think, a better outcome.

So from a standpoint of why you need legislation and some dedicated resources, as I mentioned in my opening statement, there was a lot of dialogue with the State and local communities and the people who were reporting so that the reporting could ultimately be as efficient as possible. That needs to be embedded in the new legislation as well.

Now, the legislation that have been discussed this morning, the House bill, and the bill introduced in the Senate, have a lot of very good attributes. It expanded the information, because right now the award data on USASpending.gov just tells you how much was awarded. It does not really tell you how much has been spent, and what result was achieved out of that program. You have more of that type of information available on Recovery.gov.

So trying to have a broader range of information available of not only what was spent but what was received by the Federal Government and the benefit as a result of that and what the status of it is, is very important. The DATA Act sets up an advisory committee to have stakeholders and recipients, who are involved, discuss those issues. It emphasizes data standards, the importance of that and common data elements. And it emphasizes the use of technologies that need to be put in place in order to effectively display the information and make it searchable and usable, more user friendly by the public.

Now, how you achieve that and whether you need a new entity and whether you can use existing entities I think is a policy question appropriately resolved by the Congress. But I think at the end of the day there needs to be clear, dedicated resources to this project with clear milestones, and clear expectations that people can be held accountable for. If that does not happen and there is not a legislative framework for that, my belief is that everyone will
Chairman LIEBERMAN. That is very helpful. Thanks.

Mr. Werfel, what do you think of DATA?

Mr. WERFEL. Senator, I think I am going to respectfully disagree with a few of the points made by my colleague, although I think all of his perspectives are valuable and valid.

Let me start with the governance structure of this new commission in the House bill. Actually, before that, let me state that as a general matter—and I do not think it should be a surprise to anyone—that we fundamentally agree with the objective of greater transparency and the relentless pursuit of such transparency. The disagreements I am about to outline are in the strategy of how we get there.

The governance model in the DATA Act that passed, the House bill, has significant concerns and problems that we think would actually potentially diminish transparency overall to the government, and it has to do with the manner in which the commission is set up. It is set up as an independent commission. There is not, apparently, a way to disagree with that commission. There is no built-in mechanism, for example, for the Executive Branch to object or veto the standards in any way. In fact, it is very clear in the bill that Treasury and OMB must adopt whatever standards are issued by this commission and move forward with them. It is not clear how we give feedback into the mechanism.

It is also not clear in the bill how the public gives feedback. For example, it is not clear whether the decrees of this commission are rules under the Administrative Procedures Act or not, and, therefore, it is not clear whether these standards have to go out for public comment or not, or any kind of public vetting. If it was a Federal Advisory Committee Act (FACA) committee, for example, the meetings would be open to the public. It is not a FACA committee, so how the public gets engaged in the deliberations and the proposals is not clearly outlined.

In fact, there is language in the House bill that specifically exempts the commission from the Paperwork Reduction Act, which, as you know, establishes a period of time for notice and comment for information collection. So we see everything with this governance model going in the wrong direction in terms of public input, at least a lack of clarity that we think is needed.

We believe a critical lesson learned of the Recovery Act was that, when needed, OMB and Treasury rose to the occasion, initiated the types of data definitions, the types of regulations, and the types of input that was needed to be successful. And what the DATA Act essentially does is it positions OMB and Treasury to not be directly involved in those key decisions and brings a whole new entity, which is going to have to be completely staffed up with new sets of individuals. They are going to have their own lawyers, their own human resources department, all their own infrastructure, and we think that is missing a key lesson learned of the Recovery Act, is when given the opportunity, OMB, Treasury, and the Federal agencies can certainly deliver.
Let me make a point about the legislation itself, getting away from the governance structure, which obviously we think should be fixed and addressed in any bill going forward.

A concern that we have about new legislation in this area generally is we are currently executing on a series of different statutes. We are still executing on the Transparency Act that was enacted in 2006, and we are making progress. I mean, the world looks very different today than it did in 2005 before that bill was ever penned in terms of what is available. And that is a really important foundation of progress, and in no way has it, in my opinion been a failure. It has been a success in terms of if you look at the world in 2005 versus the world today.

We are not finished. We are still executing on that bill, and it has taken longer than we would have liked, but we are still executing. In the interim, other legislation has been enacted that is related and impacts our work, including the GPRA Modernization Act, which is a very recently enacted bill, and the Improper Payments Elimination and Recovery Act (IPERA), which also relates to more transparency on payments, this time on where our payments are improper. And the question that we have to ask is: How will new legislation impact these efforts? Does it enhance and reinforce what I think we all can agree are important objectives? Or does it move us in new directions that would require us to have some costs in terms of the investments and the training that we have already made? Are our systems that we have been building up over time to address the Transparency Act now going to have to be re-engineered once again for a new nuanced set of requirements and standards? And if so, we need to have a real compelling case for why these additional data elements or additional changes are important because they could necessitate a diversion of resources from where we are currently executing against a set of statutes.

So from our bottom-line perspective, we prefer an approach where we are targeting a particular problem that has occurred. So if we look at the landscape of what is going on in terms of the Federal Government’s execution of USASpending.gov, Recovery.gov, and Performance.gov through the GPRA Modernization Act, and PaymentAccuracy.gov through IPERA—as we are doing all those things, can we identify specific problems that are occurring and figuring out what the specific legislative solution that is needed versus a DATA Act approach, which is really wiping the slate clean and saying we are starting over with a whole new set of standards and requirements that are global throughout government, which architecturally, if you draw it up, might make sense, but it is very expensive, and I worry that we will lose a lot of time in tackling the specific challenges we have right now while we rebuild this building from the foundation.

Chairman LIEBERMAN. I apologize, Mr. Gregg, because I am way over my time, so I am going to yield to Senator Johnson, and then we will come back with a second round.

Senator Johnson.

OPENING STATEMENT OF SENATOR JOHNSON

Senator JOHNSON. Thank you, Mr. Chairman, and I want to thank the witnesses for your time and testimony.
Senator Warner’s testimony basically talked about the goal of his bill was to basically show the taxpayer the money. And I want to come at this from a slightly different perspective, from an agency head, a manager, the kind of position I am in here is now as a new Senator.

How do you manage this $3.8 trillion a year beast? And so we are talking about information, and we are talking about how to utilize the information to manage things.

As a new agency head, what would be the No. 1 complaint a new agency head would come into the agency with in terms of trying to get information to effectively manage their agency? I would like to start with Mr. Dodaro.

Mr. DODARO. I think, first of all, it is getting timely, accurate information. Years ago, before the passage of the Chief Financial Officers Act, there was not a reliable set of financial statements that somebody could look at. If you were a new head of an agency, you would want to know what the resources were——

Senator JOHNSON. How long ago was that?

Mr. DODARO. That act effectively required in 1996—for the first time, after 200 years of operating our government—that there be financial statements prepared and independent audits made across the 24 largest departments and agencies, and then the governmentwide consolidated financial statements were required beginning in fiscal year 1997.

Now, most of the individual agencies now have audited financial statements that receive unqualified opinions except for the Department of Defense and Homeland Security, and we have not yet been able to give an opinion on the government’s consolidated statements.

Senator JOHNSON. So up until 1996, agency heads did not have accurate or timely financial information, by and large?

Mr. DODARO. Not that was independently validated by anyone, and there is still difficulty getting timely information.

Now, things are a lot better than they were before this started, so I do not want to imply that there has not been great progress made during that period of time. But that is still a challenge, particularly in some departments and agencies that are large departments and agencies like the Department of Defense and the Department of Homeland Security that have not passed that test yet.

Senator JOHNSON. Would both of you agree with that, or do you have a different perspective on that?

Mr. WERFEL. I agree. I had the benefit of meeting and having first impressions from all the new Chief Financial Officers (CFOs) that came into government at the beginning of this Administration, and one of the reflections we learned in the first 100 days from those CFOs was a sense of how much data is available within their agency, just enormous quantities of data.

Senator JOHNSON. But no information.

Mr. WERFEL. There is no way to basically pull that information in a cost-effective way into presentations and business intelligence that can allow them to make the decision. As Mr. Dodaro was describing, we have built a very robust framework for audited financial statements that is pulling a lot of this data into balance sheets and income statements. And, unfortunately, the way it is working
out is those statements, while they are important in a corporate environment, are not necessarily driving to clear decisions. We do not have Deputy Secretaries reading balance sheets and saying, “Aha, this is how I am going to make a smarter decision.”

So the issue is how do we pull that information into more user-friendly financial reports and program reports. To me that is the No. 1 challenge. And there have been pockets of success across government, but it is not systemic across government, and that is what we really need to do.

Senator JOHNSON. Mr. Gregg, what is your perspective?

Mr. GREGG. I agree with my colleagues. The only thing I would add is that maybe not at the Secretary level but at the Deputy Secretary level, not having any real full cost accounting for programs. By and large, many programs do not know what the real cost, the full cost of the program is. We have lived so long in a budget world that being able to make judgments on whether to spend more money in one area or another and what the return on it is, is not something the Federal Government, I think, generally does very well.

Senator JOHNSON. Coming from a business background, with the age of mini computers and micro—I mean, this is actually pretty easy stuff from a business standpoint. How many different accounting systems do we have in the Federal Government? Just a clue, off the top of your head, is it——

Mr. GREGG. There are hundreds.

Mr. WERFEL. There are a lot, particularly at the Defense Department, hundreds of systems just within the Defense Department. This is part of our challenge, and over the last decade, we have worked to consolidate those financial systems into centers of excellence or shared service providers. But a lot more work is needed.

Senator JOHNSON. You can have different modular systems at the lower level, and then as we bring the information up to summary level, do we have common templates? Do we have common systems from that standpoint? I would tell you, as a new Senator, it drives me nuts. I am an accountant. It drives me nuts that I cannot get information.

Mr. GREGG. It depends. Mr. Werfel mentioned centers of excellence. There is an Administrative Resource Center that Public Debt, one of the Treasury offices, has that services for accounting and some other functions for 60 or 70 government agencies, and they have followed the credo of everyone has to come in and use the same format. They are not going to specially design a basic accounting system for agency X or Y. And so they have been able to keep their costs down. They are very effective at what they do. I think to me that is the model that we need to expand across government on how we do accounting and other basic services.

Senator JOHNSON. Mr. Dodaro.

Mr. DODARO. Senator, we have a twin problem here that is very much impeding the ability to make effective decisions. On the one hand, you have this problem that Mr. Gregg and Mr. Werfel are outlining in terms of the accuracy and timely information on costs. Additionally, in the work we have been doing on overlap and duplication among Federal programs, what struck me is how few programs have effectiveness studies done. So you not only do not know
the cost, but you also do not know the effectiveness of many of these programs’ activities. And lacking those fundamental building blocks, it is difficult to make decisions, and to make things more effective. So both of those areas are in need of attention.

Senator Johnson. Well, I was going to go exactly to that point in terms of basic metrics. When we start talking about duplicated programs, how do you evaluate those things so that you can actually manage? And then the next step would be: How do you, as Senator Warner was talking about—everything is additive in this town. Let us pass a new bill. What about subtracting? What is the process? Do we need legislation, do we need a specific process to start eliminating things that are obsolete, that are not effective?

Mr. Dodaro. We have pointed out many areas that try to point the Congress in the direction of where there is a lot of overlap and fragmentation, which are real indicative indicators of duplication, and some areas where we found duplication. So we have provided a pretty effective road map to dig in, and then I think the burden should be on the agencies to demonstrate the value of those programs and why those programs are unique based upon looking at other programs and why they could not be consolidated. At a minimum, you could save a lot of administrative savings and in many cases use the program dollars more effectively.

Senator Johnson. Thank you.

Mr. Gregg. Senator, if I might just add one quick comment, I think my own view is that there are many opportunities to consolidate. In the office that I run, we are in the process of consolidating two bureaus—the Bureau of Public Debt and the Financial Management Service. And both of those are well-performing organizations, but when we looked at it, we said there is a lot of overlap in accounting, there is overlap in administrative areas, and there is overlap in information technology (IT). And we are going to have, I think, tremendous benefits from the speed with which we can deliver services and cost reductions. So I think the opportunities are there.

Senator Johnson. Thank you.

Chairman Lieberman. Thanks.

Senator Coburn, welcome back. It is all yours.

Senator Coburn. Thank you, sir.

First of all, let me congratulate the Treasury Department and Secretary Tim Geithner for what you all have done. It is phenomenal. I think you are making progress, probably better than anywhere else that we are in the Federal Government.

To go back to some of what Senator Johnson was talking about, the GAO has given us tons of information on duplication, and they have written glaring reports that there is no measurement of what you are accomplishing. One of their first reports to come out 2 years ago showed we had 47 job training programs; all but three of them overlap. But we discovered 3 weeks ago that there is another 45 job training programs for disabled. We spend $27 billion a year, and we have no metric on any program whatsoever.

Now, I want to contrast that with you to the Division of Library Sciences and Museums, the most well run agency in the Federal Government. There is not a grant that they issue that does not have a metric on it. There is not a time they issue a grant that
they do not go and check and audit the grant while it is in process. And if they are violating the deal of the grant, they withdraw the grant.

Now, that is not hard. If every agency would follow what they are doing, we would save hundreds of billions of dollars.

So the frustration is what we hear in Washington is why we cannot change this, and those reasons have us bankrupt. I mean, we are literally bankrupt. If you think about the generally accepted accounting principles in this country, if you were to use them, we have somewhere between $113 and $131 trillion worth of unfunded liabilities, plus $16 trillion worth of debt.

Time is of the essence for us. And it does not matter which Administration. Whether it is Republican or Democrat, it does not matter who controls Congress. We have fallen down on the job of demanding accountability and transparency. And, Mr. Werfel, you have been a hero of mine in OMB all the time I have been here. You slave every day to try to fix these problems. But you need some help from Congress, and we have not given it to you.

I once had a reporter tell me—I look at the press table over there, and it is essentially almost empty. I had a reporter tell me nobody in the country cares about waste, fraud, and abuse. I want to tell you, how many people do you think in America care about waste, fraud, and abuse right now? Tons. Of the 8.2 percent that are unemployed and the 15 percent that are unemployed and underemployed, they care about the waste, fraud, and abuse. And there is anywhere from $250 to $350 billion worth of stuff that is just junk. A good portion of it is in the Pentagon. We have all the Republicans saying you cannot cut the Pentagon, but everywhere you go and you ask somebody that works in the Pentagon, can you cut money, they say yes.

So it does not compute, and nobody is any more frustrated than Senator Johnson, but I am a pretty close second.

Mr. Werfel, I was really excited to hear what you said. Have you mandated that each agency will give you a list of the government programs? Because I could not get the Senate to vote for that. The Senate turned down a proposal to require an agency actually to know the programs that they have. They voted it down. Now, have you mandated that?

Mr. WERFEL. Yes, we are on track. We are going to be able to deliver that.

Senator COBURN. When are we going to see that?

Mr. WERFEL. Well, probably some time in the fall. We work with the Department of Commerce and the Department of Education—the Department of Education, an agency that could do it; the Department of Commerce, an agency that could not—and try to figure out where the gaps are. And in the coming weeks, we are going to be issuing guidance based on that learning to the agencies to make sure that we hit this time frame where we can deliver this comprehensive program inventory.

It is not only important to signal that we know where our money is going. One of the major lessons learned of where we are in transparency is that we do have a lack of standardization. We cannot give you a program list today, but, for example, we could give you a list of every dollar that goes out the government by Treasury ac-
count symbol, which is how our accounting is set up. The reason why we have 23 agencies with an audit opinion today is because we developed systems. So we can take these accounts and give them to you.

The question is: Can we translate that into the program list? And that is the difference between starting over again and redoing all those Treasury accounts, which we think would be expensive, versus leveraging technology that exists today that is better than it has ever been and taking these different types of data lines, translating them, and structuring a framework around them. And that is where the “can” is. The “can” is not going back and re-plowing the earth and changing every account that we have, because that is expensive. The “can” is leveraging technology to pull together unstructured data in ways that we could not do 10 years ago, and that is the direction we are taking.

Senator COBURN. I sure hope you plan on staying at OMB.

The other thing that we have that Mr. Dodaro has put forward for us is the fact of duplications. I guess the third report will be coming this next February—finally, I think, whether the rest of the government does or not, the GAO will have a handle on where we are.

I want to tell you a story. I am not going to tell you which committees, but in the past year, we have had bills offered in committees that are identical to laws that we are already doing. And I very quietly went to the Senator and said, “Has your staff checked out this?” And, of course, they were spared embarrassment, they did not offer the bills, but the fact is the Senate also voted down a requirement for CRS to tell us if we are already doing something about which we are getting ready to vote on.

So the problem is competency in Congress. It is competency in Congress. And we do not have one problem in front of us we cannot solve. You would not still be there if you did not think we could solve these problems. The question is: Where is the leadership to get it done? And I am talking Republican and Democrat alike. And we need to give you the tools, and we need to empower you to make the changes.

The problem in the Pentagon right now is they are going to a lot of off-the-shelf programs, but then they are spending cost-plus contracts trying to make those off-the-shelf programs fit into old systems. And they are never going to make their 2017 accounting deadline if they continue to do it the way they are doing it. So there is just no leadership in terms of accomplishing the things.

Do you think that if you were to compare USASpending.gov and Recovery.gov, there is no question Recovery.gov is a better system, correct?

Mr. DODARO. I think in terms of what we have seen both from accuracy and searchability, I would say yes. But that does not mean that USASpending.gov should not be built upon as well.

Senator COBURN. No.

Mr. DODARO. OK.

Senator COBURN. The point I am wanting to make is you had real leadership to get the Recovery.gov up. Somebody took ownership of that, and somebody implemented it. Like you said, you were meeting once a week.
Mr. DODARO. Right.

Senator COBURN. In other words, action was applied to the real problem, not the symptoms of the problem, and we actually got something done. And that is what the American people need to know.

Mr. DODARO. I agree with you, Senator. In fact, when you had to step away, I made that very point to Senator Lieberman, that that was one of the reasons why Recovery.gov was effective, is we set a leadership structure, we dedicated some resources to it, and we selected good people to go in there and implement it, and they did a good job.

Senator COBURN. So here are some positive things that are happening in the government today you all are telling us about—Treasury, what Mr. Werfel is doing, and what you are doing at GAO—and we have no press covering this. So no wonder we look like buffoons to the American public. It is because we pick and choose what is important to the American public when, in fact, this is the core that is going to change the outcome for our kids and our grandkids, getting a handle on all of this.

Enough with my statements, Mr. Chairman. I yield back.

Chairman LIEBERMAN. Thank you, Senator Coburn. I agree with your statements, and I hope we can continue to try to realize them in some ways.

Senator Portman, welcome. You bring a lot of personal experience in these areas to this hearing, and I thank you for being here.

OPENING STATEMENT OF SENATOR PORTMAN

Senator PORTMAN. Thank you, Chairman Lieberman, and thanks for holding this hearing. And as my colleague just said, this may not be the most exciting topic, financial transparency, judging from some of the media coverage. But what could be more important, and particularly at a time when we have a $16 trillion debt and, as Senator Coburn said, really tens of trillions of dollars in unfunded obligations beyond that?

I wanted to come here in part to thank Senator Coburn and to thank Mr. Werfel, because when I was at OMB, Senator Coburn worked on some legislation that I was able to support and then help implement, and Mr. Werfel was the one I turned to to help put it in place, so Mr. Werfel, thank you for the hard work you did when I was working with you and what you continue to do. You were Deputy Controller at the time. And as you recall, we launched this effort which we called FederalSpending.gov, in January 2007, on a real shoestring budget. We did not have any money basically to do it. As I recall, we had to go into some existing accounts to try to put something together. We had an interagency group that helped us. We actually used an outside watchdog’s platform for the Web site because we did not have the resources to do it internally. And that was the original database, and then after that the Web site platform became more sophisticated with USASpending.gov.

But it is a critical accountability tool. I strongly support it. I have some concerns about some of the data, and that is what I want to focus on today, is how can we be sure that this data really is coming from the agencies in a way that is useful, that is accurate.
GAO did a study in 2010, as you know, that said that out of a sample of 100 awards from the site—and, remember, this is putting all grants and contracts online for folks that do not follow this closely. But out of 100 awards they looked at, each one had at least one data error in the required field. And I know since then OMB has taken some steps to improve the data quality, though my understanding is there are still some serious concerns about standardization of data and just quality of the data.

The memo that OMB put out in April 2010 requires incremental improvement from each agency, culminating in 100 percent of awards being reported on time, completely and accurately by the fourth quarter of fiscal year 2011. So I would ask you, Mr. Werfel, have all the major agencies submitted a plan to improve the quality of their data? And can you comment on their progress in adhering to the data quality framework you laid out and, more broadly, the approach OMB is currently taking to track and evaluating that data, in other words, the auditing and the follow-through on the performance of each agency?

Mr. Werfel. Absolutely, Senator Portman. Thank you. And let me just say it is an honor and a first for me to be able to testify before a former boss of mine, and I continue to be blessed by my experience in my career in the Federal Government and serving the Federal Government.

We do have the data quality plans from the agencies, and they reveal a tremendous amount of difference that each agency has used to approach the problem. As an example, I think the Education Department is doing it right. They are looking to integrate the spend file that they are sending out to USASpending.gov back to their core accounting system, which is the audited and trusted source of their financial information. That is not an easy thing to do, as we have been discussing, because the information that is in our core accounting system is aligned by certain account structures that just does not translate to a program recipient, how much money went out for this award on December 1, 2010. We have trouble translating those two databases. But the Department of Education has figured it out, and we are going to try to figure it out across government.

There are a couple of things we need to do—and they are in various stages of development—leading to increased reliability of the information. The first is we have to get a better handle on what our control totals are. So if you go to USASpending.gov right now and it tells you that the Department of Energy issued $1 million worth of awards in the month of April, how do we know that is a full and complete list? We have to be able to take and tie it back to the audited, trusted source that is our core accounting system.

How do we do that? Well, there are some details in terms of linking data, but for us, the most important thing we can do is bring the power of the audit framework to bear in terms of that accountability. When you were Director, we were making progress and we have continued that progress in getting the number of agencies that have clean audit opinions for their traditional financial statements.

Why has that been so successful? It is because you have the pressure of the independent audit looking over your shoulder and say-
ing, “Did you pass the test or not?” We do not have that for the USASpending.gov file. There is no auditor, there is no moment of truth where the auditor says you pass, you fail.

So how do we bring those two things together? OMB has developed something called the “Statement of Spend.” It is a new financial statement. It does not exist. We have five basic financial statements in the Federal Government. We think we need six. The Statement of Spend would need to be audited, the auditor would only pass it if the underlying information is trustworthy and reliable. And so what we are trying to do and what we think is one of the most important things we can do is integrate this very powerful and robust audited financial statement with the independent mechanism with the spend file delivery that is going to USA-Spending.gov which does not have that audit framework. I really think that could be a game changer, and that is why we have been piloting the Statement of Spend for the past few years. This year, for the first time, every agency will do a Statement of Spend, and so we are moving down a path where I think we are going to get more audit accountability and, therefore, more reliability.

Senator PORTMAN. Mr. Werfel, GAO seems to be saying that you all have backed off a little bit after 2010 on your analysis of the thoroughness of the data, accuracy of data, the auditing function. Is that because you are going down this Statement of Spend track instead? Has OMB backed off? Are they inaccurate about that? And then the final question I have—and I see my time is expiring—is about resources. As you know from working with me, I am one of those skinflints, and I am the last guy to talk about spending more Federal money. On the other hand, we have probably spent, since 2006, on this whole project $14 or $15 million. Compare that to what has been spent on the stimulus alone, the auditing there, I think it is about $84 million, if I am not mistaken. To me, this is a critical area because we are going to save a lot of money if we do this right.

So those are my two questions. One, have you backed off on some of this auditing and evaluation of the thoroughness of the data? And have you done it because you are going down another track to set up essentially a new measurement, a new metric that you think will be more effective in holding people’s feet to the fire? And are the Inspectors General involved in that as well? Because that is something that we always tried, to get the IGs more involved to provide some of that action forcing and accountability within the agencies. And then, finally if you could just comment on the resource front. Are we doing this on a shoestring because it does not fit well into any other area? And, in effect, are we, therefore, not taking advantage of some of the cost savings we could get if we did it in a more expedited and comprehensive way?

Mr. WERFEL. Senator I will start with your first question about whether we are backing off. We are certainly not backing off. I mentioned earlier that we see a lot of heterogeneity in what agencies are doing. Accordingly, we had to make a strategic judgment call in terms layering on top of that heterogeneity a data metrics framework that we anticipated would not provide good information to rely on, and we did not want to do it just to do it. We wanted to make sure that we were doing it right. So we took it in different
segments. In particular, in the contracting realm, we saw a much bigger opportunity to apply a more robust set of metrics and requirements than we did in all other awards, and that is a credit to the Federal Acquisition Regulatory Council, the Chief Acquisition Council, and all the work that has been happening within acquisition to drive standardizations.

So we are in a place right now where we have a robust set of tools in place to evaluate the reliability of the contract information on USASpending.gov. We actually recently just shared a report with GAO staff on some of the metrics, and GAO's staff reaction was, "Why is this not public?" And it is a really good point. So we committed to putting it online in the very near future.

Senator PORTMAN. That has been part of their concern.

Mr. WERFEL. Yes.

Senator PORTMAN. There has not been public data on the follow-through.

Mr. WERFEL. Yes, and it was a very good point. And so we are going to move that into the public sphere. But they also raise a good point that we do not have similar metrics in grants and other types of awards that show up on USASpending.gov. But for us, it is kind of like building towards success rather than doing everything at once.

For example, Recovery.gov and the whole recovery framework had many successful elements to it that now we want to build into USASpending.gov. We have to try to figure out which are some of the first segments of that success to build in.

On your question on resources, it is absolutely true, as I think one of the reasons I have survived at OMB so long is because I am one of the most frugal people I know, and I fit in there like a glove. I am proud, that for a long time in my office the lamp still said, "Bureau of the Budget" on it. That is how old it was—and I did not need a new lamp. And that frugality makes it hard for me to ever say that we need more money. But in this situation, in particular USASpending.gov is financed through the E-Government fund. I think we asked for $32 million for the E-Government fund. I think we received in the range of $2 to $4 million, which really hampers the ability to make enhancements to USASpending.gov to make it more user friendly, to use some of the geospatialing that would enable citizens to understand where the money is going in their neighborhoods more effectively, but also to put in the quality control mechanisms that Recovery.gov has to make sure that we are not making errors. For example, you cannot submit information if it bounces up against a mistake and we are not going to let you submit that information. We have not been able to initiate that in USASpending.gov in large measure because of budget issues. If it is a smaller amount of money that is necessary than the $32 million, let us sit down and roll up our sleeves and figure out what the right amount of money is. But we certainly need a resource boost in this area to make some progress.

Senator PORTMAN. Thank you. And, Mr. Chairman, sorry to take so much time. Again, just to say at the outset, I mentioned Senator Coburn. Sometimes things do get done around here, and when I was at OMB, Senator Coburn and I had some very honest conversations, and it ended up, thanks to his efforts and efforts of oth-
ers, in putting together this database that our taxpayers can look at now and see where grants and contracts are going. So congratulations to Senator Coburn on that.

Chairman Lieberman. Thanks, Senator Portman. I agree that one does not always have pleasant conversations with Senator Coburn, though almost all of mine have been. But they are always honest. That was the adjective you used.

Senator Portman. Spirited.

Chairman Lieberman. Spirited and honest. Senator Carper, welcome back.

OPENING STATEMENT OF SENATOR CARPER

Senator Carper. Thanks very much. I apologize for being in and out. We have a simultaneous markup in the Finance Committee, so I am trying to bounce back and forth between each of them.

Speaking of honest, I am going to ask Mr. Werfel to be honest with me. Whenever Mr. Dodaro comes here to testify as our Controller General, I always like to note whether or not he is using notes when he speaks. And all the times I have ever heard him testify, I have never seen him use any notes. And I just want to know, while I was out of this hearing, did he use any notes?

Mr. Werfel. He never uses notes. I am afraid I use notes.

Senator Carper. How do you think he does it?

Mr. Werfel. He is smarter than me. [Laughter.]

Senator Carper. The only other person I have ever seen testify before a congressional committee for any length of time and never use any notes—this was a guy who testified I think for 3 days, and his name is John Roberts. He never used any notes either. Mr. Dodaro, I do not know if you are aiming to get on the Supreme Court or not. But I am impressed. [Laughter.]

Let me ask a serious question, if I could, of the three of you. There has been some discussion about the 2006 law which Senator Coburn and former Senator Obama did great work on. I was happy to, as we say in NASCAR, "draft" on them. We worked with a number of people in this room on the Committee and also with Senator Warner on the GPRA Modernization Act, and there are efforts underway on Do Not Pay List. Senator Coburn and I have done a lot of work—and others as well—on improper payments, several versions of that legislation. Now we have the DATA Act proposed by Congressman Darrell Issa and Senator Warner among others.

We have all these different pieces that are out there, how do we make them work cohesively and coherently? I am always reminded that one of the things we are trying to do in health care reform is to move from fee-for-service to a coordinated delivery of health care. We are actually coordinating the delivery of health care. We are not all a bunch of stovepipes where we just spend money on people when they get sick rather than spending money on people to try to make sure they stay healthy, and prevention and wellness in the first place. I want to make sure that we have a coherent, cohesive approach here using all these different tools.

Let me just ask, and we will start with Mr. Dodaro: How do we make sure we get some synergy out of this and that we do not end up with just the opposite effect?
Mr. DODARO. I think there are a couple keys to that, and I mentioned this briefly in my opening comments. But one is there needs to be consensus on what needs to be reported. It is just like any system development effort. You need to know what your requirements are, what exactly people want to be reported, and to try to get consensus on that information. Right now USASpending.gov gives you award data but does not tell you what happened to the money after that. Recovery.gov follows the money a little bit more to conclusion. If people want the full picture in order to be able to see what was allocated and appropriated by the Congress, what was spent, what was received for that money, did we get value out of it, and how did the American people benefit? That can be done through consolidation of the systems.

What do we want to display to the public and have transparency? We cannot just take all the data that is collected by the Federal Government and have a data dump to the American public. It will not be comprehensive, and it will not be helpful to them in that regard.

So getting consensus on that is key—and the DATA Act goes somewhat toward that. But I think that consensus is what needs to be clarified in further discussions, and the need to consolidate and build on existing systems. And I think that is pivotal.

So those two things are, in my opinion, really central to being able to answer your question.

Senator CARPER. Let me ask you, Mr. Werfel, for your reaction to that, but add to that your own ideas, please? Thanks.

Mr. WERFEL. It is a very difficult question, and there are a lot of tradeoffs involved. One concern is that if you are not thinking about synthesizing these things, you could create a longer timeline for when we are going to cross the finish line and be successful. So we have been working at USASpending.gov and FFATA for quite some time. We are just ramping up on the GPRA Modernization Act. We have been working at improper payments transparency for quite some time. And to me the synthesization comes from understanding where are the highest-priority failures that are going on and how do we close those gaps. And some have reacted to these failures and said the whole underlying structure is broken. It was not designed to give us the transparency that the American people deserve. And they are not wrong about that. The issue is that if you try to clean all of that up, it is expensive and it takes a long time. But it might be the right way to do it if you were hiring an architect and saying design me the perfect system.

My approach, I tend to take a more practical approach and say I am going to live with the deficiencies that are in that foundation and that infrastructure and just try to find some practical solutions in the short term.

So just to give you one example, I sat in this chair about a year ago, I think it was Earl Devaney’s last testimony, and he was asked the question: What is the number one thing that frustrated you most or the one thing that you would change from your experience? And he surprised everyone because he went to something very detailed. He said that we need a uniform award identification.

Senator CARPER. What did he say, we need a uniform?
Mr. WERFEL. A uniform award identification across government, and the reason why he picked that above all else is because he was continuously frustrated during the recovery that information was coming in from recipients and subrecipients into FederalReporting.gov, and we as a Federal Government could not effectively link that information straight across back to the accounting system. And one of the reasons was because we could not build those family trees of here is your award, here is your subaward, it goes to there; that award goes to this payment; and this payment goes to this account. And his reflection—and he was mostly right about that—was that it was the fact that the information is not tagged effectively down to that last recipient to give you that audit trail.

So he said, “The one thing I would do is build that tagging system of a uniform award identification.” I think that is the type of solution that can help you synchronize all these various efforts because we have the legislation out there, we are executing it, we are making progress—clearly in not all cases the progress we need to be making. I think a pragmatic way of looking at it or a practical way of looking at it is as we see these deficiencies emerge, what is the change that we can make in the short term that is going to have the highest return on investment? To me that is the approach that we are trying to take at OMB and really leveraging the Treasury Department, which is fantastic at execution, at helping us close some of these gaps.

Senator CARPER. All right. Thanks very much. Mr. Gregg, would you have something you would like to add on this?

Mr. GREGG. I said in my opening statement that Treasury has traditionally just focused on making sure our payments are right and on time, and about 2 years ago, we recognized that we needed to do more in providing payment information. And so the repository that I talked about is going to have information for all the payments—85 percent that Treasury makes and all the payments that non-Treasury disbursing offices make, and then being able to get data into that data warehouse that links a contract or a grant, and then be able to verify with the USASpending.gov and other data sources. I think that is something that we have well underway. I think the information repository will be up and operational—well, actually it is now, as soon as we start getting data sources in from the agencies. So I think that is something that we had not done before, and we recognized we needed to do more in this area.

The second thing I would say is that I do not think we need the DATA Act to do this. I think what Senator Coburn said, what we need is leadership, and I think the partnership that we have had with OMB and Treasury the last couple of years since Mr. Werfel and I have been working together has been a great partnership, and we need to move on these things. We need to show leadership, and we need to hold agencies accountable for compliance. And I think it is as hard and as simple as that.

Senator CARPER. Do you think of Mr. Werfel as an “old-timer”? He was talking earlier——

Mr. GREGG. Yes. Very old.

Senator CARPER. Just checking. [Laughter.]
I will just say in closing, colleagues, in terms of actually making some progress, Senator Coburn and I and a number of folks on this Committee have worked with the folks in the Executive Branch, OMB, and GAO on improper payments, and we thank GAO for bringing this to our attention. In the Navy, one of the things that is really hard to do, you always talk about changing the course of an aircraft carrier. If you stick with it, you can change the course. And in naval aviation, we would say if you are doing something really hard, you are trying to change an aircraft engine in flight. That was a hard thing to do. And one of the things we have been trying to do here is to begin reining in improper payments. And as GAO each year tracks them up, up, higher and higher and higher, I think we peaked about a year ago at about $119 billion. And my understanding is that we are down most recently I think by about $4 billion, and I think we are heading in the right direction. We have just got to keep turning that aircraft carrier, so thank you.

Chairman LIEBERMAN. Thanks very much, Senator Carper. We will each ask a question or two more as the Members want and your time allows.

Mr. Gregg, I said I would come back to you on your reaction to the DATA Act. But based on what you just said and what Mr. Werfel said earlier, has the Administration taken a position against the DATA Act yet? Mr. Werfel.

Mr. WERFEL. I think OMB should probably speak to that. I will take Mr. Gregg off the hot seat on that one. We have not issued a formal statement of an Administration position, but I have articulated these concerns in hearings before Chairman Issa and in other venues that we do have very significant concerns with the structure of the DATA Act, in particular the governance elements that I described earlier. So in its current form, the strongest statement I can say is very serious concerns, but we have not yet formulated a formal statement.

Chairman LIEBERMAN. So you are not against any follow-on legislation here, but you are raising some serious concerns about the DATA Act as it was introduced in the House and the Senate?

Mr. WERFEL. I think the way I would word it is—I think Mr. Gregg just said it well. He said in terms of executing, we do not need legislation, and I think that is the attitude that we have and the approach we have right now, is that we have a foundation in a lot of different legislation, all of it bipartisan, some of it very recent, for example, the GPRA Modernization Act. And as the Chief Operating Officers of this large Federal Government, we are very busy executing on these various statutes. And the notion that another statute would come into play and change the nature of our work and the priorities of our work we have concerns with, but it would depend on the details, and we would want to roll up our sleeves.

And I think Senator Carper’s point was a good one, which is we have all this legislation, how do we synthesize it. To me, the devil would be in the details of what the legislation is and if it is going to advance our work or divert our work. And if it is going to advance, I think we would be supportive. If it is going to divert, I think we are going to raise concerns because we think the current
legislative framework that we have, if we achieve it, it is going to be very transformational and very beneficial to taxpayers.

Chairman LIEBERMAN. Fair enough.

So, Mr. Gregg, let me give you an opportunity to add anything you want to the DATA Act but also respond—and I will ask Mr. Werfel and Mr. Dodaro if they want to respond also—you will not be surprised to hear that, apart from the questions that you have raised on behalf of OMB about the DATA Act, the most significant opposition the Committee has heard is from State and local governments. And it is not just to the DATA Act, but to some extent, it is to the cost of having complied with FFATA and the Recovery.gov. And I wonder if you would respond to that. I must say some of it is just this is really costing us a lot of money, and some of it is that it is costing us more than it should because different agencies are asking us for different kinds of information; sometimes in the same Federal department, different components are asking us to fill out entirely different kinds of forms.

So do you want to begin to respond to that?

Mr. GREGG. Yes. There is no reason why we should require recipients to report back to the Federal Government of what has been sent out. It does not make any sense. If we have the right kind of controls and linkages across the Federal Government, we absolutely should know what is out there, when it got there, and how much it was. So there is no reason for it, in my view. It suggests that, we know within Treasury what the payments were because we make them, and we know how much they are. But being able to link that back to a contractor grant is the area that we need to do, and we should not be asking recipients to do our work for us, in my opinion.

Not only do I think the DATA Act is unnecessary, I think it would set us back a long ways. The work that we are doing with OMB on moving ahead on data standardization and transparency is—we are a long ways down the road in Treasury, and we have the Payment Application Modernization done, which is a huge step forward, because agencies have to report to us in a specific format now, and they had not done that before. And unless you have standards, it is hard to track information from one system to another. And the repository is actually open for business as soon as agencies can start reporting.

The issue on the cost is not only the $400 million that was identified in the DATA Act that it would cost over 8 years, but the additional cost that was not identified on agencies changing systems to comply with the DATA Act. And in the meantime, if they were doing that, they would not be providing Treasury the data that we need to enrich the payment repository, which is built. So I think in my view, again, what is needed here is not more legislation. What is needed in leadership from OMB and Treasury and agencies and the continuing holding of hearings by this Committee to hold us accountable.

Chairman LIEBERMAN. Thanks. That was a very clear statement.

Mr. Dodaro, do you have a comment on the cost to recipients?

Mr. DODARO. Yes. First of all, if you want to have timely information—and that was critical in the Recovery Act. That was real-time information quarter by quarter from the time funds went out.
The only way to do that is to involve the recipients. You cannot wait until they report back to the agencies and then have the agencies accumulate the information and report it out at the end. It just will not be timely. So if Congress is interested in timely information, recipients have to be involved.

Now, how you involve them I think needs to be worked through appropriately so that you can reduce the burden. You can pre-populate the information that the Federal Government already has, so, as Mr. Gregg is saying, they do not have to report that information again. You only get the information from them that they are the only ones that have it in a timely manner, and it could be linked back appropriately to the systems. That is why the DATA Act has an advisory committee. I think there needs to be more regular ongoing dialogue between the Federal, State, and local communities. The Recovery Act prompted that because of the urgency and the amount of money and issues, but there are no regular forums underway for having this dialogue and working through solutions to the problems. And so I would encourage that.

The reason I think legislation would be enormously helpful in this area is that you have to have a statement from the users of the data of what they want. It is like having the system built by the IT professionals without knowing what the users want at the end and there are clear statements about that. By passing legislation, Congress is acting on its behalf as policymakers and on behalf of the American public as representing the people about what information they want and need.

So I think there has to be that dialogue and agreement. Otherwise, what you are going to see, I believe, is a proliferation of individual efforts that are going to continue, which is an extension of what Mr. Werfel and Mr. Gregg are talking about and why we have a situation now is that people were not satisfied, so they want this information and that information. I think there is an opportunity to rationalize that now, which would be enormously helpful.

Chairman LIEBERMAN. Thanks, Mr. Dodaro. Thanks to all of you.

Senator COBURN [presiding]. Thank you, Mr. Chairman.

Mr. Werfel, part of the requirements of FFATA was an annual report to Congress. I note that you are 2 years behind on that annual report. Is that an oversight, or is it not a priority or part of the synthesis? Or where do we stand?

The other thing you used to have on the Web site was a link that could track the agencies' compliance. That link is now dead, so I cannot track agencies' compliance with it. What is the story there?

Mr. WERFEL. So I think on the first question of the annual report, I am actually not 100 percent sure what the issue is, and I need to go back and look.

Senator COBURN. Fair enough.
Mr. WERFEL. If you need an annual report, we will certainly get you a report in quick order.

The challenge, as I mentioned earlier, was the compliance metrics that were up there. We did not have a lot of confidence that they were providing valid information. You see a green. I only want to publish an agency a green if I have confidence that there is infrastructure there. So we pull things down sometimes if we do not have a sufficient confidence that it is reliable, and that is unfortunate that we have been at that place for some time. We need to fix the issue. We need to drive some homogeneity across the agencies in terms of how they are establishing control totals so that these metrics are more trusting. And part of the problem is we talked about resources. I keep emphasizing this. Without an independent mechanism to validate, it becomes more difficult to keep our eyes on everything. And I know you know how small in size OMB is in terms of our ability to be into all these things, and that is why I keep on trying to lean on the audit framework. But that is the answer.

So bottom line, let me go back and figure out what issues——

Senator COBURN. I am not looking for a long report. As a matter of fact, you have actually reported today. But the point is here is another problem in our government. We put a statute down. It has a requirement, and 80 percent of the time, the agencies, as far as metrics for us, ignore it. And unless the Administration wants to comply, oftentimes we do not—I am not questioning your motives at all on this. Please do not take it that way.

I have another question. You mentioned in our back-and-forth—and I do not know whether it was the Do Not Pay List or what it was, but I have a great concern with the Social Security Master Death File. And I am wondering, on Treasury's number, where they are looking at where it is paid out, does that include Internal Revenue Service (IRS) payments as well, Mr. Gregg? And where are we on all this? We have paid out billions of dollars to dead farmers. We paid out $8 billion last year for kids, for the tax credit, that were not there from the IRS. Is the IRS part of that? Are you including that in terms of payments? And I am not talking identifiers, but are you including that?

Mr. GREGG. Well, we do make all of the IRS tax refund payments. Right now, the tax payments are not part of the Do Not Pay List, and, in fact, my Deputy Secretary asked me the other day why that was not the case.

As you know, the sensitivity with the 1603 Statute is one that we take very seriously.

Senator COBURN. I understand.

Mr. GREGG. But we are going to look at that, and I am not sure it is all within Treasury, so I am not sure why we could not include tax payments as part of the Do Not Pay group of payments that we have, but we have virtually everything else.

Senator COBURN. And I also noted that our staff came up, I think, with the help of GAO or the CRS, we have done all these grants and contract payments to people that owe us tons of money, $16 billion they owe us, and yet they still received a government grant or they still received contracts, even though they did not have a settled agreement on how to pay their back taxes. So we
have to figure that out to get some better compliance out of those people who owe us and who are not paying their fair share.

Mr. GREGG. We have within the Do Not Pay database a number of databases including the Excluded Party List, the Death Master File, and a number of others. We would like to expand it somewhat. We got that up and running in a matter of 6 or 7 months, and agencies are now complying with the OMB directive to make sure they come to the Do Not Pay List to check before payments go out.

Senator COBURN. But if the Death Master List is missing 1.2 million people, it is not of great value because that means there are 1.2 million Social Security numbers that can still be collecting money or Medicare payments through fraud or other illicit means when we do not have an accurate Death Master File.

Mr. GREGG. Yes, we recognize that it is not complete, and we are looking at different ways to address that. In some cases, we might be able to get information directly from funeral homes. But we are looking at all avenues as to how to make sure that is a complete and up-to-date list all the time.

Senator COBURN. One final question, and, Mr. Werfel, if you want to comment on that, that is fine, too. Who is doing great and who is not in terms of compliance with the intent of USASpending.gov? Can you tell us that? We do not have a link to know compliance. Who do you think is doing best and who is doing—I know who is doing worst. It is the Pentagon. But who is doing the best?

Mr. WERFEL. Well, I often point to the Departments of Health and Human Services (HHS), Agriculture (USDA), and Education as examples of agencies that are taking their responsibilities to produce reliable information most seriously in terms of developing best practices. So, for example, USDA does a reconciliation of their USASpending.gov information with their budgetary accounting and can tell us that 75 percent of their award data is 95 percent reconciled. And that is not a great score, it is not a perfect score, but the fact that they have that type of measurement in place is very useful to us. Of course, we are now investigating if that measurement can take place across the board at the right metric. And HHS has an internal tool to identify quality issues as well. So the agencies that are taking their efforts seriously to ensure reliability, even without the independent auditor breathing over their necks, are the ones that are most effective.

You point to the Defense Department. The Defense Department is challenging in a lot of different realms with respect to financial management, but actually let me answer the question a little bit differently. As I mentioned earlier, procurement and contracts are ahead of the game; grants and loans are behind the game. And as you know, almost all of the Defense Department’s outlays are contracts. So on this front, they are actually not that bad because of two reasons: Their involvement in the contract community, they put in standard elements and quality control frameworks that they are all utilizing, and then they feed this information into a system called Federal Procurement Data System (FPDS) that feeds USASpending.gov. And the contract community is doing global data quality reviews of FPDS, and, therefore, they are having re-
sidual effects on the Defense Department’s accuracy and reliability. So they are benefiting from a robust contract community around this issue.

On the grants side, that is not happening, and we need to start bringing the level of performance up so that they are matched.

Senator Coburn. Would you agree that the more money a State matches with a grant, the more likely they are to be responsible with the grant money? For example, a 50-percent grant versus a 10-percent match, I guarantee you my State is going to watch that money a whole lot more because 50 percent of that money is Oklahoma taxpayer money.

Mr. Werfel. I would say as a general matter, if you have more skin in the game, then you tend to be more accountable for everything, for program delivery, and for program integrity. So, for example, in the unemployment insurance program (UI), which is the one program where the error rate is actually increasing over the past few years. Medicare, Medicaid, public housing, food stamps, all of it, error rates are trending down, and we are really proud of that trend.

The thing in UI that is interesting is that it is a shared responsibility. There are State funds and there are Federal funds that are driving this. And even with that shared responsibility—and, recently, the Department of Labor, in an effort to improve transparency, listed State by State every error rate, and there are some very high error rates for certain States. And even with that shared responsibility, we still do not see that error rate coming down.

So I say as a general principle, yes, but, I see examples in my own review of data and that raises concerns where, even with that shared impact, we are not seeing the results we want to see. So it is more complicated than that, but I agree with your general premise.

Senator Coburn. Well, I think GAO has just released a report on the Social Security Disability Insurance (SSDI), and the Permanent Subcommittee on Investigations has been investigating this for 2 years. We will have a report out very soon on the fraud, the malfeasance, and the violation of statutory guidelines through the administration of the Social Security Administration on that. America is going to be surprised at the fraud and incompetence and dollars that are going to people who are not truly disabled. And that is not to say we do not really want those dollars to go to people who truly are, but this is going to be a blockbuster when it is released in terms of certain administrative law judges going to jail for taking payments from lawyers. I mean, anything you can imagine is out there right now in that system, and that is because there has not been good management, there has not been good following, and there has not been a representative of the taxpayer in front of the decisionmaking.

Senator Johnson.

Senator Johnson. Thank you—I guess “Mr. Chairman.” That sounds kind of good. I have to be somewhere at 11:30, so this will be pretty quick.

Senator Coburn. You can take the gavel.

Senator Johnson [presiding]. Mr. Werfel, you were talking about synthesizing information I think at a micro level. As an accountant,
I am always trying to tie things out on a macro level, trying to understand this $3.8 trillion a year entity here.

When you take a look at the Congressional Budget Office (CBO) different baselines, when you take a look—and I actually used the budget documents from OMB because to me, with all the historical tables, that gives me the best information. I am trying to tie out between the appropriation accounts, to the budget accounts, budgetary authority versus outlays. Is there a key, or is there a trick? I am still trying to figure it out.

Mr. Werfel. Well, I certainly think that one thing that we can offer is, one of technical assistance in understanding the budget tables that are in OMB's budget each year, understanding how they are derived. But you are zeroing in on the issue that we have been discussing, which is in some places that ticking and tying can be done and can be done very effectively, and in other cases, there are definitional challenges in linking things.

So as an example, you take every line of every appropriation accounts, we convert that information into our accounting system, and for a variety of reasons—and we probably do not have time to go through them all there—it is not a one-for-one proposition. I cannot take an appropriations bill and show you exactly in perfect harmony how that aligns up into the central accounting system that Treasury runs. What I can do is produce information to you out of that central accounting system, and it is highly relevant. But it might answer nine out of 10 of your questions, but if one of your questions is I want to know exactly what the outlay rate is for this line item in the appropriations bill, we might have to do some work in terms of figuring out which accounts this money went into and then do some more work to figure out where the outlays are on that account. And so it comes back to there not being a one-to-one.

But one thing I think that is important here and that has been my reflection—maybe nine out of ten is a little bit of an exaggeration. Maybe it is more like eight out of ten. Very often our systems, as heterogeneous as they are, can answer the question, sometimes instantly, sometimes with some work. There were moments during the Recovery Act where there were no answers to questions, and that was because the reconciliation was just too challenging. And that is where we really have to figure out what the key is to close the gap. But I do not think you are alone in being challenged by this framework. It is very complex, and, again, if there is a particular set of questions that you have, we probably have experts at OMB and Treasury that could at least offer some help there.

Senator Johnson. Well, I appreciate that. We are working with CRS right now trying to—I am trying to get my head around the problem. But at least it is comforting to know that it is a problem not just with me, but it is just a problem.

Mr. Werfel. Yes. It is not you.

Senator Johnson. Senator Carper, did you want to grab the gavel? Because I have to be somewhere. I am turning it over to you. Thank you very much.

Senator Carper [presiding]. You are good to do that.

I just want to say, Senator Johnson, I do not always get to come to these hearings, but you are, as the Chairman has noted, a faith-
ful attender and a faithful participant, and I certainly commend you for that.

Senator JOHNSON. I have a lot to learn.

Senator CARPER. We all do. Thanks very much.

Senator Collins has asked me to raise a question, and I am pleased to be able to do that. OMB Watch was one of the key partners in setting up USASpending.gov early in the process, as I think maybe you mentioned, Mr. Werfel. They are a major user of the site today and have a lot of feedback to offer, I am told. Would you agree to meet with them and our staff to work through a demo of some of their feedback? That is the question that I have been asked to ask of you, and if you can answer here today, that is fine. If you want to answer it for the record, that would be OK as well. If you want to answer now, go ahead.

Mr. WERFEL. I will give an answer now and an answer for the record later because I want to make sure that, with respect to a particular commitment for a particular meeting, that I run that through the various channels.

But as a general matter, we have engagement over the period of time with OMB Watch. I never turn down a phone call from them and have had very good discussions with them. They have provided important input. They were, as you said, the parents of the first ever solution for USASpending.gov, which, as Senator Portman referenced, we purchased from them on a shoestring budget back in the latter part of the 2000s. And they are doing their job. It is never perfect, and they are driving us towards continuous improvement, and it is interesting to see where the improvements that can be made on our current budget versus where the improvements are going to require a greater budget.

Senator CARPER. I appreciate that. If Senator Collins would like for you to work with them, I am inclined certainly to agree with that. And if it is your inclination, let us just do it.

Mr. DODARO. Senator Carper, I might add, our staff has already met with the OMB Watch people on this subject, and we would be happy to give Senator Collins and your staff our views on it.

Senator CARPER. And you may want to share them with OMB, too. Thank you.

They are asking me to come back to my other hearing, so I am going to leave—normally I like to ask you to give a closing word, but I do not have time to do that. If I do, I am going to miss this next vote.

Let me just say thank you. I appreciate very much your preparation, your responses to our questions, and your work and the work of a lot of your colleagues on these issues. They are important issues. But these are not the kind of issues that get a lot of headlines, but these are issues that save a whole lot of money. And I like to say that one of the things we need to do is to look in every nook and cranny of the Federal Government and try to find ways to do everything we do, to ask the question, is there a way to get a better result for less money? And we also like to say transparency is the best disinfectant, and the idea of exposing as much of what we do, good and bad, will help us, I think for the most part, do a better job.
The hearing record is going to remain open, I believe for 15 days, for additional statements and questions for the record. Once you receive those questions, we would just ask that you respond to them in a prompt way. But, again, it is great to see you all. Thank you for your good work and for your leadership.

With that, we are adjourned.
[Whereupon, at 11:33 a.m., the Committee was adjourned.]
APPENDIX

United States Senate
Committee on Homeland Security and Governmental Affairs
Chairman Joseph I. Lieberman, ID-Conn.

Opening Statement of Chairman Joseph I. Lieberman
Homeland Security and Governmental Affairs Committee
“Show me the Money: Improving the Transparency of Federal Spending”
Washington, DC
July 18, 2012

Good morning and welcome to this morning’s hearing on improving transparency into how the federal government spends taxpayers’ money – an issue as old as the Republic.

In a letter to his Treasury Secretary in 1802, President Thomas Jefferson wrote: “We might hope to see the finances of the Union as clear and intelligible as a merchant’s books, so that every member of Congress and every man of any mind in the Union should be able to comprehend them, to investigate abuses, and consequently to control them.”

Of course federal spending in 1802 added up to about $11 million and the national debt was about $80 million. For fiscal year 2012, we’ll spend more than $3 trillion, with a national debt closing in on $16 trillion!

The numbers seem incomprehensible, but that makes it all the more important that federal spending be publicly transparent so that – as Jefferson said – any citizen should be able to see where taxpayer dollars are being spent and help root out waste in the budget and alert, not just elected officials, but friends, family and the traditional media – even using new social media tools, like Facebook and Twitter, to spread the message.

With today’s technology, this kind of financial transparency and accountability is well within our grasp and with today’s hearing – “Show me the Money: Improving the Transparency of Federal Spending” – we will examine current efforts to make this kind of information available electronically.

In 2006, thanks to the hard work of this Committee, Senator Coburn and then Senator Obama, the Federal Funding Accountability and Transparency Act – or “Fix-Facts” – was passed into law.

This bill was an important first step in improving the public’s ability to learn more about where the federal government was spending taxpayer dollars by creating a website called USA Spending.gov that could be used to track the trillion dollars the federal government awards annually in grants, contracts, and loans.

However, six years after passage of FFATA, the USA Spending.gov website has not achieved Congress’s vision for it.

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(39)
For instance the site itself is not user friendly and many citizen users may have trouble understanding the data presented. Also, data is not stored in a consistent method, making it hard to draw comparisons between different data sets. And contractors are often listed under multiple names, making searches unreliable.

We have asked our witnesses to provide a thorough update on the current state of USASpending.gov and what improvements are either in the works or being planned.

Times have changed since the passage of FFATA, and we should take advantage of a success story that came about as a part of the American Recovery and Reinvestment Act of 2009 to track the nearly half a trillion dollars spent on economic stimulus.

That Act created the Recovery Accountability and Transparency Board – an independent body to conduct oversight and audits of Recovery Act funds – which in turn created a public website – Recovery.gov – which detailed who got the money and what they were doing with it.

Whatever you may think of the Recovery Act, the Recovery.com website generally got high marks for simplicity, reliability and ease of use, and we should build on that work.

Along this line, last April the House passed the Digital Accountability and Transparency Act – or the DATA Act – which would create a new five-member Commission, modeled after the Recovery Act’s Recovery Accountability and Transparency Board, to act as the central hub to collect spending data, set data standards, and analyze the information.

The goals of the bill, which include improved transparency of federal spending and consistent data standards, are admirable – even unassailable, I would say. However, we have heard concerns from the Governors and others about the bill, including costs and the creation of another federal entity.

I am interested in hearing from our witnesses their impressions of the bill.

And we do have a very distinguished group of witnesses before us today, including my esteemed colleague, Senate Warner who has introduced a version of the DATA Act in the Senate.

Given the difficult budget climate that we will face in the upcoming years, it is more important than ever that – with Jefferson’s words as our ideal – we take advantage of the technological opportunities that exist to improve transparency and accountability of federal spending.
Statement of Senator Mark R. Warner

Homeland Security and Government Affairs Committee
Hearing: "Show Me the Money: Improving the Transparency of Federal Spending"
July 18, 2012

Chairman Lieberman and Members of the Committee, thank you for holding today’s hearing and inviting me to share my views on transparency.

The title of today’s hearing couldn’t be more perfect – “show me the money” is a simple message that captures our important goal. As most of you may know, I introduced the Digital Accountability Transparency Act (DATA) last year, and the companion legislation passed the House in April. The primary goal of the DATA bill – is to show us – the taxpayers and the policymakers – the money. This legislation would expand the financial data currently available online to include agency expenditures and identify contracts and grants in the context of the programs and activities they support. I’d like to see the full cycle of federal spending be made available to the public.

Over the past six years, the federal government has made significant improvement in financial transparency – with much credit going to many of you gathered here today, Senator Coburn and President Obama enacted ground-breaking legislation in 2006 – the Federal Funding Accountability and Transparency Act – which still serves as the foundation for federal funding transparency. This Act created usaspending.gov, the website that publicly discloses financial data for contracts, grants and other federal awards. A few years later, we enacted the American Recovery and Reinvestment Act of 2009 and this legislation also set new requirements for financial accountability and transparency. Last year, President Obama established the Government Accountability and Transparency Board to make recommendations and take steps to improve financial transparency.

All this focus on transparency speaks to how critical data is to our democracy. Technology has provided an opportunity to easily disclose how the Federal government works on behalf of the public in new and exciting ways and we must continue to innovate and strive for greater transparency. The public deserves to know in detail how each federal dollar is spent and it’s our job to ensure that these funds are used effectively and efficiently. The lack of transparency breeds mistrust and ongoing concerns about waste, fraud and abuse in federal spending.

Expanding Transparency

As the Chairman of the Task Force on Government Performance for the Budget Committee – it has become clear that we need better financial information in Congress to inform our budget decisions as well. To address our long-term fiscal challenges, we must adjust spending and revenues – but we must also fix the way our government works. Modernizing our government is a critical piece of our long-term fiscal solution that rarely receives enough attention – except perhaps by Members of this Committee.
And that's why I'm here today. I believe we need better financial data in-hand to inform our work to modernize the government. I know others here are concerned about the program duplication and overlap across our government. We need to have more detail on the spending that is occurring within the agencies in order to make better decisions regarding reorganization to create a government for the 21st century and beyond.

I'm sure many Members of this Committee can relate to the frustrations of trying to figure out how much a particular program costs -- including the breakdown of expenses for an individual effort. This type of information is critical when comparing the budget with program effectiveness and performance. How can you tell if a program is getting a good return on the public investment if we don't have a clear and detailed explanation of the costs? True spending transparency should include the full disclosure of the operational costs, along with the funds that are awarded by the Federal government.

**Digital Accountability and Transparency Act (DATA)**

The primary goal of my DATA legislation is to expand the existing law to require that the full cycle of federal spending be publically disclosed in greater detail. I hope this is a shared, bipartisan goal that we can all support. How we accomplish this goal is open to broader debate.

I will admit that a year ago I believed that we needed a new government entity to oversee transparency and my opinion has evolved over the past year. After further review of the progress being made within the government, I believe there is a more cost-effective way of accomplishing this goal that would not duplicate efforts that are already underway. I have been impressed with the technology being implemented at the Department of Treasury in particular, and the potential that the newly developed Payment Information Repository could have on financial transparency. And I hope the testimony you hear from Treasury today will elaborate on the potential for their payment data to improve and expand transparency.

To support the goal of expanding the scope of spending transparency -- it is clear that we need some government-wide data standards to provide "apples to apples" comparisons between agencies and activities. The Office of Management and Budget and Treasury have already taken steps to integrate some initial standards for the new Payment Information Repository that could be expanded on to include accounting and budget information with the payment. If this information was made public, it could improve transparency considerably at a lower cost than building a whole new approach.

Another ongoing challenge with financial transparency is the quality and the completeness of the data provided by the agencies. I believe the Inspectors General and the Government Accountability Office need to regularly review this data every couple of years and maintain a scorecard for the quality and completeness of the data provided.

We also need to streamline federal financial reporting. I’ve heard concerns from state and local governments and universities about the conflicting and duplicative financial reporting that is currently required across the government. I think we will have an opportunity to streamline this recipient reporting based on the financial standards developed to support transparency. We
should also look for ways to decrease duplicative financial reporting to ensure that federal funds are used for the intended purpose – not for duplicative paperwork.

And the last point that I will make today is that data should only be collected if it is going to be used to make our government more accountable and effective. There would be many benefits to compiling all the spending data from across the Federal government into one central online portal. First, this information would be helpful to Congress in determining program effectiveness and comparing like programs and other funding decisions. The Executive branch could use this data to proactively prevent waste, fraud and abuse by analyzing data at the pre-payment phase. President Obama has set up a system with great potential in the "Do Not Pay List" that could be expanded with more data. The taxpayers could use the information to better understand how Federal funds are distributed in their local communities.

Conclusion

I want to close by thanking Chairman Lieberman for allowing me to share my views with the Committee today. I intend to re-introduce updated DATA legislation soon that reflects the priorities that I discussed today. I look forward to working with this Committee in your consideration of this proposal.
Testimony
Before the Committee on Homeland
Security and Governmental Affairs,
U. S. Senate

GOVERNMENT
TRANSPARENCY

Efforts to Improve
Information on Federal
Spending

Statement of Gene L. Dodaro
Comptroller General of the United States
GOVERNMENT TRANSPARENCY

Efforts to Improve Information on Federal Spending

What GAO Found

The Office of Management and Budget (OMB) and other federal agencies have taken steps to improve the federal spending data available on USAspending.gov. This effort to publicly display comprehensive data arose from the Federal Funding Accountability and Transparency Act of 2006, which required OMB to establish a free, publicly accessible website containing data on federal awards and subawards. OMB launched USAspending.gov in December 2007 to meet these requirements. As GAO reported in 2010, while OMB had satisfied most of the requirements associated with the act, such as establishing the site with required data elements and search capability, it had only partially satisfied the requirement to establish a pilot program to test the collection and display of subaward data and had not met the requirements to include subaward data by January 2009, or to report to Congress on the site’s usage. Also, GAO found that from a sample of 100 awards on USAspending.gov, each award had at least one data error and that USAspending.gov did not include information on grants from programs at 8 agencies for fiscal year 2008. Subsequently, OMB and agencies have taken steps to improve the site and the quality of its data through increased agency-level accountability and government-wide improvements. Those efforts include directing agencies to appoint a senior-level official to be accountable for the quality of federal spending information disseminated on public websites, and increasing the use of automated tools. However, OMB has not yet implemented plans to create a data quality dashboard on USAspending.gov and has produced only one of the required annual reports to Congress on usage of the site.

OMB, the Recovery Accountability and Transparency Board, federal agencies, and funding recipients addressed several challenges in managing reporting under the American Recovery and Reinvestment Act of 2009. Recovery.gov was established in 2009 to provide public access to information on Recovery Act spending. Specifically, it was to provide timely information on projects or activities funded by federal grants, contracts, or loans provided to recipients, such as state or local governments. The transparency envisioned by the act was unprecedented for the federal government, and GAO identified a number of lessons learned from the operation of Recovery.gov:

- OMB and the Recovery Board used two-way communication with recipients to refine and clarify guidance.
- Training and other assistance was provided to recipients to clarify reporting requirements and address early system problems.
- After early reporting and quality issues were identified, OMB required agencies to ensure data accuracy and completeness.
- Recipients made errors in reporting data, but these could be reduced through pre-populating data fields and other refinements to the reporting process.

Recent legislative proposals and a newly created executive branch board aim to expand and improve upon the transparency of federal spending. The challenges and lessons learned from implementing the existing reporting tools should help inform current and future efforts. In particular, attention should be given to stakeholder involvement, the effort required for reporting and oversight, and the need for clear objectives and priorities.
Chairman Lieberman, Ranking Member Collins, and Members of the Committee:

Thank you for the opportunity to discuss federal efforts to increase the transparency of information detailing federal awards and expenditures. As you know, the federal government makes more than $1 trillion in awards annually in forms that include contracts, grants, loans, and other awards. Since 2006, several efforts have been initiated to provide the public with more specific information on these awards. For example, the government currently operates several websites that provide access to detailed information on federal spending, including http://www.USAspending.gov (USAspending.gov) and http://www.Recovery.gov (Recovery.gov). However, as you noted in a recent request to us to evaluate spending transparency, while these sites represent important advances in government transparency, challenges have been identified to better ensure the quality of data on these sites.

My testimony today will address two topics: (1) the status of efforts to improve the quality of publicly available data on government awards and expenditures and (2) lessons that can be learned from the operation of Recovery.gov that can contribute to other spending transparency efforts. The statement is based on our prior work on USAspending.gov and Recovery.gov. We also reviewed reports by the Office of Management and Budget (OMB) and federal departments and agencies and discussed spending transparency with officials from OMB and the Recovery Accountability and Transparency Board. We conducted our work in accordance with generally accepted government auditing standards or with our quality assurance framework, as appropriate. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.


2For a list of GAO products that addressed recipient-reported data available on Recovery.gov, see appendix I. For additional GAO reports related to the recovery efforts, see http://gao.gov/recovery.
OMB and Federal Agencies Have Taken Steps to Improve Federal Spending Data

The first federal effort to publicly display comprehensive data on federal awards was USAspending.gov. Among other things, the Federal Funding Accountability and Transparency Act of 2006 (FFATA) required OMB to establish a free, publicly accessible website containing data on federal awards no later than January 1, 2008. In addition, OMB was required to include data on subawards* by January 1, 2009. The act specified a number of required data fields, including the recipient’s name, funding agency, amount of award, and a descriptive title. The act also authorized OMB to issue guidance and instructions to federal agencies for reporting award information and requires agencies to comply with that guidance. OMB launched USAspending.gov to meet the act’s requirements, relying primarily on federal sources of information.

In 2010, we reported on compliance with FFATA’s requirements. In that report we presented several key findings, including:

- OMB had satisfied six of the act’s nine requirements we reviewed and partially satisfied another, but did not satisfy two requirements (see appendix II for details). For example, OMB established the publicly searchable website—USAspending.gov—in December 2007. The site included the required data elements and search capabilities, and OMB guidance required periodic updates from agencies consistent with the act’s requirement for timeliness. OMB partially satisfied the act’s requirement to establish a pilot to test the collection of subaward data. Although it started pilots at two agencies, they were initiated after the date provided for in the act. Also, OMB had not satisfied the provision requiring the inclusion of subaward data on the website by January 2009 or the provision regarding periodic reporting to Congress.

- Although USAspending.gov included required grant information from 29 agencies for fiscal year 2008, it did not include grant information from 15 programs at 9 other agencies. The unlisted awards were made by large agencies, including the Department of the Treasury.

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*OMB guidance defines a subaward as a monetary award made as a result of a federal award to a grant recipient or contractor to a subrecipient or sub-contractor respectively.
and General Services Administration, and smaller agencies such as the U.S. Election Assistance Commission and Japan-U.S. Friendship Commission. We reported that incomplete reporting by agencies was due in part to OMB not implementing a process to identify agencies that did not report required award information and stated that without such a process, it risked continued data gaps that limited the usefulness of the site.

- In a sample of 100 awards from USAspending.gov that we reviewed, each had at least one data error in a required field, consisting of either a blank data field, an inconsistency between the USAspending.gov data and agency records, or a lack of sufficient agency information to determine consistency. In 73 of the sampled awards, 6 or more of the 17 required data fields exhibited an error. Agency officials attributed the lack of sufficient information, in part, to procedures and systems that did not include documenting all of the data required by FFATA. For those awards where we had enough information to judge sufficiency, the data field with the most inconsistencies was the award title, which often lacked necessary specificity. This weakness was attributed, in part, to the lack of specific guidance from OMB and to the lack of tools to identify incomplete reports. We reported that until OMB addressed these issues, the ability of the public to find requested information and of OMB to correct errors would be limited.

To address these findings, we made several recommendations to the Director of OMB. For example, we recommended that OMB revise its guidance to agencies to clarify that award titles should describe the purpose of each award and how agencies should validate and document their submitted data. We also recommended that OMB develop and implement a plan to collect and report subaward data, as well as a procedure to regularly ensure that agencies report required award information. OMB generally agreed with our findings and recommendations.

Since we last evaluated FFATA compliance, OMB has taken steps to improve USAspending.gov and the quality of its data through increased agency-level accountability and government-wide improvements. First, in OMB's 2009 Open Government Directive,6 agencies were directed to designate a high-level senior official to be accountable for the quality of, and internal controls over, federal spending information disseminated on public websites. A list of the agency-designated officials appears on

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USAspending.gov. Subsequently, in an April 2010 memorandum to senior accountable officials, OMB required agencies to establish a data quality framework for federal spending information, including a governance structure, risk assessments, control activities, and monitoring program. Agencies were directed to submit plans for addressing these requirements to OMB. To address government-wide weaknesses, OMB issued guidance to agencies on improving the quality of data in the Federal Procurement Data System, a contract database that is one of the main sources of USAspending.gov data. In addition, OMB’s April 2010 memo established a deadline for the agency collection of subaward data and announced technical improvements to USAspending.gov. Including a move to a cloud computing environment, and a control board to coordinate policies and systems that support the collection and presentation of federal spending data. One result of these efforts is the current availability of subaward data on USAspending.gov.

Agencies have also reported taking steps to improve their USAspending.gov data. For example, automated tools have been developed through interagency electronic government initiatives that are expected to improve the quality of data on grants and cooperative agreements by making it easier for agencies to regularly report their awards. Additionally, individual agencies reported efforts to improve data quality in open government plans released earlier this year. For example, the Department of Commerce established a formal process to ensure that all grant offices are reporting awards in a timely manner, and the General Services Administration developed an “Information and Data Quality Handbook” that contains a framework for consistent data management. Agencies also reported ongoing efforts to improve data quality. For example, the Department of Homeland Security plans to improve the accuracy and timeliness of data posted on USAspending.gov by promulgating best practices, and the Department of Transportation is working with its components to develop memorandums of understanding to ensure they meet quality assurance reporting guidelines.

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While the steps discussed above could contribute to improvements in the quality of spending data, their impact is not yet known because OMB’s recent reporting on data quality and user feedback has been limited. Specifically:

- Previously available information on the timeliness and completeness of agency-submitted data is no longer provided on USA Spending.gov. We previously reported that OMB maintained a page at USA Spending.gov that addressed the completeness of the agency-submitted data by field. That information is no longer available on the site.

- In its April 2010 memo, OMB discussed the creation of a dashboard on USA Spending.gov to track the timeliness, completeness, and accuracy of agencies’ reported data. After establishing a baseline, these data were to be updated quarterly. However, the USA Spending.gov site does not currently include such a dashboard.

- OMB has produced only one of the required annual reports to Congress that were to include data on usage of the site and public feedback on its utility. In July 2010, OMB reported that USA Spending.gov had been used extensively by the public, and that it had adopted or planned improvements based on user feedback. However, OMB has not produced any subsequent reports, as required by FFATA.

On July 13, 2012, officials with OMB’s Office of Federal Financial Management told us that OMB no longer plans to rely on a public dashboard to improve data quality. Instead, the officials said, OMB is pursuing several other efforts, including ensuring the implementation of the data quality framework established through its prior guidance and identifying best practices for improving data quality. As we initiate work to address your recent request on spending transparency, we will reassess the quality of data on USA Spending.gov, including the extent to which agencies report award data, the accuracy of the data that are reported, and the quality assurance processes used by agencies.
OMB and the Recovery Board Addressed Several Implementation Challenges with Recovery Act Recipient Reporting

As Congress and the administration crafted the American Recovery and Reinvestment Act of 2009 (Recovery Act), they built into it provisions to increase transparency and accountability over spending. It required recipients of Recovery Act funds, including grants, contracts, or loans, to submit quarterly reports with information on each project or activity, including the amount and use of funds and an estimate of the jobs created or retained. Similar to FFATA, the Recovery Act called for the establishment of a website through which the public could gain easy access to this information. Initial establishment of the website was to take place 30 days after the Recovery Act’s enactment. The Recovery.gov site was launched in 2009 to fulfill these requirements, and a second site—http://www.FederalReporting.gov—was established for recipients to report their data. Recipients first reported in early October 2009 on the period from February through September 2009, and reporting has continued for each quarter since then.

The transparency envisioned under the Recovery Act for tracking spending and results was unprecedented for the federal government. Tracking billions of dollars disbursed to thousands of recipients promised to be an enormous effort. Further, the need to get a system developed and operating quickly added to the challenge, as did the fact that the public would be able to access the system and form its own views as to the system’s transparency. The system also needed to be operational quickly for a variety of programs, across which even the basic question of what constituted a project could differ. Given this daunting task, OMB and the Recovery Board implemented an iterative process involving many stakeholders that can provide insight into challenges and solutions for establishing procedures to increase spending transparency.

As part of our oversight of the Recovery Act, and in response to a mandate to comment quarterly on recipient reporting, we issued a number of reports addressing procedures related to recipient reporting and the quality of data on Recovery.gov, and we made several recommendations for improvements. Initially, we reported that a range of

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\(^{10}\)Recovery Act, div. A, § 1512. Neither individuals nor recipients receiving funds through entitlement programs, such as Medicaid, or tax programs are required to report.
significant reporting and data quality issues needed to be addressed; our later reports, however, documented both progress and further refinements needed, and progress in making them. Our recommendations included that OMB clarify the definition of full-time equivalent (FTE) jobs and encourage federal agencies to provide or improve program-specific guidance for recipients. In general, OMB and agencies acted upon our recipient reporting-related recommendations and implemented changes in guidance and procedures.

OMB and Recovery Board Procedures and Guidance Evolved with Input from Recipients

Throughout the development of guidance and the early months of implementing recipients reporting, OMB and the Recovery Board used several opportunities for two-way communication with recipients. Early on, OMB and Recovery Board officials held weekly conference calls with state and local representatives to hear comments and suggestions from them and share decisions made. State and local governments, with their difficult fiscal situations, were concerned about being able to meet the added reporting requirements, and the tight timeframes made this particularly difficult. Federal officials heard the concerns and made changes to their plans and related guidance in response.

For example, initial guidance in February 2009 began to lay out information that would be reported on Recovery.gov and steps needed to meet reporting requirements, such as including recipient reporting requirements in grant awards and contracts. In response to requests for more clarity, OMB, with input from an array of stakeholders, issued more guidance in June 2009. The June guidance clarified requirements on reporting jobs, such as which recipients were required to report and how to calculate jobs created and retained. In December 2009, responding to concerns regarding the calculation of FTEs, including some we expressed, OMB issued further changes in guidance resulting in simplified jobs-reporting guidance.

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Assistance Was Available as Recipients Became Familiar with Reporting Procedures and Addressed Early System Problems

Recipients of Recovery Act funds needed to quickly learn reporting requirements and develop procedures for meeting them. This was particularly difficult for entities that had not previously received federal funding and were not familiar with federal reporting requirements. Outreach from OMB and the Recovery Board, including conference calls, webinars, and websites, along with guidance were instrumental in bringing recipients up to speed. In addition, agencies provided information and training on reporting for their specific programs through conference calls and webinars. States, as the prime recipients in many cases, ensured that their own agencies and departments and their subrecipients were informed as well by using various means of communications, including conference calls, webinars, and websites. Finally, the Recovery Board also maintained a help desk during the reporting period.

Even so, given the uncertainties and ongoing development of the new systems, there were instances of systems going down and data rejections that frustrated recipients. Some extensions were allowed and provisions made for recipients to report and make adjustments to the data, except for FTEs, after reporting closed.

With OMB Oversight, Agencies Took on the Key Role of Ensuring Data Accuracy and Completeness

After we reported that initially there were significant reporting and quality issues, OMB issued guidance to federal agencies that incorporated lessons learned from the first reporting period and addressed recommendations we had made. Specifically, in December 2009, OMB required agencies to identify significant errors, particularly in award amounts, FTEs, federal award numbers, and recipient name. OMB also provided guidance in identifying instances where recipients did not report. As a result, federal agencies that awarded Recovery Act funds to states generally developed internal policies and procedures for reviewing data quality, as OMB required. At the ground level, agencies addressed recipients’ quarterly reporting when performing their oversight of Recovery Act recipients. Further, agencies also reviewed data centrally and performed tests of reasonableness on recipient data by program.

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OMB also required agencies to provide lists each quarter of those recipients who did not report. Our discussions with agencies indicated that agencies worked with these recipients to identify reasons they did not report. Lists of those who did not report each quarter continue to be available on Recovery.gov.

In our work evaluating recipient reporting under specific programs, we found that agencies put considerable effort into ensuring accuracy and completeness, but while the public transparency of Recovery Act spending improved, the agencies often did not benefit much from such recipient-reported data. Agency officials told us they already had much of the information; their own systems provided information on award amounts, funds disbursed, and, to varying degrees, progress being made by grant recipients. However, officials at one agency, the Department of Education, noted that the information obtained through recipient reporting did provide them a useful indication of jobs funded for education programs under the Recovery Act, information they otherwise did not have.

Our work also identified some concerns with ensuring that descriptions of awarded projects were adequately detailed in the information that recipients reported. Data collected for Recovery.gov included narrative information that provided the public with details such as the overall purpose of the award and expected results. We found, for example, that an estimated 25 percent of the descriptions of selected infrastructure-related awards met our transparency criteria of having sufficiently clear and complete information on the award’s purpose, scope, and nature of activities; location; cost; outcomes; and status of work. Another 68 percent partially met the criteria; and an estimated 7 percent provided little or none of this information.13 In its September 2010 guidance, OMB added a requirement for agencies to review the narrative fields of recipient reports to better ensure transparency.

Additional Approaches Could Streamline Reporting and Oversight

Our analysis of the quality of recipient-reported data showed that recipients made errors in reporting award identification numbers, amount of awards, and other data that agencies already had, and that if those items had been pre-populated for recipients, errors might have been

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reduced. The award identification number was a particularly key data element, since it was part of the mechanism to link awards across quarters, yet recipient errors as small as leaving out a hyphen could result in information not being able to be linked. Agencies identified other errors, such as incorrect award amounts, by comparing data recipients reported with data they had. It was time-consuming both to perform those comparisons and to follow up with recipients to get them to fix the errors. The Recovery Board eventually enabled recipients to “copy forward” information reported in previous rounds and modify it as needed, which helped prevent some errors. However, some agency officials suggested that pre-populating these fields with agency data before recipients began their reporting would have reduced the number of errors.

In addition, our work indicated that recipients sometimes were required to report similar information into both agency reporting systems and FederalReporting.gov. Agencies required more data in some cases to manage their programs than was required on recipient reports and made available on Recovery.gov. For example, Environmental Protection Agency officials said that they needed project details that were not available in Recovery.gov data for their Recovery Act water programs. Similarly, the Department of Transportation preferred using its own data because they were more detailed, and were reported monthly—more frequently than the Recovery.gov data. While the time constraints of implementing Recovery Act reporting made it difficult to consolidate data collection and prevent collecting similar data from recipients more than once, if more planning time was available to solve this issue, the burden on recipients may have been reduced.

Initiatives to Improve Transparency Can Benefit from Lessons Learned

There are initiatives under way in Congress and the administration that look to build on these two transparency efforts now in place. For example, legislation has been passed in the House of Representatives\(^\text{14}\) and introduced in the Senate\(^\text{15}\) to improve the accountability and transparency of federal spending. In addition, in June 2011 the President issued an executive order establishing the Government Accountability and


Transparency Board to provide strategic direction for, among other things, enhancing the transparency of federal spending.\[1\]

There are lessons from the implementation of both USAspending.gov and Recovery.gov that can be applied to these new initiatives. Foremost, consideration needs to be given to what objectives are to be achieved and in what priority. As we have seen with both existing systems, success hinges upon ensuring the data’s completeness and accuracy. Because it is resource-intensive to ensure all data are reported and correct, it is imperative to limit the data collected to only those essential elements. Clear objectives are helpful in guiding such focus.

In addition, the input of federal agencies, recipients, and subrecipients should be considered early in the development of both the system and its procedures. Also, as the system is implemented, communicating impending changes as soon as possible allows for better planning.

Finally, as a system rolls out, recipients will need help to learn how to fulfill their reporting responsibilities.

Further related to the issue of involving all stakeholders is the need to recognize the increased reporting and oversight effort required of recipients and federal agencies, and to identify approaches that minimize that effort. For example, pre-populating data from federal agencies to reduce the need for recipients to input those data could help with accuracy, although agencies likely will need to continue to play a key role in checking data quality.

In conclusion, there have been great strides in increasing the transparency of federal awards since 2006. The USAspending.gov and Recovery.gov websites offer the public a wealth of information on how federal funds are spent. However, it is important that ongoing efforts to improve the data provided to the public continue to evolve. We believe having a strategic vision, ensuring data quality, allowing for input of ideas, helping those who have to report, and minimizing reporting burdens can improve the chances of success.

Chairman Lieberman, Ranking Member Collins, and Members of the Committee, this concludes my prepared statement. I would be pleased to answer any questions that you may have.

\[1\]The Government Accountability and Transparency Board was created by Executive Order 13576 in June 2011.
### Appendix II: FFATA Requirements and GAO’s Assessment of Compliance as Reported in 2010

<table>
<thead>
<tr>
<th>FFATA Requirement</th>
<th>GAO's Assessment of Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a free, publicly available website by January 1, 2008</td>
<td>Partially met. OMB launched USApending.gov, a free, publicly available website, in December 2007.</td>
</tr>
<tr>
<td>Capture specific data elements for each award</td>
<td>Partially met. The site captured information on all required data elements, such as the entity receiving the award and the award amounts.</td>
</tr>
<tr>
<td>Allow searches by each required data element, provide total dollars awarded by recipient, and provide downloadable data</td>
<td>Partially met. The site allowed searches of data by all required data elements and provided totals for awards made as well as downloadable data.</td>
</tr>
<tr>
<td>Include awards made in fiscal year 2007 and after</td>
<td>Partially met. The site included data for federal awards made in fiscal year 2007 and later, as well as limited data from previous years.</td>
</tr>
<tr>
<td>Ensure that information on awards is added to the site within 30 days of the award</td>
<td>Partially met. To facilitate timeliness of data available on the website, OMB guidance required agencies to submit award data on the 5th and 20th of each month.</td>
</tr>
<tr>
<td>Allow for public input about the site’s utility and suggestions for improvement</td>
<td>Partially met. The site included a contact form for public comments and suggestions.</td>
</tr>
<tr>
<td>Commence a pilot program to test collection of subaward data and determine how to implement a subaward reporting program across the federal government, beginning no later than July 1, 2007, and ending no later than January 1, 2009</td>
<td>Partially met. OMB commissioned two pilot programs for collecting subaward data, one at the General Services Administration that ran from April 2008 to December 2008, and one at the Department of Health and Human Services that ran from October 2008 to November 2008. Both pilots were begun after the July 2007 date specified in the act.</td>
</tr>
</tbody>
</table>
Testimony of Daniel I. Werfel  
Controller, Office of Management and Budget  
before the  
Homeland Security and Governmental Affairs Committee  
United States Senate  

July 18, 2012

Introduction

Thank you Chairman Lieberman, Ranking Member Collins, and Members of the Committee, for the invitation to discuss Federal spending transparency and how the Federal Government can best provide important information to the public about how Federal dollars are spent.

In response to the President’s call for a 21st Century Government that is open and competent, this Administration has initiated substantial reforms and improvements in the three areas most critical to meeting this objective—government accountability, performance, and transparency. In each of these areas, the partnership between the Administration and Congress—and this Committee in particular—has been critical to our success.

In the area of accountability, through both aggressive administrative actions—such as the launch of the “Do Not Pay” initiative—as well as implementation of Congressional action—such as the Improper Payments Elimination and Recovery Act (IPERA)—the government’s improper payment rate is steadily declining, with roughly $20 billion in avoided errors over the past two years alone. And we continue to see steady progress in furthering these efforts. We are reforming our Federal grants processes to strengthen accountability and oversight for grant funds while reducing costly and unnecessary administrative requirements. Agencies are continuing to take aggressive steps to recapture payment errors where they do occur, recapturing $2 billion in erroneous payments in the past two years. And agencies are currently developing plans, consistent with a recommendation of the President’s Government Accountability and
Transparency Board (GATB), to utilize the “Do Not Pay” solution as a centralized source for checking eligibility before making a payment, in order to prevent waste, fraud, and abuse.

In the area of performance, the recently-enacted GPRA Modernization Act establishes a robust and comprehensive framework for assessing and improving the performance of government programs. To meet the goals laid out by Congress, the Administration launched Performance.gov to track progress on efforts to create a government that is more effective, efficient, and responsive — providing ready access to agency TechStat assessments, human resource statistics such as retention rates and employee survey findings, agency performance goals, real estate statistics such as each agency’s progress toward its real estate reduction targets, and each agency’s most recent annual performance report describing progress on goals that advance its mission. Moreover, we established Cross-Agency and Agency Priority Goals concurrent with the Fiscal Year 2013 President’s Budget to empower agencies to prioritize and focus on initiatives that are critical to driving a higher performing government for the American public. Agencies are conducting periodic, data-driven reviews to ensure progress on these goals at least once a quarter to figure out the actions they can take to improve performance and productivity.

These two pillars of accountability and performance are inexorably linked to the final critical area of focus in creating a 21st Century Government—improving transparency in how Federal dollars are spent. Transparency can help program managers focus on better outcomes, and can help overseers and the public hold agencies accountable for the government’s stewardship of Federal dollars. In the remainder of my testimony today, I will provide a more detailed and global assessment of Federal spending transparency, our accomplishments to date, efforts currently underway, and how the Administration is continuing to drive progress for the American public.
The New World of Federal Spending Transparency

The landmark Federal Funding Accountability and Transparency Act of 2006 (FFATA), sponsored by then-Senator Obama and Senator Coburn, dramatically changed the way we approach Federal spending transparency. The way the government tracks and displays data on its activities—and the way that the public consumes and analyzes this data—is notably different today from what it was six years ago. Through the implementation of FFATA, as well as the bold transparency and accountability requirements of the American Recovery and Reinvestment Act of 2009 (Recovery Act), we have made marked progress in making financial information publicly available by initiating web-enabled and user-friendly tools for tracking who receives Federal awards and how they are used.

Our goal now is to take the foundation established under these efforts and apply the lessons learned in order to realize the President's vision of a 21st Century Government that is open, high performing, and accountable.

Based on these experiences and the insight provided by the GATB, agency leadership, the Inspector General community, Congress and interested stakeholders, we believe our central objective must be to ensure data reliability and quality. Reliable data allows the public to trust in the information the government provides, and use that information to make informed decisions about government programs and projects. It allows Federal managers to analyze and better structure government programs to accomplish more of our mission for the taxpayer's dollar and to uproot and prevent waste, fraud, and abuse. And it allows those with an oversight function to have confidence that agencies and programs are operating well.

Moreover, enhancements to our current approach for ensuring reliability will provide opportunities to consolidate the systems we have for collecting and displaying data and to present and analyze the data in new and innovative ways.
Driving Increased Data Reliability

The path to enhanced data reliability is a gradual journey. The previous Administration confronted initial challenges in standing up the system and establishing a baseline of information that was reported through USA Spending.gov. Based on these initial efforts, this Administration directed agencies to establish quality assurance frameworks for Federal spending data—efforts that are yielding tangible results in improved data reliability at key agencies such as the Department of Education and the Department of Agriculture. And the Recovery Act provided further insights into the data reliability challenges that we as a Federal Government face, and solutions for addressing them.

Based on these experiences and lessons learned, we are moving forward with a number of efforts that are enhancing the reliability and quality of Federal spending data. These efforts can be broadly grouped into two overarching categories: integration and reconciliation of spending data with other agency data, and increased data standardization across government.

Data Integration and Reconciliation

We are working closely with agencies and the audit community to integrate the quality-assurance framework that is in place today for audited financial statements with Federal spending data and reporting. Not only does this integration enable us to leverage the existing and proven financial statement infrastructure for broader use, and allow us to better align our back-office reporting systems, but it also introduces an independent review mechanism for spending data through the audit community.

As a first step to achieving this alignment, OMB developed a new Schedule of Spending that will include in agencies’ annual audited financial statements information about where and how Federal agencies spend Federal dollars. Agencies’ financial reports, submitted in November of this year, will include information from the Schedule of Spending. This effort builds upon two years of work to improve agency financial reports, and provides an important step in focusing these reports on data that are critical to public understanding of how government is spending money.
In addition, agencies and OMB are working together to shore up internal controls to create data that is internally consistent and externally understandable. OMB is providing enhanced validation tools for the data that are reported by agencies on USAspending.gov, and providing agencies with reports of the quality of the information provided. OMB also continues to work with agencies on improving the quality of data submitted to USAspending.gov, pursuant to our April 2010 memorandum on improving the timeliness, accuracy, and completeness of data. OMB will provide best practices to agencies on how to reconcile spending information with their financial statements and ensure the accuracy and completeness of the specific award reported on USAspending.gov.

Finally, as Mr. Gregg will be discussing today, the Department of the Treasury has dedicated efforts underway to improve the way that information on payments remitted by the government is compiled, rationalized, and displayed to the public. Through the Payment Information Repository (PIR), Treasury is consolidating and reconciling information from the various payment systems across the government to track award payments. These efforts will serve as a valuable complement to the spending and financial data, available on websites such as USAspending.gov, that we are working to rationalize and standardize government-wide.

Data Standardization

We are also enhancing reliability by working to standardize key elements of spending data across government. The GATB honed in on this issue when it made its initial recommendations to the President last December for improving transparency and accountability, noting that data standardization and uniformity provides the key to unlocking transparency. Accordingly, OMB is working diligently with the GATB, the Recovery Accountability and Transparency Board (Recovery Board), and agencies on a number of efforts to advance standardization of spending data across the government.

- **Development of a Uniform Award Structure** – The GATB recommended the adoption of a universal award ID to promote transparency and data quality. Providing uniformity
in tracking and reconciling award numbers is critical to providing agencies, overseers, and the public a simple, consistent way to track all awards. Working together with the Recovery Board and third-party experts, we have initiated feasibility studies to consider how such an ID could be constructed, what costs and benefits might be associated with its implementation, and how to appropriately code our financial and reporting systems to best track awards. Moreover, we are working on strategies along with the Department of the Treasury and the acquisition, financial assistance, and financial management communities on data standardization strategies that may provide similar paths to achieving its objective of linking specific awards and payments to other pertinent information, such as programs and Treasury Appropriations Fund Symbols.

- **Consolidating & Connecting Program Information** – Currently, certain types of awards are already linked to programs as defined under the Catalog of Federal Domestic Assistance (CFDA). But program information too often is scattered across multiple systems and tracked in a non-uniform way across the government. As required by the GPRA Modernization Act of 2010, OMB and agencies are developing a Federal Program Inventory, which will facilitate coordination across programs with similar goals, reduce fragmentation and, ultimately, improve performance and productivity. As we standardize agency spending reporting, we will evaluate how best to link this information to program information.

- **Common Financial System Requirements** – OMB and Treasury are currently working with Federal agencies on reforming the requirements of core financial systems to create more consistency, simplicity and rationality across government. Not only will this effort drive savings and efficiency across government, but it will lead to more reliable and standardized data emanating from our accounting systems. This effort will reinforce and facilitate broad implementation of the Common Government-wide Accounting Code, a standard accounting structure that was developed by the Federal Chief Financial Officer community, to improve data interoperability and reliability.
System Consolidation – We are looking to develop further government-wide solutions for system consolidation and rationalization, in accordance with a recommendation of the GATB to integrate systems and eliminate duplication, redundancies, and inefficiencies that have built up over time. We are looking at ways to leverage the technology developed by the Recovery Board for Recovery.gov and FederalReporting.gov to collect and display government-wide information. Moreover, the General Services Administration is consolidating its current government-wide systems for collecting and reporting spending data into a consolidated platform. The Administration is exploring whether there are opportunities on this single platform, the System for Award Management (SAM), for streamlined reporting and display of additional federal spending information.

Resources
Improving accountability, performance, and transparency in the execution of Federal programs is an area with a high return on investment. The President’s Budget recognizes this and seeks to leverage opportunities through targeted investments in the E-Government Fund, the Do Not Pay solution, and the Integrated, Efficient and Effective Uses of Information Technology (IEEUIT) account, among others. Unfortunately, the value of these investments may not be realized due to shrinking discretionary appropriations and a failure to recognize the long term opportunity for improvement. In addition to the annual appropriations process, this year presents the unique challenge of across the board cuts, required after the failure of the Joint Committee established by last year’s Budget Control Act (BCA). These cuts, commonly known as the sequester, require a fixed reduction in budgetary resources to every non-exempt account in government, regardless of the merits of that program. These deep, indiscriminate reductions in funding are bad policy and Congress should act to avoid these cuts with a balanced deficit reduction package.

Improving government transparency and accountability in the execution of Federal funds is not an ideological issue; instead it represents something that every employee, regardless of agency, office, or branch of government should strive for every day. Through FFATA, the GRPA Modernization Act, and IPERA, Congress provided the Administration with the necessary statutory authority to improve Federal funding accountability and transparency; however, the
lack of necessary resources limits the speed and scale at which OMB and agencies can meet goals.

Conclusion

The common thread across all of these efforts is making our data on Federal spending reliable, high-quality, and consistent. And in doing so, our goal is to maximize transparency and accountability in a targeted, cost-effective manner. The experiences of implementing FFATA and the Recovery Act shows us the delicate balance that exists between promoting transparency, and ensuring approaches that are cost effective and minimize the burden imposed on states, cities, small businesses, and other entities such as nonprofits that receive Federal funds. The aim of all of our efforts is to find and maintain this point of balance.

Our experience thus far indicates that such a balance can exist. Working together, the GATB and the broader Federal transparency community are developing strategies and solutions that can advance transparency in important and innovative ways, deliver short-term, tangible results, minimize regulatory complexity, and be done in a cost-effective manner. The Federal Government possesses the ability and necessary statutory authority to execute on these strategies today. Our task now is delivering results and continue momentum in moving towards a 21st Century Government that is even more open, higher performing, and accountable.
Statement of Richard L. Gregg  
Fiscal Assistant Secretary  
U.S. Department of the Treasury  

“Show Me the Money: Improving Transparency of Federal Spending”  
Senate Committee on Homeland Security and Governmental Affairs  
July 18, 2012

Opening remarks
Chairman Lieberman, Ranking Member Collins, and members of the Committee, thank you for inviting me to discuss the Department of the Treasury’s initiatives to increase Federal financial data transparency and accountability.

As the Federal government’s financial manager, the Department of the Treasury is uniquely positioned to improve the transparency and accountability of Federal financial transactions. Each year Treasury processes billions of financial transactions on behalf of Federal agencies, including payments, revenue and debt collections, and intra-governmental transfers. Treasury is committed to making sure that these transactions are carried out with the highest standards of performance, accountability, and transparency. With these goals in mind, over the past several years Treasury has launched a number of initiatives to modernize its financial systems, improve transparency, and streamline its transaction execution and reporting processes.

Transparency
In processing billions of financial transactions each year, Treasury accumulates extensive Federal financial data. Treasury’s goal is to ultimately provide this data to Federal agencies, Congress, and the public in a usable, easy-to-understand format.

For Federal payments, Treasury makes one billion payments each year, which represents approximately 85 percent of all government payments. Historically, Treasury’s goal has been to make sure every payment is made accurately and on time. However, more recently Treasury recognized that we are uniquely positioned to make more payment information available to the public and to have that information available quickly and presented in a way that is meaningful.

To achieve greater payment transparency, Treasury is developing a robust business intelligence and data analytics system as part of our efforts to simplify and streamline the Federal payment process. This new system, called the Payment Information Repository (PIR), will allow information from payment systems to be viewed and analyzed in a single application that consolidates data from all Federal spending, including grants, contracts, loans, and agency expenses, thereby increasing Federal payment transparency. The PIR will capture and make available payment transaction data that can be linked to other government databases, such as USA Spending.gov, to enable the public to follow a payment through the complete spending cycle – from appropriations to the disbursements of grants, contracts, and administrative spending.

In support of this effort to streamline the payment process, we have already developed the Payment Automation Manager (PAM), which replaces over 30 mainframe-based software applications previously used by Treasury into a single, standardized application.
A key component of PAM is that it requires agencies to submit data in a newly defined Standard Payment Request format. Beginning in August of this year, most agencies will be able to submit payment data along with the related appropriation data in this standard electronic format. We will encourage agencies to adopt this new format as quickly as possible, but no later than October 1, 2014 all agencies for which Treasury disburses payments will be required to submit their payment data into PAM using this standard format.

PAM will also be able to collect an assortment of other payment related data from agencies, including procurement information (for contracts), grant or other program-related data, and data on recipients or payees, including payee location.

This standardized payment information from PAM will be provided to the PIR to capture richer data for analysis. The flow of this information from PAM into the PIR is expected to begin in the third quarter of 2013:

- By July 2013, information on payments issued by agencies, such as the Social Security Administration, Internal Revenue Service, and Veteran's Administration, will be stored in the PIR. At the same time, agencies that issue their own payments, such as the Department of Defense, will be able to submit standard files directly into the PIR, and will be required to do so by October 1, 2014.
- By October 2014, international payments data and grant payment data will be stored in the PIR.
- Also by October 2014, additional payment details from agencies and post-payment related activity such as adjustments, cancellations, and returns will be stored in the PIR.

This information will allow taxpayers, agencies, and policymakers to more easily track Federal spending. Users will be able to chart which areas of the country the government is spending the most on contracts, grants, benefit payments, salary payments, etc. The reports and dashboards will allow the user to filter information by specific attributes such as agency, state, or zip code where the payment is received, and type of payment.

Reports, queries, and analytics will incrementally be made available to the public. We expect the standard reports to be available to the public by July 2013 and structured queries to be available by December 2013. More detailed queries and data analytics will be available in the following months. Personally Identifiable Information (PII) will be highly protected and not available to the public. For example, the reports will show summary information on how much the government paid in Social Security benefits in a particular area, but will not disclose an individual's name, address, or Social Security number.

**Long-term vision for increasing transparency**

Treasury’s long-term vision is to provide a consolidated view of Federal financial management information on accounting, collections, debts, and payments through a single repository that serves as the single point of entry.

The Financial Information Repository (FIR) will allow users to integrate and correlate information to analyze and create composite views of data across our major business lines. While the FIR is in its nascent state, it will ultimately address the growing need to manage and centrally analyze and report on financial data related to Federal collections, payments, debts, and intra-governmental transactions that will be available to agencies, the Office of Management and Budget (OMB), Congress, and the public.
Accountability

Following the President’s June 2010 Memorandum directing agencies to improve payment accuracy by using a “Do Not Pay List,” Treasury, in collaboration with OMB, began developing the “Do Not Pay” (DNP) Business Center. The Business Center is comprised of the Do Not Pay Portal and Data Analytics Service.

The Portal serves as a one-stop shop for agencies to check several key databases to verify eligibility before making a payment or award. The databases that are currently available include the Death Master File, Excluded Parties List System, Debt Check Database, List of Excluded Individuals/Entities, and the Work Number—a commercially available data source with wage and employment information.

The Data Analytics Service provides customized analysis allowing agencies to compare program, payment, and vendor data with secondary sources to find patterns that might suggest fraud, waste, or abuse. In April 2012, the DNP Business Center developed a partnership with Treasury’s Financial Crimes Enforcement Network (FinCEN) in order to further enhance the analytic services provided to agencies. This partnership will leverage FinCEN’s investment in data analytics tools and their existing relationships with the law enforcement community. We are working to identify how and when the Data Analytics Service will transfer potential fraud cases to FinCEN for further investigation.

DNP serves as a tool agencies can use to increase their own financial accountability. The services offered by DNP allow agencies to evaluate payment eligibility based upon their internal business rules and the statutes governing their programs.

Treasury expects this financial accountability to increase even further with the release of OMB guidance that directs executive agencies to develop a plan for using a “centralized solution” to reduce improper payments. The DNP program is already assisting 27 programs in preventing improper payments, and this number continues to grow as agencies respond to the guidance.

Data Standards

Data standardization, or the consistent use of common terms, formats, and definitions for key financial data elements, supports sound financial management decision-making by improving the consistency and accuracy of the government’s financial data. To achieve the transparency and accountability we all want, Treasury is working to improve government-wide data definitions and standards. Widely accepted and used data standards will foster the easy aggregation of financial data for external reporting and facilitate the movement towards greater use of shared technologies and services throughout government, reducing the operational cost of government.

In addition to the payments modernization efforts I previously mentioned, Treasury has in the past worked closely with OMB to implement a Common Government-wide Accounting Classification (CGAC) structure.

In the future, Treasury will use standardized data through our modernization efforts. We will also build on our CGAC structure initiative by collaborating with OMB, GSA, and additional representatives from across the Federal financial community to form working groups dedicated to standardizing key financial data elements. These data elements will include agency and bureau identifiers, program identifiers, project and activity codes, and individual award identifiers (e.g., contracts, grants, loans, etc.).

Conclusion

Treasury’s transparency and accountability initiatives will change the landscape of Federal financial management. The Payment Information Repository will enable citizen participation and two-way communication between the public and government officials for the purpose of deriving and maintaining public trust in government financial information. The DNP program will increase government accountability while reducing, waste, fraud, and abuse. We look forward to working with Congress to help ensure the success of these initiatives.

Thank you and I look forward to taking your questions.
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Statement for the Record
Before the
Committee on Homeland Security and Government Affairs
United States Senate

July 18, 2012

Show Me the Money: Improving the Transparency of Federal Spending

Submitted on Behalf of the

National Conference of State Legislatures (NCSL)
International City/County Management Association (ICMA)
National Association of State Chief Information Officers (NASCIO)
National Association of State Auditors, Comptrollers and Treasurers (NASACT)
National Association of State Budget Officers (NASBO)
Chairman Lieberman, Ranking Member Collins and Members of the Committee:

Thank you for holding such a timely hearing to explore efforts currently underway to improve the transparency of federal funding. As organizations dedicated to providing financial oversight, system integration and data management at the state level, we are very happy to learn that the committee will be exploring the current initiatives aimed at improving transparency and accountability in federal spending. We believe that this hearing is an essential prerequisite to serious consideration of whether legislation, such as the Data Accountability and Transparency Act, is necessary to meet the desired goals of improved accountability and transparency in federal spending. Expanding ARRA-like reporting requirements to the entire universe of grants and contracts necessitates thoughtful investigation and careful consideration. Efforts by Congress to mandate additional reporting and oversight should consider the significant costs to be borne by the recipients and oversight professionals.

The above organizations represent state and local government officials who are committed to providing transparency to satisfy both the needs of government decision makers and the desires of taxpayers to monitor government spending. States are the largest recipient of federal funds, and thus, we have been closely following the efforts underway to streamline and improve the process by which the federal government provides assistance through grants and contracts.

The Federal Financial Assistance Management Improvement Act, also known as Public Law 106-107, was the first concerted effort in recent times to look at the business processes being utilized to deliver financial assistance and how such processes could be streamlined and amended to provide efficiencies for both the federal government and the recipients of federal funds. One of the most significant successes of P.L. 106-107 was the establishment of 1
Grants.Gov, a centralized electronic website for searching and applying for federal assistance.

While Grants.Gov made admirable and successful changes to provide access to the federal grants world, its potential was never fully realized as the portal only applied to the “find and apply” portions of the grant process and did not review or streamline back office processes. Success was further limited, as many federal agencies did not use the site to post all their grant awards and recipients were not able to submit required documentation electronically in all instances. It seemed that streamlining efforts were hampered by fragmented leadership between Grants.Gov and the Federal Grants Policy Committee. Ultimately, the law sunseed before additional steps could be taken to look at how the federal government manages and delivers its awards.

Since that time, a number of additional efforts have been undertaken, not only to look at ways in which grants are managed and delivered, but also to explore how the public can monitor government spending. The first effort to shine more light on federal spending was the passage of the Federal Financial Accountability and Transparency Act (FFATA). FFATA required that information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website, www.USASpending.gov. However since its passage in 2006, FFATA has failed to meet its full charge and vision because of the lack of funding dedicated to the effort, data quality issues that have not been properly addressed, the fact that not all federal agencies are complying with the directive, a delay in the implementation of sub-recipient reporting, and a shift in focus to comply with the American Recovery and Reinvestment Act (ARRA).

Nonetheless, it was not really until the passage of ARRA that the federal government took a serious look at the effectiveness and efficiency of current grant processes. While successful, the
reporting and oversight that occurred with ARRA was a direct result of several unique circumstances that may not be possible to replicate on a broad basis.

During the seven months between enactment and implementation, ARRA helped to foster a more open and communicative atmosphere between both the federal government and states as well as between individual states. Direct engagement between states and the federal government, whether it was large conference calls, informal discussions, or recorded webinars, seemed to take place nearly every week. Such engagement revolved around countless topics including sub-recipient and vendor reporting, batch reporting, job calculations, and additional funding for compliance costs. While solutions and compromises were reached in numerous areas, not every issue was fully resolved.

The ultimate success of ARRA reporting and the resulting small level of fraud and abuse can be attributed not only to the work of the Recovery Accountability and Transparency Board but to high levels of commitment and dedication of accountability and oversight professionals at the state and local levels. It was recognized early on that the lack of funding for such professionals was a major oversight and shortcoming of the original act.

We urge that any effort by Congress to mandate additional reporting and oversight consider the significant costs to be borne by the recipients and oversight professionals.

We believe that an efficient and streamlined reporting process, such as the one established in the DATA Act, hinges on the ability to identify challenges and put into place well thought out and vetted business processes. Relying on the success of reporting for a small number of ARRA grants and contracts and expanding that universe to include all federal awards will require significant planning and resources.
We believe that developing a phased-in approach to changing the way that the federal government oversees and manages its federal assistance is the proper way to understand current systems, including how and even if they can be amended and integrated to meet the desire for more transparency. It is extremely important to standardize and consolidate federal systems before requiring recipients to report to yet another entity.

The Recovery Accountability and Transparency Board is conducting a grants information reporting pilot project that will help to identify cost efficiencies and potential pitfalls of moving toward a centralized system for data collection and warehousing. Such a pilot is an important step in identifying the plausibility of expanding ARRA-like reporting requirements to the entire universe of grants and contracts.

The U.S. Office of Management and Budget, through the establishment of the Government Accountability and Oversight Board (GATB) and the newly created Council on Financial Assistance Reform (COFAR) is also examining federal government systems and processes. These efforts are intended to further the original goals of P.L. 106-107 to streamline the grants management process and to additionally move toward resolution of some of the issues that the DATA Act is intended to address. Specifically, the GATB is recommending that the federal government establish a government-wide accountability framework to better evaluate risk and prevent and detect fraud, waste and abuse. The GATB is also looking at data collection and data display through a well-defined set of data elements that will promote consistent reporting and data standardization, eliminate current system redundancy and reduce burden.

We fully support changes to increase the public's awareness of how their tax dollars are being spent, but we also believe the shift toward data reporting standardization should keep in mind the
costs and burden on federal grant recipients. Any changes should clearly address the overall goals of modernization, efficiency and accountability for all stakeholder parties—not just for federal agencies but for the recipient as well. We are pleased to learn that the committee is interested in learning more about existing efforts. However, we caution moving forward with legislation such as the DATA Act to mandate standardization and reporting prior to fully understanding how existing systems can be leveraged to achieve desired outcomes.

Thank you for holding this hearing to look at the various initiatives already underway. We look forward to working with members of the committee and the federal government to find better and more transparent avenues to deliver services to our citizens.

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Statement for the Record of
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Senate Committee on Homeland Security and Government Affairs

On
Show Me the Money: Improving the Transparency of Federal Spending
July 18, 2012

Chairman Lieberman, Ranking Member Collins, members of the Committee:

On behalf of OMB Watch, an independent, nonpartisan research and advocacy organization, I respectfully submit this written statement for the record of the July 18, 2012 hearing, “Show Me the Money: Improving the Transparency of Federal Spending.” Thank you for holding this hearing, as we believe in making our government the most effective and responsive it can be through transparency and accountability.

OMB Watch was founded in 1983 and has spent over twenty-five years advocating for government accountability, transparency and access to government information, and citizen participation in governmental processes. OMB Watch believes citizens must take an active role in ensuring government spending reflects their priorities and that transparency is the first step in enabling them to do this.

Our development of FedSpending.org, a website that provides access to much of the federal government’s spending information, demonstrated how the web can be used for greater accountability. The programming underlying FedSpending.org was licensed to the federal government and became USAspending.gov. We have both policy and practical experience with disclosure of federal spending information and with USAspending.gov in particular. OMB Watch does not receive any government funding and, therefore, would not be financially affected by actions taken with regard to improved transparency and accountability of USAspending.gov.

We support the goals of the Digital Accountability and Transparency Act (DATA Act) and believe that there is much to be done to improve access to high-quality federal spending data. We have always viewed the law that created USAspending.gov, the Federal Funding Accountability and Transparency Act (FFATA), as a first step. Indeed, the co-authors of FFATA, Sen. Coburn and then-Sen. Obama, subsequently crafted follow-up legislation to broaden the scope of spending transparency that was created with the original legislation. That bill – the Strengthening Transparency and Accountability in Federal Spending Act of 2008 (STAFSA) – unfortunately never became law, but we are supportive of this committee’s efforts to enhance
USAspending.gov and welcome actions that would extend and expand federal spending transparency.

This statement will address seven actions that can radically improve USAspending.gov as a tool for transparency and accountability. Together, these seven components will better allow Congress and the public to know how much money the government is spending, who receives the money, where the money ends up, what the money was spent on, and how well that money was spent.

1. **Ensure Spending Can Be Tracked Across Different Branches of Government**

Oversight requires that all spending and budgeting decisions for a given program be tracked from the cradle to the grave. Federal spending is a roundtrip process that involves decision making in both the legislative and executive branches of the government. And right now, without careful scrutiny of appropriations bills, legislative report language, the president's budget, agency reports, and USAspending.gov, it's incredibly difficult to see how and why any given dollar of federal funds was spent. When federal funds are appropriated and spent, users inside and outside government should be able to match the legal authorization of the expenditure to the actual funds being spent by agencies throughout the executive branch. Currently, there is no direct relationship between an appropriation and "program, project, activity" (PPA), which complicates Congress's work when it sets about deciding funding levels for programs and agencies.

2. **Display Actual Payments from the Treasury to Contractors**

Displaying data from the nation's checkbook is essential to improving data quality on USAspending.gov. Data on USAspending.gov is on contract and grant obligations, not actual payments to the firms or individuals doing work for the federal government. Agencies have made improvements in the quality of data they report; however, it's still far from perfect. Treasury Department data on the checks that are handed to recipients is the most accurate source of federal spending data. If you want to know how much money has been paid and to whom it has gone, there is no higher data quality than that appears on the "Pay to the Order of" and "Amount" lines of Treasury payments. With appropriate identifiers on the payment data, contract and grant data can be connected to the payment to give further information on the details of the spending.

3. **Create an Open, Accurate Unique Corporate ID System that is Used Across Federal Agencies**

Tallying the total amount of federal funds that a company or organization receives from the federal government requires an accurate map of corporate ownership structures, so that funds received by a subsidiary company can be properly associated with funds received by its parent company. USAspending.gov currently uses a proprietary ID system provided by a private company that is often inaccurate and is not subject to transparency policies like the Freedom of Information Act.
Additionally, every federal government database that contains information on private entities should be able to be linked to every other federal database that contains information on private entities. Entities that receive federal funds may be identified differently in different systems. Tracing the flow of funds from request to expenditure to reporting on the use of those funds requires that multiple systems recognize a given entity throughout the process; that is, the Acme, Inc. that received a federal contract last year is the same Acme, Inc. that appears in EPA’s Toxics Release Inventory. Assessing the total amount of federal funds that an entity has ever received requires the ability of systems to recognize that entity as such in every instance it is involved in the federal spending process. And because data are housed in many locations, the ability to link these datasets is essential to federal spending transparency.

The importance of identifying entities extends beyond USAspending.gov. There is a clear public interest in implementing a single system to identify entities across all federal data, and this would allow stakeholders within and outside government to link recipients of federal contracting dollars to contractor performance reviews to campaign donations to lobbying activity to environmental impacts and to workplace and consumer safety records. By linking these disparate data sets, citizens and governmental actors could increase the accountability of contractors, Congress, and the federal government alike.

4. Track Federal Funding Through to the Final (Ultimate) Recipient of the Funds

Currently, we can see only two links in what is sometimes a long chain of subcontracting relationships. Large federal projects are likely to be subcontracted multiple times, employing many different contractors. Since most projects are routed through states or localities, in practice, this means we can only see the local government that receives federal funds and the prime private contractor.

Instead of limiting transparency to two levels of recipients, a system of full multi-tier reporting, in which any organization that receives more than some de minimis amount in federal funds must report on the use of those funds, should be implemented. In fact, the authors of FFATA were clear that transparency should extend to multiple levels of sub-recipients. In the report accompanying the law, they noted that “information on the identity of the initial recipient, and not the identity of second- or third-tier recipients” was one of the “biggest limitations” of the data that would become one of the two primary data sources for USAspending.gov.

5. Display the Full Text of the Contract Language

The full text of a contract between the federal government and a company or organization would allow Congress and the public to determine whether contractors are performing the tasks they were contracted to carry out, and to assess the value federal agencies are receiving for the contracts they negotiate. USAspending.gov shows how much money a contractor was awarded but provides scant details on what the contractor is being paid to do. A typical example is that of a $518 billion contract with the Energy Department, in which eight words are used to describe the contract.
STAFSA, among other things, would have required that "both a copy in a format that reproduces the original image of each page and a copy in searchable text format of the request for proposals, the announcement of the award, the contract, and the scope of work to be performed" be made available to the public.

6. Link Spending Data to Program Performance Measures

Transparency in federal spending is ultimately about improving quality and efficiency in federal programs. Holding decision makers accountable requires that the public and Congress have access to information on the effectiveness of federal programs. Making detailed performance publicly available and available to Congress and the public is the first in tying budget decisions to program improvement. As part of their budget request formulation process, federal agencies should have access to relevant, high-quality program data. Congress should also have access to the same data to help guide its funding deliberations. Outside stakeholders, those who are affected by program funding, involved in service delivery, and concerned as interested citizens, should also have access to the same information, allowing better participation in the democratic process to determine appropriate funding levels for our national priorities. Access to performance data will allow us to answer questions like: What kind of bang are we getting for the buck? And, how many people will be affected by the automatic across-the-board program funding cuts set to take place in January as a result of the Budget Control Act?

7. Make Government Data Machine-Readable, Discoverable, and Downloadable

Making data publicly available creates transparency only when the public can find and use the information. If the federal government designs such a system for tracking federal spending, it must consider the variety of audiences who will use the information. The government should build on the success and popularity of USA Spending.gov and provide access in a searchable and user-friendly format for the vast amount of information on federal spending from the executive and legislative branches.

But there are virtually limitless uses for the vast amount of federal spending data, and the federal government will never be able to satisfy all the needs of stakeholders (nor should it) through development of applications using federal spending data. There are many organizations and individuals who can make novel uses of spending data, as long as raw, machine-readable data are provided to them with flexible and open standards. Machine-readable raw data can be published in a number of ways, and the federal government should take care to produce data in such a way as to maximize potential uses.
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Post-Hearing Questions for the Record
Submitted to the Honorable Eugene L. Dodaro
From Senator Claire McCaskill

“Show Me the Money: Improving the Transparency of Federal Spending”
July 18, 2012

1. As the panel has indicated, we need consistent data standards across agencies, we
need to ensure the data we have is comprehensible and accurate, and we should try
to ease the reporting burden on recipients without sacrificing accountability. Can
you speak to each of these three areas, and what role you think there might be for
Congress and the Executive Branch to achieve these goals?

Having consistent data standards across agencies helps ensure that collected information
is comparable and consistent over time. Legislation can help ensure that consistency. It is
also critical that any information provided to the public and policymakers be accurate
and reliable. While the Executive Branch is taking steps to improve the accuracy of reported
spending data, we will also plan to identify opportunities to improve data quality in our
pending work to address the Committee’s request on spending transparency.

Regarding the issue of reporting burdens, first, it is very important that there be
agreement on the objectives for any transparency system that is established in order to
ensure that only the data that are needed are collected in the most efficient way; the
legislative process can be an important tool for generating such a consensus. Second, the
stakeholders, including those who will be reporting and those who will be using this
system, need to have an opportunity to have input and to be heard in order to help
minimize reporting burden issues. Finally, any approaches that can draw upon existing
data to reduce the need for redundant reporting should be used. This could include
prepopulating fields with data that agencies already have, which should help both reduce
recipients’ reporting and reduce the opportunity to introduce errors.

2. Do you believe Treasury’s efforts to establish a “Do Not Pay” portal and analytics
service are sufficient? If not, what improvements are needed, and what is the best
way forward?

The recent development of the Department of Treasury’s Do Not Pay Business Center
and the Office of Management and Budget’s (OMB) April 2012 memorandum on
reducing improper payments through the “Do Not Pay List” should enhance federal
efforts to reduce improper payments. However, additional actions would further enhance
these efforts. For example, additional information and analysis on the root causes of
improper payment estimates would help agencies target effective corrective actions and
implement preventive measures. Also, implementing strong preventive controls can help
defend against improper payments, increasing public confidence and avoiding the
difficult “pay and chase” aspects of recovering improper payments. Effective detection
techniques to quickly identify and recover improper payments are also important to a
successful reduction strategy. We are continuing to further examine these issues and will keep the Committee informed of our efforts.

3. Mr. Werfel mentioned that the Department of Education and USDA are doing a good job reconciling their USAspending data with their core accounting systems. How can we get other agencies to this same place?

At the Committee’s request, we will shortly initiate an evaluation of agency-reported data in USAspending.gov, similar to the work we performed in 2009. Once we have made significant progress on that effort, we should have more information on the differences in performance among agencies, the reasons for those differences, and options to address any identified performance gaps.

4. Even if we are making good progress now, our progress in the area of financial transparency should not be subject to the whim of whoever is at OMB in the future. Do you think legislation can help in this respect? If not, how would you ensure consistency across administrations?

As I underscored at the hearing, I believe legislation is key to the long-term success of federal efforts on spending transparency. The legislative process can be an important tool for developing a consensus on what information should be reported and gathering input from a range of key stakeholders on issues such as reporting requirements and related costs. Also, once enacted, legislative requirements can provide for continuity of transparency efforts over time.
Post-Hearing Questions for the Record  
Submitted to the Honorable Eugene L. Dodaro  
From Senator Tom Coburn  

“Show Me the Money: Improving the Transparency of Federal Spending”  
July 18, 2012

1. In your 2010 report on USAspending.gov data accuracy, the GAO made several recommendations towards improving the quality of federal spending data. Has OMB made progress in implementing these recommendations? In your opinion, what are the most critical actions OMB and federal agencies should take to improve the availability and accuracy of federal spending data?

OMB has taken significant steps to address several of our recommendations and improve the data in USAspending.gov. For example, OMB now collects and displays subaward data and has issued several guidance documents outlining requirements for agencies to implement adequate procedures to ensure data quality. However, OMB has not made significant progress on our recommendation that focused on the public reporting of data quality or provided required annual reports to Congress, which we believe are as critical as those recommendations which were aimed at internal improvement efforts.

2. In a 2010 audit, the GAO found that 73 of the 100 awards that reviewed from USAspending.gov, six or more fields in each entry was inaccurate. Do you think those data quality issues still exist for USAspending.gov? What are the three biggest things the federal government can do to implement better data quality standards? Is legislation necessary?

Subsequent to our 2010 report, OMB initiated efforts to enhance data quality, including the designation of responsible senior officials and the establishment of quality assurance frameworks at each agency. At the Committee’s request, we will shortly initiate an evaluation of agency-reported data in USAspending.gov, similar to the work we performed in 2009. Once we have made significant progress on that effort, we should have more information on the accuracy of the data on USAspending.gov and the impact of OMB’s efforts to improve data quality, and ideas for implementing any further data quality improvements.

As I stated at the hearing, I believe legislation is key to the long-term success of federal efforts on spending transparency. The legislative process can be an important tool for developing a consensus on what information should be reported and gathering input from a range of key stakeholders on issues such as reporting requirements and related costs. Also, once enacted, legislative requirements can provide for continuity of transparency efforts over time.

3. You mentioned in your testimony the amount of effort that OMB, the Recovery Board, and federal agencies put into making sure that Recovery.gov data were as complete and accurate as possible. In contrast, we know that at least in the early
years of USAspending.gov and with other systems as well, they did not achieve the same level of accuracy that we saw with Recovery.gov. What were the key differences between the implementation of usaspending.gov and recovery.gov?

There were several efforts that OMB, the Recovery Board, and federal agencies undertook to ensure the quality of Recovery.gov data. The efforts by OMB and the Recovery Board to communicate the requirements and familiarize recipients with them helped ensure that recipients understood the importance of complete and accurate reporting. Further, the Recovery Board implemented edit checks that identified potentially erroneous data. After the initial reporting round, OMB issued guidance to federal agencies requiring them to take steps to identify significant errors. Our review of reporting under several programs showed that agencies followed the guidance, and reviewed data both centrally and at the ground level. Conversely, when USAspending.gov was started, OMB issued guidance to federal agencies, but its other efforts to ensure data quality were limited.

4. Since the Congress is considering potential legislative changes to enhance federal spending transparency, how do we walk that fine line of getting the information needed to manage federal programs and prevent fraud, waste, and abuse, while not imposing too much of a burden on, for example, financially-strapped state and local governments? Please comment on the proposed DATA Act legislation that passed the House and is under consideration in the Senate.

On the question of limiting the burden on recipients who are reporting, a few things could be helpful. First, it is very important that there be agreement on the objectives for any transparency system that is established in order to ensure that only the data that are needed are collected in the most efficient way. The legislative process can be an important tool for generating such a consensus. Second, the stakeholders, including those who will be reporting and those who will be using this system, need to have an opportunity to have input and to be heard on reporting issues. Finally, any approaches that can draw upon existing data to reduce the need for redundant reporting should be used. This could include prepopulating fields with data that agencies already have, which should help both reduce recipients’ reporting and reduce the opportunity to introduce errors.

Regarding the proposed DATA legislation, I mentioned in the hearing that I believe legislation is important. The legislation introduced would expand the information that is available. USAspending.gov includes information on awards, but this legislation would require information on how much was spent—information similar to what is available on Recovery.gov. The bill also sets up an advisory committee involving stakeholders, such as grantees and contractors who would be reporting data. And it requires that, through the use of technology, the information be searchable.

The improvements in transparency gained from USAspending.gov and Recovery.gov were due in large part to the legislative requirements that led to those systems. I believe having a dedicated group of people and funding to develop and implement the Recovery.gov site also was key. How one would achieve that and where such a set of resources would be situated is a policy question the Congress will need to resolve. But I believe that without clear dedicated resources, milestones, and legislative expectations, the needed level of progress will not be achieved.
Post-Hearing Questions for the Record
Submitted to the Honorable Daniel I. Werfel
From Senator Claire McCaskill

“Show Me the Money: Improving the Transparency of Federal Spending”
July 18, 2012

1. As the panel has indicated, we need consistent data standards across agencies, we
need to ensure the data we have is comprehensible and accurate, and we should try
to ease the reporting burden on recipients without sacrificing accountability. Can
you speak to each of these three areas, and what role you think there might be for
Congress and the Executive Branch to achieve these goals?

We share the common goals of ensuring that Federal spending data is of the highest
quality and consistently reported, while working to ease the burden on recipients of
Federal funds. Recognizing these goals, the President established the Government
Accountability and Transparency Board (GATB) through his Executive Order 13576 of
June 13, 2011 (“Delivering an Efficient, Effective, and Accountable Government”) to
“provide strategic direction for enhancing the transparency of Federal spending and
advance efforts to detect and remediate fraud, waste, and abuse in Federal programs.” At
present, OMB is moving forward with a number of efforts that are enhancing the
reliability and quality of Federal spending data. We believe these efforts will lead to
greater transparency and accountability in spending, without increasing burden on the
recipient community. As discussed in my testimony, these efforts can be broadly
grouped into two overarching categories: integration and reconciliation of spending data
with other agency data, and increased data standardization across government.

Data Integration and Reconciliation

We are working with agencies and the audit community to integrate the quality-assurance
framework that is in place today for audited financial statements with Federal spending
data and reporting. Not only does this integration enable us to leverage the existing and
proven financial-statement infrastructure for broader use, and allow us to better align our
back-office reporting systems, but it also introduces an independent review mechanism
for spending data through the audit community.

As a first step to achieving this alignment, OMB developed a new Schedule of Spending,
which will include in agencies’ annual audited financial statements information about
where and how Federal agencies spend Federal dollars. Agencies’ financial reports,
submitted in November of this year, will include information from the Schedule of
Spending. This effort builds on two years of work to improve agency financial reports,
and provides an important step in focusing these reports on data that are critical to public
understanding of how government is spending money.
In addition, agencies and OMB are working together to shore up internal controls to create data that are internally consistent and externally understandable. OMB is providing enhanced validation tools for the data that are reported by agencies on USAspending.gov, and providing agencies with reports of the quality of the information they provide. OMB also continues to work with agencies on improving the quality of data submitted to USAspending.gov, pursuant to our April 2010 memorandum on improving the timeliness, accuracy, and completeness of data. OMB will provide best practices to agencies on how to reconcile spending information with their financial statements and ensure the accuracy and completeness of the specific award reported on USAspending.gov.

Data Standardization

We are also enhancing reliability by working to standardize key elements of spending data across government. The GATB homed in on this issue when it made its initial recommendations to the President last December for improving transparency and accountability, noting that data standardization and uniformity provide the key to unlocking transparency, and indicated that uniform award identification is a critical first step in this pursuit. Accordingly, OMB is working with the GATB, the Recovery Accountability and Transparency Board (Recovery Board), and agencies on a number of efforts to advance standardization of spending data across the government. These efforts include standardizing business rules and structures for award identification numbers that may lead to improvements in both reliability and presentation of data.

Collectively, these efforts will be instrumental in creating a more reliable, consistent, and understandable set of data. These efforts will also lead to greater transparency and accountability in spending, without increasing burden on the recipient community. As we continue to make progress on these fronts, we are committed to working closely with this Committee and providing regular updates.

2. You mentioned that you believe the federal government has the ability and authority it needs today, through existing regulations, to provide better quality and more reliable information, but that your challenge now is delivering results. What barriers are you facing, and how do you think Congress can be helpful?

Ensuring high-quality, reliable, and consistent information on all Federal spending is a significant undertaking, given the variance of systems and business processes for collecting that information across the government. The biggest impediments to progress are overcoming these variations to arrive at the right outcome, without being overly prescriptive, given unique agency circumstances. Moreover, achieving these objectives requires dedicated resources (in terms of time, funds, and expertise) and, therefore, we must make sure that our goals are aligned to fit within our resource constraints.
3. Do you believe Treasury’s efforts to establish a “Do Not Pay” portal and analytics service are sufficient? If not, what improvements are needed, and what is the best way forward?

The Department of the Treasury has made tremendous strides in implementing the Do Not Pay portal to date. The department’s progress includes establishment of the two critical components of the Do Not Pay solution:

- Do Not Pay Portal – a web-based single-entry access portal for all Federal agencies to use as part of their efforts to prevent improper payments. This tool can perform single searches, batch matching, and a continuous monitoring feature. Agencies can check multiple databases in one place.

- Do Not Pay Data Analytics Services – this component is designed to provide data sources (in addition to the ones that will be available through the portal) and staff who can perform advanced data-analytic activities, such as identifying trends, risks, and patterns of behavior that may warrant a more thorough analysis and investigation on the part of the agency.

Treasury launched the Data Analytics Center in October 2011. The Portal had a “soft launch” in November 2011 with Treasury’s Administrative Resource Center (ARC) as the first customer. In the months since the initial launch, several agencies have been brought on board, including the Government Printing Office (GPO) and the National Archives and Records Administration (NARA). Treasury is continuing to add new data sources and system functionality to both the portal and the data-analytics service.

More recently, agencies have been busy producing draft adoption plans for Do Not Pay in response to OMB Memorandum M-12-11 (“Reducing Improper Payments Through The ‘Do Not Pay List’”). Treasury has worked with OMB to review all of the agency draft plans and will work with agencies and OMB to improve the plans for final submission. As Treasury helps agencies adopt and implement their M-12-11 plans, Treasury will continue to learn and improve the Do Not Pay List. OMB will also continue to host a Do Not Pay working group to share best practices and provide feedback to Treasury’s Do Not Pay team. OMB and Treasury are working to fulfill the President’s call to implement this much-needed tool government-wide. Ensuring that all 24 CFO Act agencies have plans to use Do Not Pay is an important first step.

4. You mentioned that the Department of Education and USDA are doing a good job reconciling their USAspending data with their core accounting systems. How can we get other agencies to this same place?

OMB continues to work with agencies to improve the quality of data submitted to USAspending.gov, following our April 2010 memorandum on improving the timeliness, accuracy, and completeness of data. Every agency has developed a data-quality plan that sets forth its financial-data-quality framework; how this will be applied to information on
USAspending.gov; how the USAspending.gov data will be reviewed and monitored for accuracy and completeness; and finally, how the data will be used to evaluate and improve performance. OMB will also share best practices with agencies on how to reconcile spending information with their financial statements and ensure the accuracy and completeness of the specific award information reported on USAspending.gov.

5. Even if we are making good progress now, our progress in the area of financial transparency should not be subject to the whim of whoever is at OMB in the future. Do you think legislation can help in this respect? If not, how would you ensure consistency across administrations?

The Federal Funding Accountability and Transparency Act, co-sponsored with bipartisan support by then Senators Obama and Coburn, was enacted in 2006, prior to the current Administration. USAspending.gov was established in 2007, and since 2009, transparency in federal spending has reached unprecedented levels as a result of this Administration’s Open Government initiatives and the Campaign to Cut Waste, Congress has enacted, and the President has signed, significant and detailed mandates for providing transparency in federal spending. Our challenge now is to execute on the requirements already in place. In this regard, I am concerned that additional legislation could disrupt implementation of current plans to improve Federal spending transparency. Specifically, if new legislation is enacted as we continue along this path, we may need to divert resources or delay scheduled improvements as we realign and restructure our approach to comply with new requirements.

That said, I would emphasize that Congress has a critical role in holding the Executive Branch accountable for the vision and strategy it is pursuing. Additional hearings should be held to continue to test the strategy we have outlined and to hold us accountable for the ideas we have shared with you. Such continued pressure from Congress will help to ensure continuity across Administrations. In addition, efforts to implement the directives of FFATA could be assisted by Congress in the form of further appropriations to the E-Gov Fund to accelerate the transition from the Integrated Acquisition Environment to the System for Award Management.
Post-Hearing Questions for the Record
Submitted to the Honorable Daniel I. Werfel
From Senator Tom Coburn

“Show Me the Money: Improving the Transparency of Federal Spending”
July 18, 2012

1. Under statute, OMB is required by law to provide annual updates to Congress about the implementation of FFATA. Since OMB has been unable to provide these annual updates, when should the Committee and Congress expect the next update?

We are committed to regular and robust communication with Congress, and this Committee in particular, on the implementation of FFATA and the progress towards achieving our common goals of transparency and accountability. OMB has provided Congress with regular updates on the status of Federal Funding Accountability and Transparency Act (FFATA) implementation through reports such as the E-gov Benefits Report (available at http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/fy12_e-gov_benefits_report.pdf) and through various hearings and briefings provided to this and other committees.

2. We continue to see significant inaccuracies on the USAspending.gov website, including the 2010 GAO audit that found significant mistakes in USAspending.gov entries. Some entries had more than a half dozen mistakes. Two years have passed since your April 2010 memorandum on improving the timeliness, accuracy, and completeness on data in the USAspending.gov database. Are you satisfied with the progress that agencies have made in response to the 2010 memorandum? Do you think USAspending.gov gives the public an accurate and complete understanding of how the government spends its money? In your opinion, what else can be done?

While agencies have made tremendous strides in improving the quality and completeness of the data on USAspending.gov, we must continue to do more to ensure that all of the data on the site are reliable and accurate. As I emphasized in my testimony in July, improving data quality is a critical step toward creating a more transparent picture of Federal spending.

Accordingly, OMB continues to work with agencies on improving the quality of data submitted to USAspending.gov, following our April 2010 memorandum on improving the timeliness, accuracy, and completeness of data. This effort includes the following steps:

- Every agency has developed a data-quality plan that sets forth its financial data-quality framework, how this framework will be applied to information on USAspending.gov, how the USAspending.gov information will be reviewed and monitored for accuracy and completeness, and, finally, how the data will be used to evaluate and improve performance.
• With respect to federal procurement information, agencies conduct annual verification and validation of data in the Federal Procurement Data System (FPDS), the data source for procurement information on USAspending.gov. A summary of the government-wide results can be found on USAspending.gov (at http://www.usaspending.gov/customcode/4_year_summary_Federal_Government_Procurement_Data_Quality.pdf). That summary highlights the accuracy and completeness of the Federal government procurement data on USAspending.gov.

• OMB has developed a new Schedule of Spending that will be included in agencies’ annual audited financial statements and will include information about where and how Federal agencies spend Federal dollars. Agencies’ financial reports, submitted in November of this year while the schedule of spending is being phased in, will include unaudited information from the Schedule of Spending. This effort builds on two years of work to improve agency financial reports, and will help focus these reports on data that are critical to public understanding of Federal spending.

• GSA has provided enhanced validation tools for the data that are reported by agencies on USAspending.gov, and we are providing agencies with reports of the quality of the information they provide.

• We are also enhancing reliability by working to standardize key elements of spending data across the government. The Government Accountability and Transparency Board (GATB) moved on this issue when it made its initial recommendations to the President last December for improving transparency and accountability. GATB noted that data standardization and uniformity provides the key to unlocking transparency, and indicated that uniform award identification is a critical first step in this pursuit. Accordingly, OMB is working with the GATB, the Recovery Accountability and Transparency Board (Recovery Board), and agencies on a number of efforts to advance standardization of spending data across the government. These efforts include standardizing business rules and structures for award-identification numbers that may lead to improvements in both reliability and presentation of data.

3. Next to the 2010 memorandum, what other significant action has OMB taken to direct agencies to remedy problems and inaccuracies on USAspending.gov? Are you confident that the information currently on that website is accurate?

OMB continues to work with agencies on improving the quality of data submitted to USAspending.gov, following our April 2010 memorandum on improving the timeliness, accuracy, and completeness of data. This effort includes the following steps:

• Every agency has developed a data-quality plan that sets forth its financial data-quality framework, how this framework will be applied to information on USAspending.gov, how the USAspending.gov information will be reviewed and monitored for accuracy and completeness, and, finally, how the data will be used to evaluate and improve performance.
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• We are also enhancing reliability by working to standardize key elements of spending data across the government. The Government Accountability and Transparency Board (GATB) homed in on this issue when it made its initial recommendations to the President last December for improving transparency and accountability. GATB noted that data standardization and uniformity provides the key to unlocking transparency, and indicated that uniform award identification is a critical first step in this pursuit. Accordingly, OMB is working with the GATB, the Recovery Accountability and Transparency Board (Recovery Board), and agencies on a number of efforts to advance standardization of spending data across the government. These efforts include standardizing business rules and structures for award-identification numbers that may lead to improvements in both reliability and presentation of data.

4. Do you agree that the public should have access to transaction-level data covering internal federal spending? Assuming that the public does deserve access to the same level of detail on internal spending as on external grants and contracts - do you agree that such information should be available on the same platform?

Increasing the transparency of Federal spending processes is important and valuable, and we should strive to provide the public with as much useful information as possible. In general, transaction-level data that are of interest to the public and are currently centrally collected and maintained by Federal agencies should be made public, once the agency has ensured that publishing the data will not have adverse effects on personal privacy, intellectual property, national security, the government’s own commercial interests, or other related issues. For example, the Department of the Treasury Payment Information Repository and Intra-Governmental Payment and Collection System are examples of centrally-collected Federal
agency databases that can be made public (at least in part), and the Department of the Treasury is working to do just that.

Data that may be of interest to the public, but are not currently centrally collected or maintained, should be subject to a cost-benefit analysis to determine the most efficient way to deliver the information and the value of any investments that would need to be made in order to collect and maintain the data. Cost-benefit analysis is necessary in this context to ensure that providing this information creates a net public benefit.

5. The Department of Defense has never been able to provide reliable improper payment estimates, and is not expected to become auditable for several years. Is OMB currently working with DoD to create a reduction strategy and develop measurement methodologies? If not, does OMB plan to do this before DoD becomes auditable?

According to DoD, estimates for all programs required to report improper payment rates will be reported for fiscal year 2012. Prior to the passage of the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (P.L. 111-204), there were two main laws guiding improper-payment activities: the Improper Payments Information Act (IPIA) (P.L. 107-300) and the Recovery Auditing Act (RAA) (P.L. 107-107). Those statutes were distinct, with the RAA applying to recoveries of improper contract outlays and the IPIA applying to statistically-sampled improper-payment estimates for grants, benefits, and loan programs. IPERA amended IPIA and generally repealed the RAA. Therefore, prior to the passage of IPERA, the law did not require statistically-sampled improper-payment estimates for contract outlays (such as DoD’s contract outlays) because they were already subject to recovery audit requirements in the RAA.

However, under IPERA, agencies are also responsible for conducting risk assessments and, if necessary, statistical samples to determine improper-payment estimates for contract outlays. Accordingly, it is now appropriate that all agencies report improper-payment estimates on applicable programs. In FY 2011, DoD reported an improper-payment error rate for its commercial payments for the first time based on actual improper payments identified and reported. (At the time, DoD was still finalizing an estimate based on a statistical sampling methodology.) However, DoD anticipates reporting an estimate for commercial payments in FY 2012 based on statistical sampling, as required by IPERA. Finally, if the Committee concludes that there are DoD programs that warrant reporting additional information related to improper payments, OMB can assess and, as appropriate, work with DoD to include those programs.

6. OMB did not include the Department of Defense's improper payment estimates in the FY 2011 total improper payment rate of $115 billion, even though DoD did provide estimates. What was wrong with the data DoD provided?

OMB included the following DoD programs in the government-wide improper-payment estimate for FY 2011:
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- Civilian Pay
- Military Health Benefits
- Military Pay
- Military Retirement Benefits
- Travel Pay
- USACE Travel Pay

As mentioned above, DoD also reported an improper-payment estimate for its commercial payments for the first time in FY 2011 based on actual improper payments identified (that is, not based on a statistical sample). Even though DoD reported an error rate for commercial payments, the Administration decided not to include it in its FY 2011 government-wide improper-payment totals. First, OMB believed DoD needed to further refine the measurement methodology for commercial payments and obtain OMB approval (note: since then, DoD has developed a statistical sampling methodology for FY 2012 reporting for this program, which OMB is currently reviewing for final approval). Second, this decision avoided skewing the numbers and overstating the government-wide success. DoD’s commercial payments have very high outlays and reported very low error rates, and were not included in the FY 2009 baseline.

Therefore, if we had included this program in the FY 2011 totals, the government-wide improper-payment amount would still have been around $115 billion. However, the government-wide error rate would have been much lower than was reported—because including these additional DoD outlays would have inflated the denominator used for calculating the government-wide error rate. Nonetheless, we support DoD’s decision to publicly report the error rate in its FY 2011 Annual Financial Report and its efforts to continually refine and improve its methodology. Moving forward, we will look into how to incorporate these amounts into the government-wide total, and will determine the best way of presenting the data so that information for FY 2012 and beyond is appropriately comparable with prior years.

7. Has there been a thorough review of the integrated acquisition systems, or how grants are managed?

OMB is working with GSA in ongoing, thorough assessments of the Integrated Acquisition Environment. This cooperation includes collaboration with the Acquisition Committee for E-Government, the governing entity created under the Chief Acquisition Officers Council, as well as ongoing management discussions.

With respect to how grants are managed more generally, OMB has worked with the Council on Financial Assistance Reform over the past year and a half to respond to the President’s directives in Executive Order 13520 of November 20, 2009 ("Reducing Improper Payments") and his February 28, 2011 Memorandum on Administrative Flexibility to review our existing guidance to better target waste, fraud, and abuse while reducing administrative burden in order to improve program outcomes. We published an Advance Notice of Proposed Guidance in February 2012, which discussed ideas for improvements to these
policies, and received over 350 public comments. We are incorporating that feedback into a proposal, and anticipate publishing proposed revisions to all OMB circulars governing grants management for further public comment.

8. The federal government uses many overlapping systems to track its spending. I applaud any efforts to consolidate existing systems, including the ones the GAT Board has recently described to the President. Since many of these systems are required by separate laws, won’t legislation be necessary to consolidate them?

The Administration is not recommending any legislative change in this area at this time. FFATA, for instance, does not prohibit including spending data beyond the data specifically identified in the report. Relying on existing statutes, OMB has been aggressively cracking down on duplicative spending and redundant systems across the government. For example, we are consolidating more than 900 data centers by 2015; have developed a Federal Shared Services Strategy as part of the 25-point IT Reform Plan; are moving Federal agencies to cloud computing, or the delivery of services over a network, to take advantage of economies of scale; and are consolidating separate systems under the Integrated Acquisition Environment to one platform, the System for Award Management. This consolidation is consistent with existing statutory requirements, while reducing redundancies that contribute to poor data quality; reducing costs for maintaining separate, outdated systems; and improving access to information that is essential in fighting fraud, waste, and abuse.

9. Does OMB have the authority to impose a universal award ID on a mandatory basis? If OMB has this authority, will OMB exercise that authority to force all agencies to use the same ID system for their grants and contracts?

Existing statutes (e.g. 31 U.S.C. 503; 41 U.S.C. 405), and OMB materials interpreting those statutes under 2 CFR and the FAR, provide OMB with sufficient authority to require that agencies identify financial assistance and contract awards through a unique award ID. OMB is working with the GATB, the Recovery Board, and agencies on a number of efforts to advance standardization of spending data across the government. These efforts include standardizing business rules and structures for award identification numbers that may lead to improvements in both reliability and presentation of data.

10. Does OMB, or does the GAT Board, have any plans to impose a consistent recipient identifier?

In its reports to the President, the GAT Board noted that data standardization and uniformity provide the key to unlocking transparency, and indicated that uniform award identification is a critical first step in this pursuit. Accordingly, OMB is working with the GATB, the Recovery Board, and agencies on a number of efforts to advance standardization of spending data across the government. These efforts include standardizing business rules and structures
for award identification numbers that may lead to improvements in both reliability and presentation of data.

11. Within the White House, have the office of the Chief Information Officer and the Office of Science and Technology participated in the GAT Board's work? Do you see these offices as having overlapping responsibility in the area of federal spending?

OMB regularly collaborates with the Office of the Chief Information Officer, the Office of Science and Technology Policy, and other components of the Executive Branch where appropriate, including on matters such as Federal spending and system requirements for agency financial reporting.
Post-Hearing Questions for the Record
Submitted to Richard L. Gregg
From Senator Claire McCaskill

"Show Me the Money: Improving the Transparency of Federal Spending"
July 18, 2012

1. As the panel has indicated, we need consistent data standards across agencies, we need to ensure the data we have is comprehensible and accurate, and we should try to ease the reporting burden on recipients without sacrificing accountability. Can you speak to each of these three areas, and what role you think there might be for Congress and the Executive Branch to achieve these goals?

The Treasury Department accumulates extensive Federal payment information by processing the majority of all Federal government payments and therefore is uniquely positioned to increase payment transparency without increasing the burden on recipients. To increase data standards, we have created the Payment Application Manager (PAM), which replaces over 30 mainframe-based software applications and requires agencies to submit payment data in a newly defined Standard Payment Request format. By October 2014 all agencies will be required to submit their payment data to Treasury using this standard format. This information will feed into the Payment Information Repository (PIR), which is a robust business intelligence and data analytics system that will allow payment information to be available to the public. Not only will this comprehensive system improve the accuracy of payment information that is available to the public, it does not increase the reporting burden on payment recipients because the data is generated from the disbursing agencies.

Treasury and the Office of Management and Budget (OMB) are working together to implement these initiatives. I would suggest periodic hearings to keep Congress informed and to make sure that there is continuous focus on greater accountability and transparency in Federal spending.

2. Do you believe Treasury's efforts to establish a "Do Not Pay" portal and analytics service are sufficient? If not, what improvements are needed, and what is the best way forward?

The Treasury Department has made significant progress since we began implementing the Do Not Pay (DNP) initiative in April 2011. We have created the DNP Business Center, which provides agencies access to key databases to verify payment eligibility as well as data analytics that enable agencies to compare program, payment, and vendor data with secondary sources to find patterns that might suggest fraud, waste, or abuse.

The DNP program is already assisting 29 programs in preventing improper payments. This number continues to grow as agencies respond to OMB’s directive to develop a plan for using a “centralized solution” to reduce improper payments (M-12-11). Treasury and OMB will continue to work together to make sure that agencies are taking advantage of the DNP Business Center. Our goal is to reduce improper payments made by the Federal government by checking government and private data to reduce fraud and other payment errors and by conducting analysis on behalf of agencies to identify potential payment anomalies so agencies can verify payment eligibility data before making a payment.
Post-Hearing Questions for the Record
Submitted to Richard L. Gregg
From Senator Tom Coburn

“Show Me the Money: Improving the Transparency of Federal Spending”
July 18, 2012

1. I applaud the work that the Treasury Department is doing to try to improve transparency. Do you recommend any statutory changes to ensure that agencies cooperate with your initiatives to improve transparency and federal financial management?

It is crucial that all Federal agencies adhere to consistent standards promulgated by the Treasury Department (Treasury) and Office of Management and Budget (OMB) in order to improve spending transparency and Federal financial management. We do not have a recommendation for any statutory changes. However, Treasury and OMB have laid out a schedule for Federal agencies to adopt the initiatives and are managing agencies’ action plans. Treasury makes 85 percent of the government’s payments in more than one billion transactions per year. These transactions will be reported in Treasury’s Payment Information Repository (PIR) by October 2014. Agencies that process their own payments, such as the Department of Defense, will also report payment into the PIR by October 2014; having these additional data will allow Treasury to capture the full scope of the government’s payments.

I recommend that periodic hearings with Treasury and OMB be held to make sure that agencies are on-track in implementing the new process established by Treasury.

2. What can Congress do to help make the Do Not Pay initiative work better to address the problem of improper payments?

The Treasury Department has made significant progress since we began implementing the Do Not Pay (DNP) initiative in April 2011. We have created the DNP Business Center, which provides agencies access to key databases to verify payment eligibility as well as data analytics that enable agencies to compare program, payment, and vendor data with secondary sources to find patterns that might suggest fraud, waste, or abuse. The DNP program is already assisting 29 programs in preventing improper payments. This number continues to grow as agencies respond to OMB’s directive to develop a plan for using a “centralized solution” to reduce improper payments (M-12-11). Treasury and OMB will continue to work together to make sure that agencies are taking advantage of the DNP Business Center.

Although we have made significant progress, Treasury is committed to improving the DNP initiative in the months ahead. We are working with agencies to obtain access to important data sources to assist in verifying applicants’ eligibility for payments. In many cases, we have been successful in obtaining access to the data sources that we are seeking. However, we have also encountered cases where it is more difficult to comply with certain Computer Matching and Privacy Act requirements, which impacts our ability to obtain data and disclose it to other
Federal agencies. To address these challenges, we have recently formed a joint Treasury-OMB working group with agency privacy experts that will carefully analyze these issues and find an appropriate, effective solution. It is important to implement DNP in a way that protects individual privacy and complies with all applicable laws and policies. We will keep Congress fully informed of the working group’s progress over the next few months.

3. I understand that contracting for Do-Not-Pay was conducted through the Federal Reserve instead of through Treasury. What was the purpose of this?

The Federal Reserve serves as a fiscal and depository agent for the U.S. Treasury. In order to expedite the implementation of the DNP program, Treasury designated the Federal Reserve Bank of Kansas City to develop the tools needed to implement DNP. The Federal Reserve Bank of Kansas City was chosen due to its excellent track record in developing data analytics processes. Treasury is responsible for the DNP program and provides guidance and direction to the Federal Reserve to ensure objectives and goals are met timely and effectively.

4. Both USASpending and Recovery.gov have made great strides in making government awards more transparent. What plans are in place to tie in expenditures so Congress and the American public can truly follow the money?

Treasury is developing the Payment Information Repository (PIR), to allow information from payment systems to be viewed and analyzed from a single site that consolidates data from all Federal spending, including grants, contracts, loans, and agency expenses, thereby increasing Federal payment transparency. The PIR will capture and make available payment transaction data that can be linked to other government databases, such as USASpending.gov. Treasury is uniquely positioned to make this data available, as we process 85 percent of all government payments, and are requiring agencies that process their own payments to report daily to the PIR so that all government payments are captured. Agencies will report limited data to PIR starting in July 2013, and more detailed data by October 2014.