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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 *USAspending.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 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.