

Statement for the Record
Before the
Committee on Homeland Security and Government Affairs
United States Senate

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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

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 sunsetted 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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