Obama Administration Seeks to Curtail Award Fee Contracts

During a recent Senate hearing, a top official from President Obama's budget office detailed the administration's plan for curtailing the use of award fee contracts, controversial vehicles that, according to good government groups, are filled with waste, fraud, and abuse. This plan stems from the Office of Management and Budget's (OMB) latest release of guidance to federal agencies on reforming the federal procurement process – part of a larger reform effort the administration is undertaking. During the same hearing, however, chief procurement officials from several federal agencies raised concerns over the possible consequences of further regulation.

On Aug. 3, the Senate Homeland Security and Governmental Affairs Subcommittee on Federal Financial Management convened a hearing on award fee contracts, titled "Eliminating Wasteful Contractor Bonuses." Headed up by Sen. Thomas Carper (D-DE), the subcommittee first heard testimony from a panel consisting of representatives from OMB and the Government Accountability Office (GAO). Both Jeffrey Zients, the newly confirmed Deputy Director for
Management at OMB, and John Hutton, Director of Acquisition and Sourcing Management at GAO, agreed with members of the subcommittee that too often, there is a misalignment of goals and rewards within award fee contracting, and the government must continue to rein in their use.

Used to outsource for products or services where the government cannot objectively measure contractor performance, award fee contracts are supposed to motivate a contractor to increase quality and control costs. If the contractor does not deliver, the government pays only the base fee and withholds any award fees that the two parties agreed upon during the negotiation of the contract. According to a series of GAO investigations, however, federal agencies have long supplied contractors with award fees for subpar work. This is the result, according to Hutton, of the gradual establishment of a culture of complacency within the federal procurement ranks to use inadequately scrutinized award fee contracts too often and without cause.

According to some GAO estimates, the practice of awarding unwarranted fees wastes hundreds of millions of taxpayer dollars every year. Despite this, Zients said implementation of OMB’s recently released guidance on stricter use of award fee contracts, along with a renewed effort at increasing and developing procurement personnel, will go a long way toward cleaning up the current mess. During his testimony, Hutton noted the improvement that agencies identified in the May GAO report have already made toward enacting reforms advocated by his agency.

During the second panel, the procurement officials and a representative from an industry trade group demurred on the possible methods to control award fee contracts. Most of the testimony from the top procurement officials lapsed into a treatise on why their agency is different from others and therefore deserves not to lose flexibility to new regulations. Officials from the National Aeronautics and Space Administration (NASA), the Department of Homeland Security (DHS), and the Department of Energy (DOE), all supported GAO’s and OMB’s vision for increased scrutiny of award fee contracts but maintained that their agency missions require the broad use of the contract vehicles.

It is unclear whether some of the reforms proposed by OMB will have unintended consequences. While regulations can help procurement personnel within federal agencies make the proper decisions on contracting details, overregulation could reinforce the very attitude of complacency and noncompliance that Hutton and Zients intend to root out. Additionally, the Obama administration's new guideline for all federal agencies to cut 10 percent of contracting dollars in the coming fiscal year could exacerbate the "shell game" of lowering base fees to zero to make agencies' bottom lines provide the illusion of reducing contracting obligations. This sledgehammer solution may also reinforce government officials' predilection to "go through the motions" rather than proactively work to bring about fundamental change.

Since taking office, Obama has made contract reform a priority of his administration. With the release of a March 4 memorandum, the president set in motion a reform effort that has seen the release of the above-mentioned OMB contracting guidance; a solicitation of public comments on further contracting reform, which may influence the release of further guidance in the fall; and a request for substantially more government procurement personnel. While it will take time
before the reforms bear out, the hearing showed the work that lies ahead by illustrating the
often-unseen rift that can exist between an administration attempting to institute reform and
the federal agencies that must navigate the practical consequences of those efforts.

**CDC Attempts to Track Health and Pollution Connections**

The Centers for Disease Control and Prevention (CDC) recently launched a website to allow the
public to track environmental and public health information. The new [National Environmental
Public Health Tracking Network](#) is intended to be a dynamic Web-based tool for tracking and
reporting environmental hazards and the health problems that may be related to them. The
tracking network offers information on several environmental hazards and health conditions,
such as asthma, cancer, and certain air and water contaminants.

The CDC laid the foundation for the tracking network through grants to health departments in
16 states and New York City. The local tracking networks report their data to the national
network, allowing researchers and the public to monitor and identify trends in environmental
public health data.

CDC is working with the U.S. Environmental Protection Agency, the U.S. Geological Survey, the
National Cancer Institute, and the National Aeronautics and Space Administration to share data
and develop the tracking network. The CDC also consults with academic and nonprofit
stakeholders such as researchers at Tulane University and the University of California, the

Although a comprehensive online tool allowing the public to simultaneously track
environmental pollution and trends in public health is sorely needed, the CDC's new effort
represents only an initial step toward such a tracking system. CDC officials acknowledge some of
the limitations to the new tracking network and say that many will be addressed over time.

According to the CDC and the [Pew Environmental Health Coalition](#), a national public health
tracking network will serve several vital functions that currently are not available. CDC and its
federal and state partners intend for the network to improve scientists' ability to assess the
connection between environmental pollution and its effect on health, as well as assess unusual
trends and events to determine which communities may be at risk. County-level data are
intended to aid residents seeking information about conditions such as asthma or the presence
of air contaminants in their communities. The public and government officials could also
evaluate the effectiveness of pollution abatement policies, improving the accountability and
efficiency of the programs.

Through the state tracking programs, the CDC collects information on non-infectious health
conditions and diseases, such as asthma and leukemia; chemicals or other substances in the
environment, such as air pollution and water contaminants; and the amount of a chemical in a
person's body, such as blood lead levels.
The health data tracked are asthma, cancer, carbon monoxide poisoning, childhood lead poisoning, and heart attacks. CDC eventually plans to provide data on reproductive and birth outcomes and birth defects. Environmental data being tracked include carbon monoxide, ozone, and particulate matter levels in air, as well as contaminants in well water and municipal water.

The tracking network currently draws on data collected by CDC-funded programs in California, Connecticut, Florida, Maine, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New Mexico, New York State, New York City, Oregon, Pennsylvania, Utah, Washington, and Wisconsin.

Numerous missing data sets currently weaken the usefulness of the site. For example, a search for childhood leukemia cases finds data from only eight states, and only years 2001 through 2005 are available. Such incomplete geographic and chronologic ranges severely limit the ability to identify trends and connect health impacts to environmental damages. Few data sets on the website contain information from all states or even a large majority of states. For instance, not all states provide data on cancer, or the same types of cancer, making state comparisons impossible. Pennsylvania is missing data on asthma tracking, and only three states are reporting on carbon monoxide emergency room visits. Similar data gaps occur among the environmental data sets.

The tracking network website demonstrates the difficulties of combining numerous different data sets into a useable, easy-to-understand format. Several federal agencies collect and process data before contributing it to the network. As well, the 16 states and New York City track data independently. Coordinating all these types of data into one accessible, searchable database is a large undertaking, and the CDC is only beginning the process.

Among the website’s strengths, it provides substantial definitions and documentation for the data, including how they were collected, what the limitations are, and to a lesser extent, how the data may be used. For example, the website describes the significance of tracking hospital admissions for asthma using a standardized method, claiming it allows for the monitoring of trends over time, identification of high-risk groups, and aids in asthma prevention, evaluation, and program planning efforts.

Searches are conducted by selecting options from several drop-down lists and check boxes. Search results are depicted in tables, graphs, and color-coded map formats, with the maps showing state- and county-level information.

The new site does not offer the user the ability to overlay one data set with another geographically. For example, a user cannot map asthma data overtop data on air pollution over time. Another significant weakness is the fact that raw data cannot be downloaded from the website, nor can the graphs, tables, and maps be downloaded in any format. The printing capabilities are also limited, and it is not possible to print the search results using certain Internet browsers. Officials at CDC recognize that users will need to download the data into formats that allow greater flexibility, such as into spreadsheets, and stated that they are developing such capabilities.
Legislation

The CDC plans to expand the tracking network to all 50 states and to track additional environmental hazards and health conditions to build a more complete picture of environmental health. The agency may get some help if pending legislation in Congress is successful.

Congress is involved in the effort to track the health consequences of environmental contaminants. House Speaker Nancy Pelosi (D-CA) cosponsored with New York's Rep. Louise Slaughter (D) a bill that would establish a national environmental health tracking program and provide greater funding for CDC's biomonitoring efforts.

According to the Speaker's office, "The network will coordinate national, state and local efforts to inform communities, public health officials, researchers and policymakers of potential environmental health risks, and to integrate this information with other parts of the public health system."

The Rise of Gov 2.0

At the close of President Obama’s first 200 days in office, the administration has demonstrated a willingness to experiment with new technologies and their potential role in making government more participatory and accountable. New e-government tools have been deployed to keep track of government spending, gather public input on policymaking, and convey the status of government projects. These tools may hold the potential to give Main Street the same voice in government traditionally reserved for K Street.

Participation

The largest e-government project launched thus far has been the effort to collect input on the pending Open Government Directive. On May 21, the administration began a three-phase process to generate ideas, discuss issues, and draft policy proposals related to the directive. The effort combined an online smorgasbord of wikis, electronic voting, and blogs with a traditional input process. Over 1,000 ideas were submitted to the first phase of the project. This effort wrapped up on July 6, just over one month after it was initially launched.

Two other web-based public discussions followed the path laid out by the Open Government Directive process. The new efforts addressed declassification and the executive branch's use of Internet cookies on its websites.

The Public Interest Declassification Board (PIDB) began operation in 2006 to create more transparency and greater access to declassified documents. In July 2009, PIDB utilized a blog to solicit public input on potential revisions to Executive Order 12958 and received over 150 comments. This was followed quickly in early August by the Office of Management and Budget’s use of a blog to discuss its cookie policy for federal websites; the goal of the discussion was to
determine how to protect privacy of site visitors while utilizing "user-friendly, dynamic, and citizen-centric websites."

These efforts have been met with some criticism and doubt. The administration struggled to keep many of the discussions on track as some participants attempted to hijack the Open Government Directive dialogue, demanding the release of U.F.O. records, the president's birth certificate, and the legalization of marijuana. As online experiments for engaging the public have progressed, the administration has employed different moderating tools to keep discussions focused on the policy debates at hand.

Some interested groups have begun a dialogue to assess the administration’s handling of these discussions and to identify ways in which the tools used can be improved. The League of Women Voters, AmericaSpeaks, OMB Watch, and several other groups put together a survey for those who participated in the Open Government Directive process. These groups hope to present recommendations for improvement to the administration.

Additionally, while the government has attempted to engage the public online, none of the initiatives involved have been completed; thus, the weight and influence of the public’s voice in the policymaking process remains to be seen.

**Accountability**

The administration has also recognized the potential of e-government tools to improve accountability.

To this end, the administration has developed several new interactive websites, including an "IT Dashboard." The dashboard, launched in late June, is part of the redesigned USAspending.gov and tracks complicated and costly procurements of government IT services. The system allows users to examine every federal IT project by agency and shows whether each project is on schedule and on budget, along with a link to a detailed list of performance metrics for the project.

Furthermore, the dashboard demonstrated its usefulness in improving accountability within a month of being launched. In late July, officials with the Veterans Affairs Department (VA) were able to pinpoint more than 45 failing IT projects in the process of compiling data for the dashboard system. These programs were either significantly behind schedule or over budget. As a result, the VA promptly suspended the programs to assess them for possible cancellation, thereby saving taxpayers money.

Other new federal websites include Recovery.gov, which will soon be redesigned. Since the site's launch in April, the government has continued to add new features to Recovery.gov. Included in these updates is a recipient mapping feature that incorporates data from USAspending.gov to create visualizations of Recovery Act projects throughout the country. The mapping system addressed early criticism that data from the two sites were not linked.
These initiatives hold promise for a new era of e-government that enables a more participatory and accountable federal system. However, they also demonstrate the relative inexperience the government has in deploying new technologies for these purposes. While tools exist to accomplish these goals, the administration is still in the beginning phases of shaping them in such a way that maximizes their utility.

**Obama Administration Joins Roadless Rule Battle**

In an Aug. 13 filing, the U.S. Department of Justice (DOJ) reserved its right to appeal a district court ruling and support the 2001 roadless rule that protects millions of acres of forest land. If the district court ruling striking down the rule is allowed to stand, it would conflict with a recent appeals court decision upholding the roadless rule. The administration's support for the roadless rule could bring years of conflict over the rule's status to an end.

The 2001 Roadless Area Conservation Rule protected approximately 58 million acres of pristine forest land from new roads, logging, and development. The rule was developed through an extensive public process and a series of environmental reviews required by the National Environmental Protection Act (NEPA). It went into effect in 2001 and was an early target of the Bush administration's efforts to open vast expanses of forest lands to development and to change the way the U.S. Forest Service managed these lands.

The roadless rule has been the subject of constant court battles since it went into effect. In addition, the Bush administration tried to replace the rule with a program allowing states to determine which portions of federal lands would be open to development and resource extraction. This policy change has also been litigated extensively in an effort to reinstate the Clinton rule. (An April 2007 Watcher article summarizes some of those court actions.)

On Aug. 5, the U.S. Court of Appeals for the Ninth Circuit issued an opinion upholding the roadless rule. The court wrote, "The Forest Service's use of a categorical exemption to repeal the nationwide protections of the Roadless Rule and to invite States to pursue varying rules for roadless area management was unreasonable. It was likewise unreasonable for the Forest Service to assert that the environment, listed species, and their critical habitats would be unaffected by this regulatory change." The court further said that the Forest Service had violated NEPA and the Endangered Species Act in issuing the rule change.

According to a Wilderness Society press release summarizing the appeals court decision, reinstating the rule will protect more than 40 million acres of land but not the entire 58 million acres originally covered by the roadless rule. The Wilderness Society's senior policy analyst, Mike Anderson, said, "[T]he Obama administration must now take the next steps necessary to make protection permanent and nationwide." The Tongass National Forest in Alaska and lands in Idaho are not covered by the reinstatement. In addition, Colorado is in the process of implementing its own rule.
In a separate case, the state of Wyoming challenged the roadless rule. In that case, Judge Clarence Brimmer of the U.S. District Court of Wyoming issued a decision Aug. 12 vacating the roadless rule, according to an Aug. 17 BNA article (subscription). Brimmer's decision is in direct conflict with the Ninth Circuit ruling and is being appealed by environmental groups.

More importantly, BNA reports that DOJ filed a notice Aug. 13 with the Tenth Circuit Court of Appeals preserving the administration's right to appeal Brimmer's decision. A DOJ spokesman told BNA that the administration had not yet decided whether to appeal.

Obama campaigned in support of the roadless rule. The notice filed with Tenth Circuit has given environmentalists hope that DOJ will join the appeal and lend weight to arguments supporting the need for a national standard to protect national forests, according to BNA.

Other indications of the administration's support for the roadless rule come from Agriculture Secretary Tom Vilsack. According to an Aug. 15 major statement on national forest policy, Vilsack said the Forest Service would not appeal the decision of the Ninth Circuit reinstating the Clinton-era policy and overturning the Bush change. The article also hinted at the possibility that the administration would appeal the Wyoming district court ruling.

If the Tenth Circuit comes to a conclusion substantially the same as what the Ninth Circuit decided, it is likely that the roadless rule will be fully reinstated. Since these two federal circuits cover all the western states primarily affected by the rule, another challenge from a circuit with less interest is this issue is unlikely.

If the two circuits agree, it is also less likely that the U.S. Supreme Court would agree to accept the case on appeal. If the two appeals courts are in conflict, however, the case will probably be appealed to the high court, and the outcome will remain in doubt pending Supreme Court action. The administration could also pursue a separate rulemaking to address the issue if the two appeals courts come to conflicting conclusions.

**Lead Limits, Tracking Requirements for Toys Take Effect**

The Consumer Product Safety Commission (CPSC) will begin enforcing new regulations on the amount of lead allowed in toys and other children's products, as well as enforcing other measures intended to prevent children's exposure to dangerous goods.

As of Aug. 14, CPSC will enforce stricter limits on lead in children's products. The limit on lead paint and other coatings is now 90 parts per million (ppm).

In 2007, retailers, distributors, and manufacturers announced more than 100 children's product recalls after dangerously high levels of lead paint were discovered. The recalls encompassed millions of individual toys. They also drew the attention of Congress, which gave CPSC the authority to tighten limits on lead when it passed a sweeping reform bill that bolsters the agency's powers and resources.
CPSC will also enforce new limits on the level of lead in the content of children's products, including jewelry intended for children. The agency says, "After August 14, it will be unlawful to manufacture, import, sell, or offer for sale, a children’s product that has more than 300 ppm of lead in any part (except electronics) that is accessible to children."

According to CPSC, the previous standard for both paint and content was 600 ppm.

As of Aug. 14, CPSC will also require manufacturers to mark children's products with information that will allow consumers to identify the products' origins. Tracking labels must now include manufacturer name, date, "and more detailed information on the manufacturing process such as a batch or run number."

The hope is that, in the event of a product recall, the more detailed tracking labels will allow consumers to quickly identify whether a product in their possession has been recalled. The labels may also help regulators and investigators identify products that pose a risk to children.

CPSC can also impose tougher penalties on violators of new and existing regulations. "Civil penalties increase substantially to a maximum of $100,000 per violation and up to a maximum of $15 million for a related series of violations," according to the agency. "Previously, civil penalties were a maximum of $8,000 per violation and up to a maximum of $1.825 million for a related series of violations."

Congress passed the Consumer Product Safety Improvement Act (CPSIA) in late July 2008, and President Bush signed the bill into law on Aug. 14 of that year. The law gave CPSC one year to prepare to enforce the lead and tracking label requirements.

It remains unclear whether CPSC has adequate resources to enforce the new requirements. According to a report released Aug. 14, CPSC continues to struggle to monitor the rising tide of consumer products imported into the U.S.

The report by the Government Accountability Office (GAO) found that although CPSC holds the authority to police imports, its ability to do so is limited by staffing shortfalls. CPSC's Import Surveillance Division, created in 2008, has only 11 employees, including nine investigators stationed at seven ports, according to the report. The staff is supported by field laboratories that test products and by analytical staff in agency headquarters. GAO notes that the U.S. has more than 300 ports of entry.

Consumer products are increasingly manufactured abroad. Most of the children's products recalled in 2007 were made in China. The rash of recalls highlighted the importance of import monitoring and enforcement.

The report also faults the U.S. Customs and Border Patrol, which does not share enough information with CPSC, GAO said.
CPSC's chronic underfunding and staff shortfalls are well documented. In 2008, an OMB Watch report found that CPSC's budget was cut almost 40 percent from 1974 (the agency's first year of full operation) to 2008. Staffing levels were nearly halved over the same period.

In the CPSIA, Congress attempted to increase funding for CPSC. The law authorizes $118.2 million for FY 2010, which begins Oct. 1, 2009. However, in his May budget request, President Obama suggested only $107 million for the agency. Both the House and the Senate have included the full authorized amount in their respective FY 2010 spending bills currently under consideration.

**Commission Expanded to Five Members**

Also as of Aug. 14, CPSC is a five-member commission. The CPSIA added two new commissionerships to the agency, effective one year after the bill was signed into law. The expansion will prevent the commission from falling dormant in the event of a vacancy, as it did in 2007 when former chairman Hal Stratton resigned and President Bush failed to nominate a replacement in time.

The Senate has confirmed both of President Obama’s nominees to fill the two new spots. Robert Adler was formerly a professor at the University of North Carolina’s business school. Before his career in academia, Adler served as legal counsel at both the CPSC and the House Energy and Commerce Committee. Anne Northup was a U.S. congresswoman representing Kentucky’s 3rd District from 1997 to 2007.

**Forged Letter Scandal Highlights Need for Greater Disclosure**

In June, Rep. Tom Perriello (D-VA) received a letter that was supposedly authored by Creciendo Juntos, a nonprofit group in his district. The letter urged him to oppose the American Clean Energy and Security Act, a bill designed to combat climate change. Perriello’s office also received similar letters on letterhead from the local NAACP chapter. These letters turned out to be fake; they were sent by a lobbying firm hired by a trade group representing coal producers and power companies. Government ethics and transparency watchdog organizations responded, saying that using forged letters as part of a lobbying campaign is outrageous misconduct that harms the legislative process and highlights the need for increased disclosure.

The letter on Creciendo Juntos stationery stated, "We support making the environment cleaner, but the reason we are writing is that we are concerned about our electric bills. Many of our members are on tight budgets, and the sizes of their monthly utility bills are important expense items."

A total of 12 forged letters were sent out, and in addition to Perriello, they were mailed to Reps. Kathy Dahlkemper (D-PA) and Chris Carney (D-PA). Other nonprofits' identities were used in the letters, including the American Association of University Women and the Jefferson Area Board for the Aging. Bonner & Associates, a Washington, DC-based lobbying firm, admitted to
sending the letters and said it fired the staff person responsible. The American Coalition for Clean Coal Electricity (ACCCE) said it had hired the Hawthorn Group to lobby against the climate change legislation, and Hawthorn then hired Bonner to manage a grassroots campaign in opposition to the bill.

ACCCE issued a statement Aug. 3 noting that it was considering legal action against Bonner & Associates. The coalition said it was outraged to learn of the forged letters after they were distributed.

Several other parties are focusing on Bonner's conduct. Rep. Edward Markey (D-MA), a sponsor of the climate bill and chairman of the Energy Independence and Global Warming Committee, has initiated an investigation on whether the forged letters amount to fraud on Congress. In addition, the Sierra Club has asked the Justice Department to bring criminal charges against Bonner for wire fraud.

Beyond the immediate scandal, this incident brought attention to "Astroturf" campaigns – lobbying efforts that give the impression of actual grassroots mobilization on a particular issue. The public currently has little or no information about who is funding such lobbying blitzes. Under the current disclosure law, there are no disclosure requirements for grassroots lobbying campaigns, including the fake, Astroturf kind, even if specific pending legislation is mentioned and members of the public are encouraged to contact Congress.

Advocates say that this lack of disclosure has consequences beyond salacious headlines of the day: public interest organizations and constituents who try to operate legitimate grassroots campaigns cannot compete against well funded corporate Astroturf campaigns, and in the end, the playing field is rendered unequal and the democratic process is hurt.

Opponents of increased disclosure (who often include groups engaged in Astroturf lobbying) argue that requiring the public's access to such information is an unconstitutional regulation of speech and is intended to silence diverse viewpoints. Ethics watchdogs, however, say disclosure of grassroots lobbying is not intended to restrict free speech, but it is intended to bring increased transparency to both government and those who seek to influence government.

In addition, advocates note that nonprofit organizations and labor unions are already required to report on their grassroots lobbying activities via their annual IRS Form 990 reports.

When Congress was considering the Honest Leadership and Open Government Act (HLOGA) in 2007, a provision was included that would have required groups to report grassroots lobbying if they were already registered under the Lobbying Disclosure Act (LDA) and if expenditures on grassroots lobbying campaigns exceeded $25,000 per quarter. In the end, the Senate agreed to an amendment from Sen. Bob Bennett (R-UT) to strike the language from the bill.

The forged letter scandal, coupled with allegations that many of the health care town hall protests are being organized and bankrolled by Astroturf lobbying groups, highlight the very reason ethics and government watchdogs fought to have increased disclosure requirements.
included in HLOGA. For example, in 2007, OMB Watch Executive Director Gary Bass wrote an op-ed in *The Hill* calling on "actors who meet defined thresholds to disclose their grassroots lobbying activity. This can be done without burdening small groups. [...] Additionally, for decades, charities have been disclosing their grassroots lobbying activities to the IRS, without infringing on freedom of speech, without chilling debate and without burying groups under mountains of paperwork."

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