

Backgrounder

The Accountable Government Initiative: The Obama Administration's Effort to Cut Waste and Modernize Government

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Laying a new foundation for economic growth will take a change in policies and priorities to unleash the creativity and hard work of the American people. But to prevent our country from backsliding into the irresponsibility of the past, we must change how Washington works. America cannot allow inertia to keep programs that duplicate other, more effective efforts or that simply do not work continue to operate year after year. Allowing taxpayer dollars to be wasted in this way is an irresponsible use of funds and an irresponsible abuse of the trust the American people put in its elected leaders. Instead of accepting the status quo, the President has worked from day one to change how business is done in Washington. As part of its Accountable Government Initiative, the Administration has moved to cut programs that don't work and other wasteful spending, streamline what does work, modernize how government operates to save money and improve performance, and make government more open and responsive to the needs of the American people. In the months ahead, the Administration will work through the Accountable Government Initiative to restore a sense of responsibility and accountability for taxpayer dollars.

CUTTING WASTE AND SAVING MONEY

For too long, the government has allowed ineffective programs to accumulate, duplicate, and ultimately undermine the purposes for which they were created in the first place. Indeed, driving the efforts described here is not just the dollars they may produce to reduce the deficit, but also the government's obligation not to waste taxpayer money regardless of whether the budget is in surplus or deficit. With this in mind, the Administration has developed a wide array of efforts and taken major steps to cut programs and spending that doesn't work.

Going Line by Line Through the Budget. In both the 2010 and 2011 Budgets, the President proposed approximately \$20 billion in terminations, reductions, and savings encompassing more than 120 programs. While recent administrations have seen between 15 to 20 percent of their proposed discretionary cuts actually enacted, the Administration worked with Congress to enact 60 percent of proposed discretionary cuts for FY 2010. Programs cut range from the F-22 fighter that the Pentagon said it didn't need to a radio navigation system made obsolete by GPS.

Freezing Non-Security Discretionary Spending for Three Years. In last year's Budget, the Administration proposed a three-year freeze in non-security discretionary funding, bringing non-security discretionary spending to its lowest level, as a share of the economy, in more than 50 years. For the upcoming Budget, the Administration has initiated an aggressive approach to spending discipline by instructing all federal agencies to prepare budget submissions that reflect a 5 percent cut in their budgets.

Identifying the Lowest Priority and Worst Performing Programs. OMB Director Peter Orszag and White House Chief of Staff Rahm Emanuel instructed all agencies to take a hard look at their spending and identify the worst performing bottom 5 percent of agency programs that are least critical to advancing agency missions. This will help the President identify potential terminations and reductions as he constructs the 2012 budget and to meet the three-year, non-security discretionary freeze.

Saving \$40 Billion in Contracting. Between 2000 and 2008, spending on government contracts more than doubled to reach more than \$500 billion. The Administration moved quickly to reform contracting – to cut wasteful contract spending, reduce overreliance on contractors, and improve oversight and accountability. In March 2009, the President directed agencies to save \$40 billion in contracting annually by Fiscal Year (FY) 2011. Agencies have identified \$19 billion in savings, on our way towards the \$40 billion target, and are on track to achieve these savings. Spending on contracts is already slowing: between FY 2000 and FY 2008, contract spending grew an average of 12 percent per year. In FY 2009, agencies reduced this growth rate significantly to just 4 percent.

Reducing No-Bid and Other High-Risk Contracts by 10 percent. Contracts for which there are no competing bids as well as cost-reimbursement and time and material and labor-hour (T&M/LH) contracts are some of the high-risk contracts most prone to cost overruns and abuse. On July 29, 2009, the Administration instructed agencies to reduce the share of dollars obligated through new “high risk” contracts in FY 2010 by 10 percent. After 8 years of significant growth in these contracts, the Administration has reversed this trend.

- In the first two quarters of FY 2010, the percentage of dollars awarded in new contracts without competition dropped by 10 percent when compared to the same time period in FY 2009.
- Fifteen of the 24 agencies covered by the Chief Financial Officers Act (CFO Act) – the largest contracting agencies in the federal government – reduced their percentage of dollars awarded in new noncompetitive contracts or competitive contracts receiving only one bid by at least 10 percent.
- In the first half of FY 2010, the percentage of dollars awarded in new T&M/LH contracts dropped by 7 percent when compared to the same time period in FY 2009, and the percentage of dollars awarded in new cost-reimbursement contracts dropped by 6 percent.

Bolstering Oversight of Contractors. Despite growth in contracting dollars from 2000 to 2008, the number of contracting officers to oversee these contracts remained essentially flat. A critical part of using private sector contractors is making sure that they are supervised by government employees with the skills necessary to administer contracts and ensure taxpayers get the price, schedule, and quality the contractor committed to deliver. To that end, the Administration included \$158 million in its 2011 Budget request for civilian agencies to build the capacity and capability of the acquisition workforce. To make sure tax delinquents are not receiving federal contracts, the President directed the IRS to review the certifications of non-delinquency in taxes

and to report on their accuracy. The Administration is also working to ensure that correct actions are taken when companies certify that they have tax delinquencies of at least \$3,000, and is supporting legislation that would enable sharing of tax information between IRS and contracting officials. Finally, the Administration has established a database that provides contracting officers information about how well contractors have performed in the past to help protect the government from giving new contracts to poor performers.

Disposing of Unneeded Federal Real Estate to Save \$8 billion. The Federal Government is the largest property owner and energy user in the country but some of that property isn't going to good use. Currently, federal agencies operate and maintain more real property assets than are needed; this includes 14,000 building and structures currently designated as excess and 55,000 identified as under and not-utilized. On June 10, 2010, the President directed agencies to achieve \$8 billion in cost savings by FY 2012 through increased proceeds from the sale of assets and reduced operating, maintenance, and energy expenses from disposals or other space consolidation efforts, including leases that are ended.

Proposing Expedited Rescission Authority. To remove obstacles for either the executive or legislative branch to eliminate wasteful programs, the President proposed an expedited rescissions authority — the Reduce Unnecessary Spending Act of 2010 — to give Congress and the President a new tool to reduce unnecessary or wasteful spending while discouraging waste in the first place. Under this new expedited procedure, the President could submit a package of rescissions shortly after a spending bill is passed. Congress would be required to consider these recommendations as a package, without amendment, and with a guaranteed up-or-down vote within a specified timeframe.

Giving Agencies New Incentives to Save. The President put forward a plan for a new transfer authority, which creates an incentive for agencies to cut waste and curb end-of-year spending binges. This transfer authority is similar to the significant transfer authority that the Secretary of Defense currently has and is using to reform Pentagon spending. It would encourage agencies to actively seek out savings in salaries and overhead expenses. In addition, this new transfer authority would let agencies keep up to 50 percent of unexpired program balances for high-priority program use in that fiscal year or for use in the next fiscal year. Currently, as the fiscal year ends, agencies scramble to spend any unexpired funds – often on wasteful and unnecessary items. This authority would discourage these end-of-year spending binges.

Freezing Pay and Bonuses for Political Appointees. During these tough economic times, everyone is tightening their belts – and the government should not be an exception. Immediately upon taking office, the President froze all pay for White House senior staff. In the 2011 Budget, the President proposed to extend this pay freeze to all senior political appointees throughout the federal government, and he will eliminate all bonuses for appointees.

Establishing a Federal Do Not Pay List. The President recently issued a memorandum directing that a Do Not Pay List be established, a single source through which all agencies can check the status of a potential contractor or individual. This will allow federal agencies to access this information in a more timely and cost-effective manner and will help reduce improper

payments made by the government as well as help save taxpayer dollars. This prevent situations where one agency – or even one part of an agency – ends up contracting with a company that already was flagged or sanctioned by another agency or office, or instances where individuals who are deceased or incarcerated are sent benefit checks.

Cracking Down to Reduce Improper Payments by \$50 billion. Each year, the federal government wastes billions of American taxpayers' dollars on improper payments to individuals, organizations, and contractors. These are payments made in the wrong amount, to the wrong person, or for the wrong reason. In 2009, improper payments totaled nearly \$110 billion, the highest amount to date. To reduce improper payments and meet the President's new goal of a \$50 billion reduction between now and 2012, the Administration has done the following:

- On November 19, 2009, the President issued an executive order laying out a strategy to reduce improper payments by boosting transparency, holding agencies accountable, and creating strong incentives for compliance. Specifically, the executive order required the identification of high-incident programs, the selection of accountable officials to coordinate agency program integrity efforts, the development of supplemental measures of payment error for high-priority programs, a public website to track progress in reducing improper payments, and the pursuit of tough penalties on contractors for failing to timely disclosing credible evidence of significant overpayments received on government contracts.
- On March 10, 2010, the President signed a presidential memorandum directing all federal departments and agencies to expand and intensify their use of payment recapture audits. These are audits that offer specialized private auditors financial incentives to root out improper payments, and have been demonstrated through pilot programs to be highly effective. It is anticipated that using the payment recapture audits will return at least \$2 billion over the next three years to American taxpayers, and more than that with new authorities to use these audits made available in the Improper Payment Elimination and Recovery Act.
- On June 8, 2010, the President announced that the Administration would cut the improper payment rate in the Medicare Fee for Service program in half by FY 2012. Considering that Medicare and Medicaid combined had about \$65 billion in improper payments in FY 2009 including about \$35 billion in Medicare Fee For Service alone, halving the improper payment rate would help avoid more than \$20 billion in payment errors by FY 2012.
- On June 18, 2010, the President issued a [memorandum](#) directing that a Do Not Pay List be established, a single source through which all agencies can check the status of a potential contractor or individual. Too often, an agency does not check all the different databases the government has or finds it difficult to do so. This denies agencies essential information they need to determine, for example, if an individual is alive or dead or if a contractor had been debarred. The Do Not Pay List will allow federal agencies to access

this information in a more timely and cost effective manner and will help reduce improper payments made by the government and help save taxpayer dollars.

- Also on June 18, the Vice President announced the expansion of a cutting-edge fraud mapping tool that the Recovery Accountability Transparency Board (RATB) has deployed that gathers enormous quantities of information in real time and then analyzes the data and helps connect the dots to identify indicators of possible fraud or error. The Administration is expanding the use of this type of tool across government, and doing it first at the Centers for Medicare & Medicaid Services (CMS) for the two programs it runs.

CLOSING THE IT GAP AND MODERNIZING GOVERNMENT

Twenty years ago, when people came to work for the government, they had access to the world's best technology. Today, government employees often have better technology at home than at work. This gap between the public and private sectors results in billions of dollars in waste, slow and inadequate customer service, and a lack of transparency about how dollars are spent. While a productivity boom has transformed private sector performance over the past two decades, the federal government has almost entirely missed this transformation and now lags far behind on efficiency and service quality. The Obama Administration has undertaken an IT reform and government modernization effort so that the government uses IT in a more efficient and cost-effective way.

Halting Financial System Modernization Projects. Financial system modernizations projects in the federal government have become too large and complex, and are prone to cost overruns and failures. By setting the scope of projects too broadly rather than focusing on essential business needs, federal agencies are incurring substantial cost overruns and lengthy delays in planned deployments. Compounding this problem, projects persistently fall short of planned results once deployed. On June 28, the Administration directed executive departments and agencies to stop issuing new commitments for all financial system modernization projects, pending review and approval by OMB of new, more streamlined project plans. This affected 30 financial systems projects, and the total costs expended on these projects are anticipated to be \$20 billion over the life of these projects, with an approximate annual spend of \$3 billion. OMB expects this new process to result in a significant reduction in these amounts. Consistent with this approach, the VA recently terminated the Financial and Logistic Integrated Technology Enterprise (FLITE) system, saving \$300 million.

Reviewing IT projects at Highest Risk for Failure. So that we do not waste money on IT projects that have little chance of success, the Federal Chief Information Officer Vivek Kundra is undertaking detailed reviews of the highest risk IT projects across the federal government. Agencies will be required to present improvement plans to OMB for projects that are behind schedule or over budget, and the worst projects will be terminated. This builds on the 30 "TechStat" accountability sessions the Federal CIO has conducted with agencies to review troubled projects. An example of the results of these sessions is the decision to halt the development of a \$64.5 million duplicative export control system at the Department of Commerce.

Improving IT Procurement and Project Management. As part of the President's effort to reform how IT is used in the federal government, OMB's Deputy Director for Management Jeff Zients is developing recommendations for improving the federal government's overall IT procurement and management practices. These recommendations will address the root causes of problems plaguing federal IT projects and focus on proven best practices from inside and outside the federal government. They will include higher standards for project management practices and personnel, additional mechanisms for holding managers accountable for project results, and more rigorous review processes.

Consolidating Data Centers. The number of data centers in the federal government grew from 432 in 1998 to more than 1,100 today while at the same time private sector companies have reduced their data center footprint substantially. In response, the Administration is implementing a data center consolidation strategy across the federal government that will result in cost savings and energy efficiency. As part of that strategy, the Administration announced on June 28 the immediate implementation of a zero-growth policy in data centers. The Administration is also shifting investments to cloud computing in order to leverage more energy-efficient and cost-effective service delivery models that can be deployed rapidly.

Focusing on High Priority Goals. Too often in government, senior leaders focus solely on policy development and crisis management, instead of proactive management to achieve important mission priorities. This Administration is breaking this paradigm by working with agency leaders to focus management attention on delivering progress against our priorities. As part of the FY 2011 budget process, leaders of the largest federal agencies identified a small number of near-term, ambitious, outcome-focused priority goals that are detailed in the FY 2011 budget. Each priority goal has high value to the public and focuses on a clear, measurable result that the agency is working to achieve in the next 12 to 24 months. Notably, achieving these goals will not require new resources or legislative action, but rather hinges on strong execution.

Reforming the Hiring Process. People are central to achieving performance improvements, yet it's difficult to attract the best and brightest because of outdated hiring practices. A study in June 2009 found that the average time it takes to hire a new federal worker is 140 days. By that time, many of the best candidates have gone elsewhere. The Administration has committed to reducing the average time to hire a new federal employee from 140 days to 80 days. In May, the President directed agencies to streamline the hiring process by eliminating superfluous requirements and holding managers and supervisors -- not just the human resources department -- accountable for hiring. These efforts are already showing promise. In a pilot study, the Department of Housing and Urban Development reduced the number of steps in their hiring process from 40 to 14, cutting its hiring time from 139 days to 77 days.

MAKING GOVERNMENT MORE OPEN AND RESPONSIVE

The Internet and mobile devices help us do everything from make restaurant reservations to booking an airline ticket, but few government services offer the same convenience as we've

become accustomed to in our everyday lives. Too often, many government resources are hard to navigate and inaccessible. This keeps useful information closed up within government and inaccessible to the public. The Obama Administration has been working to make government more open and responsive.

Making Government Information Available on Data.gov. Created as part of the President's commitment to open government and democratizing information, Data.gov opens up the workings of government by making economic, healthcare, environmental, and other government information available on a single website, allowing the public to access raw data and use it in innovative ways. In just one year, Data.gov has grown from 47 datasets to more than 270,000. It also has spawned scores of innovative applications. For instance, FlyOnTime.us takes data from the Bureau of Transportation Statistics combines them with weather information and user-generated content about airline security lines — such as “tweets” from people waiting in those lines — to give travelers an accurate look at expected wait times and travel conditions.

Bringing Transparency to IT Spending. To provide the American people with unfiltered access to federal technology spending information, the Administration launched the IT Dashboard – a graphically-rich, user-friendly website that enables anyone to track spending on and progress of IT projects across the federal government. With new tracking tools and open communication channels, the dashboard gives people the chance to see which IT projects are working and on-schedule (and which are not), offer alternative approaches, and provide direct feedback to the chief information officers at federal agencies. In effect, it enables them to keep tabs on the people who are responsible for spending taxpayers' dollars for technology. The site tracks more than 7,000 investments and over \$80 billion in annual technology spending.

Increasing Spending Transparency. The Administration is committed to providing the public with unprecedented visibility into how and where tax dollars are spent. This effort began with Recovery.gov which provides transparency on how Recovery Act dollars are spent, who receives them, and what impact they have on job creation. Building on this success, the Administration is significantly expanding the level of detail on federal spending that resides on USASpending.gov. Beginning in FY 2011, the public will be able not only to track payments made by federal agencies to prime recipients, but also the payments made by those prime recipients to other entities, thus allowing the public to monitor federal dollars as they move from agencies into the public sphere.

Launching PaymentAccuracy.gov to Track Improper Payments. In June, the Administration launched a new website, www.PaymentAccuracy.gov to give taxpayers a way to join the fight by reporting suspected incidents of fraud, waste, and abuse. On this site, users can see the rates and amounts of improper payments for each agency, the targets each agency has set for reducing and recovering improper payments, and the names of the designated accountable official at each agency responsible for meeting those targets. This list is just one of many steps the Administration has taken to fulfill its commitment to reduce improper payments through increased transparency, enhanced agency accountability, and new incentives for state and local governments. In addition, PaymentAccuracy.gov, showcases agencies using new technologies and developing innovative solutions to reduce waste.

Creating a Mobile Apps Store. When the Administration re-launched USA.gov, the website included a new Mobile Apps Store, which contains a range of government mobile phone apps that make government information available to the public conveniently and quickly on the devices they carry in their pockets. The store includes mobile applications from across the federal government. They are available on USA.gov free of charge and most are compatible with iPhone, Blackberry, and Android devices. Right now, there are about 20 applications on the site, and they include apps to check if a children's toy is recalled, the UV index in any city, or the nutritional information of various foods.

Putting More Citizen Services Online. Too often, the conveniences Americans are used to in their daily lives are not available when they interact with the government. This not only leads to frustration and poor customer service, but represents the waste of taxpayer money as the government has failed to adopt more technologically-advanced processes. Throughout the government, the Administration has been moving citizen services online. These include: launching a transparent tracking system for citizenship applications that allows applicants to check their application status online; simplifying the student aid application so online applicants can pre-populate the application with IRS data; moving toward electronic payments from the Treasury, an initiative that will save approximately \$300 million over the first five years; and creating one electronic health record for members of the military to use as they move out of the armed forces and into veteran status.