



**Statement for the Record of
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OMB Watch**

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 USAspending.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.