



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

April 27, 2009

The Honorable Tom Coburn
United States Senate
Washington, DC 20510

Dear Senator Coburn:

Thank you for your letter of March 18, 2009, requesting a status update for implementation of the Federal Funding Accountability and Transparency Act of 2006 (P.L. 109-282, the "Transparency Act").

The President shares your commitment to improved transparency throughout the Federal government. On his first day in office, the President issued a memorandum to the heads of Federal agencies emphasizing that openness is critical to promoting efficiency and effectiveness in Government. Full implementation of the Transparency Act is a cornerstone of these efforts, and the Administration is committed to achieving its goals.

The concerns that you raise about *USASpending.gov* are well taken. The website is designed to provide a searchable database of Government awards and contracts, including information about the funding's recipient, amount, awarding date, awarding agency, and purpose. Yet, some chronic issues remain unresolved, particularly with regard to the website's completeness and accuracy. We are actively addressing those concerns and are committed to full compliance.

I have enclosed a background document that addresses the current status of the Act's implementation. Should you have further questions, please do not hesitate to contact me.

Thank you, again, for your letter. I look forward to working with you to achieve our mutual goals.

Sincerely,

Peter R. Orszag
Director

Enclosure

Status Update on Implementation of the Transparency Act

April 2009

Background

The Coburn-Obama Federal Funding Accountability and Transparency Act of 2006 ("the Transparency Act") was signed into law on September 26, 2006. The Act requires the Director of OMB to establish a public website which reports the following on a monthly basis:

- Awards: Transaction details for individual awards over \$25,000 made by Federal agencies, including grants, contracts, loans, cooperative agreements, and other forms of financial assistance. Deadline: January 1, 2008.
- Subawards: Transaction details for subawards over \$25,000 made by recipients of Federal funding, reported in the same manner as prime awards. Deadline: January 1, 2009.

In addition, the Act requires a pilot be conducted before January 1, 2009, to determine how to implement subaward reporting. It also enables the OMB Director to extend the subaward reporting deadline by 18 months for State, local, and tribal governments, if such reporting would pose an undue burden on recipients. The extension excludes non-governmental entities such as non-profits, educational institutions, and private corporations.

Status of Award Reporting

The award reporting requirement was met on December 13, 2007, with the launch of USASpending.gov.

Significant data quality and completeness issues remain with USASpending award information. This is especially true for assistance data (primarily grants and loans), which lack the same level of business process standardization and data quality assurance as exists for Federal contracts data.

In the past, agencies may not have fully understood the importance of data submissions for USASpending.gov, and as such did not properly allocate staff and other resources to provide timely and accurate data submissions. As you know, President Obama has placed a high priority on transparency. On his first full day in office, the President issued a memorandum to the heads of Federal agencies emphasizing that greater openness and transparency is critical to strengthening our democracy and promoting efficiency and effectiveness in Government. Full implementation of the Transparency Act is a cornerstone of these efforts.

Today, 21 of 24 CFO Act agencies have valid Assistance data submissions, up from 15 in September of 2008. The total error rate for Assistance data submissions has dropped from 51 percent to 13 percent over the past year. OMB staff is currently taking aggressive steps to

improve the completeness and accuracy of USASpending information and close remaining gaps. For instance:

- OMB staff is working with agencies to overcome the specific technical barriers they have to timely and accurate file submissions. A number of agencies (including Commerce, Treasury, and the Nuclear Regulatory Commission) that had not been reporting in the past are now only experiencing minor technical roadblocks to having their data displayed – and we are working to resolve these outstanding issues quickly.
- OMB is preparing revisions to the USASpending.gov guidance which will make file submissions and data corrections easier for agencies. This updated guidance will be issued in the near future.

Status of Subaward Reporting

At the end of the previous Administration, the capacity had not been established to collect and report subaward information on a government-wide basis. The previous Administration had prioritized its efforts toward meeting the award reporting requirements, utilizing existing resources to launch USASpending.gov.

At the end of the previous Administration, OMB had:

- not developed a project plan for how the subaward reporting requirements would be met, did not have a dedicated project manager in place or any dedicated staff capacity, and had not completed an evaluation of the resources required to meet the subaward requirements of the law;
- not developed or requested funding for the extensive IT infrastructure required for the collection and reporting of this information. This system must be able to handle inputs from more than 100,000 recipients with appropriate, user-friendly technology, integrate with existing reporting systems, and present data in a user-friendly, value-added way; and
- not issued the regulations and guidance necessary for Federal agencies to require this reporting from recipients as a condition of receipt of funds.

These are critical steps for the collection and reporting of subaward information, and would have needed to be in place early last fall for OMB to have met the January 1, 2009, deadline for the reporting of subawards.

The previous Administration's subaward reporting efforts focused on conducting two pilots – an Assistance pilot conducted by HHS and a Contracts pilot conducted by GSA. The HHS Tracking and Accountability in Government Grants System was selected by OMB in July 2008 to host the subgrant pilot. The pilot began on October 8, 2008 and ran until November 14, 2008. There were 61 Federal recipients who volunteered as initial participants, of which 18 entered subawards. A total of 516 subawards were entered during the pilot. The contract

subaward pilot began in April 2008, making use of GSA's Electronic Subcontracting Reporting System. This required minor system modifications and the establishment of a contracts clause to require the prime contractors to submit data. The effort was not completed due to the lack of a contract mandate for the prime recipient's subawardees to report their award data.

These pilots did not generate sufficient information on which to base an operational model or project plan for how subaward information should be collected. They also did not generate sufficient information on which to base an accurate assessment of the burden placed on award recipients.

The pilots did underscore that the central collection and reporting of subaward information from hundreds of thousands of Federal award recipients will require significant data and process standardization across Federal and non-Federal entities, and investments in our information technology infrastructure. The pilots also emphasized the need to give appropriate guidance to recipients on how they account for awards utilizing both Federal and non-Federal resources, and to put in place a robust data quality assurance model.

While these steps will require significant effort, we do not believe there are any obstacles that cannot be overcome. The Federal government does have experience collecting subaward information for some specific Agency programs and business socio-economic indicators on some subcontracts. We intend to build on these experiences as we broaden these requirements government-wide.

Subaward Reporting Path Forward

The Administration is committed to the full implementation of the Transparency Act.

Our first priority is to enhance and expand the current Transparency Act reporting model for funds expended under the American Recovery and Reinvestment Act of 2009 ("the Recovery Act"). Instead of further delaying implementation and pursuing new pilots, the Administration is working closely with the Recovery Act Transparency and Accountability Board to move forward aggressively on meeting the subaward reporting requirements of the Recovery Act and displaying this information on Recovery.gov. Recovery Act data will include the data elements required by the Transparency Act. Once subaward reporting capabilities are in place for Recovery Act funds and these data are displayed on Recovery.gov, the Administration intends to begin broadening subaward reporting requirements to all Federal funding, to comply with the Transparency Act.

Current efforts include developing staff capacity and expertise, required reporting policies and guidance, and additional systems infrastructure. Our efforts with the Recovery Board will significantly benefit the broader objective of obtaining subaward data on all government expenditures subject to the Transparency Act. Specifically, we are working closely with the recipient community (e.g., State and local governments, vendors, etc.) to understand the challenges of subaward reporting, and in turn, to develop solutions.

Issues currently being resolved for Recovery Act reporting include:

- Roles and responsibilities of primary and sub-recipients;
- Data standards and definitions;
- The process by which information flows from sub-recipients to the Federal environment; and
- Approaches to data quality and assurance.

These efforts will not only provide the first major source of Transparency Act sub-award reporting (i.e., for hundred of billions of dollars in Federal recovery spending), they will provide lessons-learned which will enable the Administration to move forward with full Transparency Act implementation while also minimizing the costs to the Federal government and the recipients of Federal funding. As recently recommended by GAO in their initial report on Recovery Act implementation, we will evaluate existing information collection requirements and those put in place for the Recovery Act to determine whether sufficient, reliable, and timely information is being collected before adding further data collection requirements. We will work closely with GAO during this process, as their Recovery Act activities will provide them unique insight into the burden placed on State and local governments.

We look forward to working with you, other Members of Congress, and other interested parties as we evaluate the priorities for additional reporting.