

TESTIMONY OF MICHAEL WOOD, EXECUTIVE DIRECTOR
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BEFORE THE SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT
UNITED STATES HOUSE OF REPRESENTATIVES
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Mr. Chairman and Members of this Subcommittee, I want to thank you for the opportunity to appear before you today. As the Executive Director of the Recovery Accountability and Transparency Board (Board), I will be speaking to you today about the Board's role in ensuring the transparency and accountability of funds expended under the American Recovery and Reinvestment Act of 2009 (Recovery Act), with particular emphasis on the programs of heightened interest to this subcommittee. After my opening remarks, I will be glad to answer any questions you have for me.

As you know, the Recovery Board was created in February 2009 as a part of the Recovery Act. Congress established this Board of Inspectors General – two of whom appear beside me today, Gregory Friedman and Todd Zinser – to accomplish two missions. First, to establish and maintain a user-friendly website that would provide historic levels of transparency on how the Recovery funds were being spent. And, second, to prevent fraud, waste, and abuse of the money.

The Recovery Board achieves transparency of Recovery Act spending through reporting on the use of funds. Specifically, the Recovery Act requires recipients of Recovery funds to report on how they are using those funds and requires agencies to report on spending as well. Every quarter, recipients of Recovery funds must report centrally into the Board's reporting website – FederalReporting.gov. In addition, on a weekly basis, agencies provide a Financial and Activity Report, which includes amounts awarded and paid out to states, the types of awards

(contracts, grants, or loans), and agency activities and future plans. This information is then displayed on the public-facing website many of you are familiar with: Recovery.gov.

Recovery.gov is more than just an attractive, award-winning website. The beauty and simplicity of the site belie the complexity of the technological infrastructure that lies beneath. That infrastructure allows us to display quality-controlled data quickly, in uniquely arrayed ways, to achieve unprecedented levels of transparency. FederalReporting.gov and Recovery.gov allow a continuing quality-assurance process that involves the agencies, the Recovery Board, the Office of Management and Budget, and recipients. And our innovative use of geospatial maps allows Recovery.gov to display all of this data with an unprecedented level of transparency. One of its most well-known mapping features allows users to drill down into their own zip codes to find Recovery awards. Also, by comparing a variety of maps offered on the website, users can see where federal funds are disbursed and decide for themselves whether the funds are going where the need is greatest. For aesthetics, usability, and pure data, Recovery.gov has raised the standard for transparency across the federal government.

According to the most recent recipient data posted on Recovery.gov, which encompasses the quarter that ended September 30th, nearly \$278 billion has been disbursed in the form of contracts, grants, and loans. With regard to some of the science-, space-, and technology-focused agencies:

- The Department of Energy (DOE) recipients have to date received more than \$21 billion.
- The Department of Commerce (Commerce) recipients have received about \$1.7 billion.

- The Environmental Protection Agency (EPA) recipients have received \$6.2 billion.
- The National Science Foundation (NSF) recipients have received about \$1.5 billion.
- The National Aeronautics and Space Administration (NASA) recipients have received about \$1 billion.

Among the science programs with the highest current payouts are the DOE's "Energy Efficiency and Renewable Energy," "Defense Environmental Clean-up," and "Title 17 Innovative Technology Direct Loan Financing" programs; EPA's "State and Tribal Assistance Grants" program; and Commerce's "NTIA-Broadband Technology Opportunities Program."

The Recovery Board's website makes an effort to portray such spending information in a way that is readable and informative for users. For instance, Recovery.gov recently highlighted that the National Institutes of Health had designated \$8.2 billion of Recovery funding to support a variety of medical research projects, and we created a map showing where these grants have been awarded across the country.

In addition to ensuring the transparency of taxpayer dollars, the Recovery Board also conducts and coordinates oversight of Recovery funds to prevent and detect fraud, waste, and mismanagement of those funds. The Recovery Board's accountability staff uses a suite of analytical tools in our Recovery Operations Center (ROC) to find indicators of fraud among Recovery recipients and subrecipients. Since our inception in February 2009, we have provided more than 70 leads to the Offices of Inspectors General at DOE, Commerce, EPA, NSF, and NASA, combined. While we cannot provide much detail on these matters as the investigations are still ongoing at their respective Offices of Inspectors General, representative examples would

be the discovery that a recipient's CEO was on the Excluded Parties List, and the finding that another recipient falsely certified it had not recently been convicted of a crime in order to receive multiple Recovery contracts.

The Recovery Board's work in the transparency and accountability realms has garnered much positive attention in the past couple of years. Most recently, on June 13th, 2011, both the Executive and Legislative branches took extraordinary measures to extend the work of the Recovery Board to the rest of the federal government. The President issued an Executive Order calling for the creation of a new Government Accountability and Transparency Board (GAT Board), which is tasked with "building on the lessons learned from the successful implementation of the Recovery Act" and working with the Recovery Board "to apply the approaches developed by the [Board] across Government spending." And in Congress, Congressman Darrell Issa and Senator Mark Warner have both introduced legislation that, among other things, would create a new federal agency, the Federal Accountability and Spending Transparency Board – or FAST Board – to provide accountability and transparency for all contracts, grants, and loans funded with federal dollars. We look forward to working with all of these officials and other stakeholders to ensure that the work of the Recovery Board can serve as a template for tracking all government spending.

Even before the creation of the GAT Board and the pending legislation, the Recovery Board devoted time to enumerating our lessons learned and our experiences and experiments with transparency and accountability. One of the key lessons learned over the past two years has been that transparency drives accountability. The Board's accountability and transparency tools comprise two halves of the same fraud-detection operation, reinforcing and enhancing each other.

A related lesson is that the interrelated transparency and accountability tools are so useful both from a program and an oversight perspective that agencies and the IG community should have equal access to both pieces. While both pieces can clearly assist the investigatory and auditing functions of the IGs, the accountability *and* transparency data can also help agencies improve agency functions and administration. Typically, when the goal of an initiative is fraud detection, IGs come to the table with a great deal of enthusiasm while agencies appear less motivated. One valuable lesson we have learned is that when the common goal is fraud *prevention*, agencies and IGs are equally enthusiastic, and a remarkable collaborative effort takes place between the two. As a result of this lesson learned, the Recovery Board is piloting fraud-prevention tools with agency program personnel as well as OIGs. We believe this program, called [FederalAccountability.gov](https://www.federalaccountability.gov), will assist agencies in performing their own risk evaluations of those seeking Recovery Act funds, just as it will help enforcement officials conduct reviews of Recovery Act funds in order to prevent and detect fraud, waste, and abuse.

One eye-opening lesson has been the tremendous inefficiencies caused by the government's lack of a uniform award ID number for contracts, grants, loans, and other forms of financial assistance. Currently, there is no requirement that award IDs be standardized across the government. As a result, agencies and even subunits of agencies use inconsistent award-numbering systems. These countless award-numbering schemes make the task of reviewing and auditing spending data unnecessarily arduous. We believe the government simply must move toward implementing a single alphanumeric award ID number for all contracts, grants, and loans. If a single agency were selected to serve as a central distributor of award ID numbers across the entire government, the resulting data uniformity and consistency would assist the dual goals of accountability and transparency of federal spending.

Finally, rather than dismantle the Board’s dual websites or the systems established in the ROC, these three critical components can be combined into a “universal one-stop shop” and applied broadly over the whole spectrum of federal spending data collection, display, and analysis. Such a model is actually put forth by the DATA Act legislation. One website would serve as an inbound data collection site – FederalReporting.gov could continue to serve in this capacity. Another website – say, FederalTransparency.gov – would serve as the public-facing site for the display of any of the data collected through FederalReporting.gov. Finally, FederalAccountability.gov, the new website I mentioned, could serve as a portal through which agencies and oversight personnel could access the accountability tools currently housed in the ROC. All of the existing disparate government data collection sites – as well as any future financial data collection activities – could be rolled up into one effective and economical solution. With the assistance of proven cloud-computing technology already in use by the Recovery Board, this technical solution could reduce duplicative infrastructure investments governmentwide, shrink the federal information-system footprint, and promote data centralization. In an era of rooting out redundancies and inefficiencies, this condensing of systems could create an enormous savings to the U.S. Government and American taxpayers.

The Recovery Board is scheduled to sunset in September of 2013, less than two years from now. Since 2009, we have shined the light on spending data in a way that had never been done before. Transparency leads to public engagement, which in turn enhances the government’s effectiveness and improve the quality of its decisions. Taxpayers have every right to know where and how their hard-earned dollars are being spent, and government officials must be held accountable.

Mr. Chairman, that concludes my prepared testimony. I thank you for this opportunity, and I will be happy to answer any questions you or other Members of the Subcommittee might have.