



IBM Center for
The Business of Government

Assessing the
Recovery Act Series

Managing Recovery

An Insider's View



G. Edward DeSeve
Global Public
Leadership Institute

Managing Recovery: An Insider's View

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Foreword

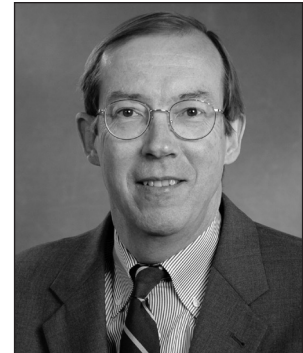
On behalf of the IBM Center for The Business of Government, we are pleased to present this report, *Managing Recovery: An Insider's View*, by G. Edward DeSeve.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was passed on February 17, 2009, providing \$787 billion of tax benefits; grants, loans, and contracts; and entitlements in more than 250 appropriation accounts across more than 25 federal agencies. President Obama assigned the overall management responsibility for the program to Vice President Biden, who acted swiftly to create a management structure that relied on innovative processes and technologies. The author of this report, G. Edward DeSeve, served as the Implementation Coordinator with three titles: Special Advisor to the President for Recovery Implementation, Assistant to the Vice President, and Senior Advisor to the Director of the Office of Management and Budget.

Based on his experience, DeSeve identifies seven primary lessons from implementation of the Recovery Act:

- Attention from the top matters.
- Transparency minimizes fraud.
- Financial information can be transmitted in an almost real-time environment.
- New technology enables direct reporting.
- Geospatial mapping makes data more understandable.
- Collaboration through networks was essential.
- The Recovery Act provides a template for agency planning in the future.

Then, in a particularly intriguing conclusion, DeSeve suggests how government leaders can address future major challenges on the scale of the Y2K crisis, Hurricane Katrina, or the SARS epidemic. DeSeve offers guiding principles for how to successfully meet future challenges when acting on big problems.

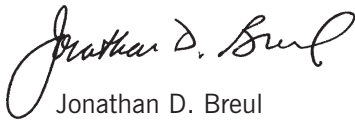


Jonathan D. Breul

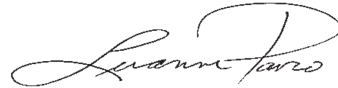


Luanne Pavco

We trust this report will be an insightful and provocative guide for government executives at the federal, state, and local level as they seek to learn lessons from implementation of the Recovery Act and plan for future challenges.



Jonathan D. Breul
Executive Director
IBM Center for The Business of Government
jonathan.d.breul@us.ibm.com



Luanne Pavco
Vice President and Partner
Public Sector Consulting
IBM Global Business Services
luanne.pavco@us.ibm.com

Executive Summary

In January of 2009, passage of the American Recovery and Reinvestment Act (H.R. 1) was the most immediate legislative priority for the incoming Obama administration. The need for speed in enacting the bill was driven by the increasing severity of the economic crisis that came to be known as “The Great Recession.” In fact, as additional data for the fourth quarter of 2008 and the first quarter of 2009 became available during early 2009, the sense of urgency increased. The recession was worse than the administration’s economic team had realized.

In an unusual show of speed, the Act was passed by Congress on February 13 and signed by the President on February 17, 2009. The intensely partisan debate about the Act only heightened the need to implement the sprawling \$787-billion mandate well. Critics cited the potential for waste, fraud, and abuse and estimated numbers as high as five percent of the overall funding or almost \$40 billion as the potential for mismanagement.

The president and the vice president acted swiftly after the bill was enacted and created a management structure that relied on innovative processes and technologies. Central to the success of recovery implementation would be a series of key decisions that were made at the outset:

- **Attention from the top was paramount.** In a joint session of Congress, the president announced that Vice President Biden would be in charge of implementation because, to quote the president, “Nobody messes with Joe.” Biden would directly task the cabinet using a series of meetings, challenges, and deadlines. He would directly oversee the Recovery Implementation Office which was tasked with coordinating all aspects of implementation.
- **Financial reporting would be done on a weekly basis.** This unprecedented decision drove accountability and performance.
- **Twelve Inspectors General would use new tools to fight fraud.** Empanelled under the statute as the Recovery Accountability and Transparency Board (RATB), and with presidential authority, the Board would be given extraordinary ability to promote transparency, require accountability from agencies and recipients, and use the latest technology to track reporting.
- **Technology would be at the core of the network management approach used to coordinate the effort.** Collaborative data tools, formal use of the Internet for reporting, and high levels of interconnectivity would be used.
- **Federalism could be made to work.** There was an unprecedented relationship forged between the White House, agencies, the Recovery Accountability and Transparency Board, and state and local governments. Using the tools described above and a series of well-crafted guidance documents plus the continual attention of the vice president and his staff, state and local governments were connected in a collaborative way to their counterparts in federal agencies, the White House, and overseers.

- **The administration promised to use the ARRA experience to institutionalize successful reforms.** While all of the recovery implementation apparatus was intended to be temporary, the president and vice president wanted to be sure to capture what worked and make permanent successful processes and reforms developed in implementing recovery.

The overall results of the Act are clear although specific actions are still debated by some:

- Warren Buffett sums up the overall work of recovery as follows, “Well Uncle Sam, you delivered. People will always second-guess your specific decisions; you can always count on that. But just as there is fog of war, there is fog of panic—and, overall, your actions were remarkably effective.”¹
- Stan Soloway, president of the Professional Services Council, said that the focus on oversight paid off: “Given the ambitious nature of the stimulus, the fact that things have gone relatively smoothly suggests that they did put appropriate and adequate resources” into program oversight and management.²
- Steve Ellis, vice president of Taxpayers for Common Sense, said, “You can certainly challenge some projects as questionable economically. But there haven’t been the examples of outright fraud where the money is essentially lining somebody’s pocket.”³
- President Obama recognized the work of the Recovery Accountability and Transparency Board in particular: “The Recovery Accountability and Transparency Board has developed innovative technologies and approaches for preventing and identifying fraud and abuse that have the potential to improve performance across all of Government spending.”
- The Council of Economic Advisers (CEA) affirmed the initial job creation and Gross Domestic Product (GDP) impact estimates of CEA Chair Christina Roemer and vice-presidential advisor Jared Bernstein. In its sixth quarterly report, CEA estimated that as many as 3.6 million jobs have been created by the Recovery Act and as much as 3.2 percent has been added to the GDP.

All of these things were done while meeting every deadline set by the statute and some aggressive deadlines set by the administration to ensure that the purposes of the Act were swiftly and effectively implemented while minimizing the instances of waste, fraud, and abuse.

This report provides background on:

- **The urgency and purpose of the Recovery Act:** Implementation was greatly aided by the clear nature of the statutory purposes articulated in the Act. It was also moved forward by the extraordinary problems that the nation was facing.
- **Organizing for recovery:** From the seminal memorandum by the vice president to the president in February 2009 to the rapidly invoked networks that promote program accountability and performance, the lessons from the organization of the implementation of the Act are still being documented and adopted.
- **“A New Way of Doing Business:”** The lessons of the Recovery Act are creating, to quote Vice President Biden, “A New Way of Doing Business.” Specifically, he said:

As we achieved these results, we learned valuable lessons about how to improve government to make it leaner, more transparent, and ready for the 21st century. We learned that unprecedented transparency of government spending increases accountability and is one of the best deterrents of fraud,

1. *New York Times*. November 16, 2010.

2. *Washington Post*. October 1, 2010.

3. *Washington Post*. October 1, 2010.

waste, and abuse. We learned that cutting red tape to encourage collaboration across agencies can not only save taxpayer dollars, but lead to better results for the American people.

The primary lessons learned from the implementation of the Recovery Act are:

- **Attention from the top matters.** There is no substitute for the president and the vice president being fully engaged.
- **Transparency minimizes fraud.** Having many sets of eyes and ears, including the public's, committed to avoiding problems pays dividends if properly organized.
- **Financial information can be transmitted in an almost-real-time environment.** Having weekly financial data and quarterly recipient data made course corrections possible and constant reporting required both agencies and recipients to exercise greater care about the data.
- **New technology enables direct reporting.** The use of existing successful technology-based reporting models and the Internet can make data transmission faster and more reliable, minimizing the need for intermediaries.
- **Geospatial mapping makes data more understandable.** The availability to the public of data that they could relate to their own neighborhoods was an extremely powerful tool in promoting program acceptance.
- **Collaboration through networks was essential.** Using clear principles, a series of networks was developed that aligned incentives and accountability in a way that promoted rapid and effective performance.
- **The Recovery Act provides a template for agency planning in the future.** As the GPRA Modernization Act of 2010 is implemented, agencies are looking to the lessons of the Recovery Act for guidance.

Finally, this report concludes with lessons for how public leaders can address major, government-wide challenges in the future.

The Recovery Act: Urgency and Purpose

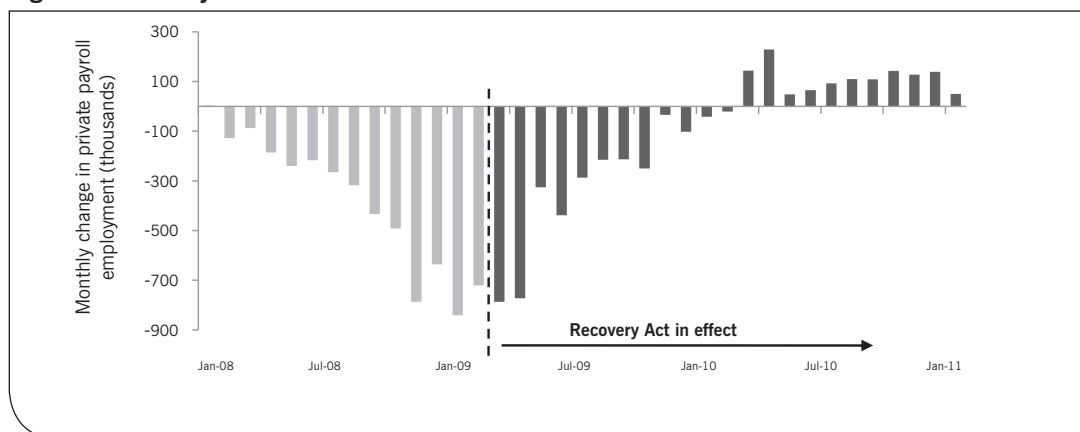
Worse Than They Knew

Immediately after the election, President-elect Barack Obama convened his transition team in Chicago and began crafting initiatives to turn the economy around. Composed of experts who would staff the Council of Economic Advisers, the National Economic Council, the Department of the Treasury and the Vice President's Office, the team was highly qualified for its task. However, the team did not have all of the economic data needed. Data for the fourth quarter of 2008 were not available to them as they fashioned what would become the American Recovery and Reinvestment Act of 2009.

Even if they had fourth-quarter data for 2008, the first quarter of 2009 proved even worse than expected (See Figure 1). In their January 10, 2009 report, "The Job Impact of the American Recovery and Reinvestment Plan,"⁴ Christina Roemer and Jared Bernstein projected that the unemployment rate would be below eight percent by the end of 2009. These projections proved overly optimistic but were in line with the consensus of other economists at the time.

However, in "The Economic Impact of the American Recovery and Reinvestment Act of 2009: Sixth Quarterly Report" issued on July 1, 2011, The Council of Economic Advisers (CEA) affirms the job creation and Gross Domestic Product (GDP) impact estimates of Roemer and Bernstein. CEA estimates that as many as 3.6 million jobs have been created by the Recovery Act and as much as 3.2 percent has been added to the GDP. This affirms the underlying projections for the impact of the Recovery Act created by Roemer and Bernstein. The team just started from too high a base of economic activity.

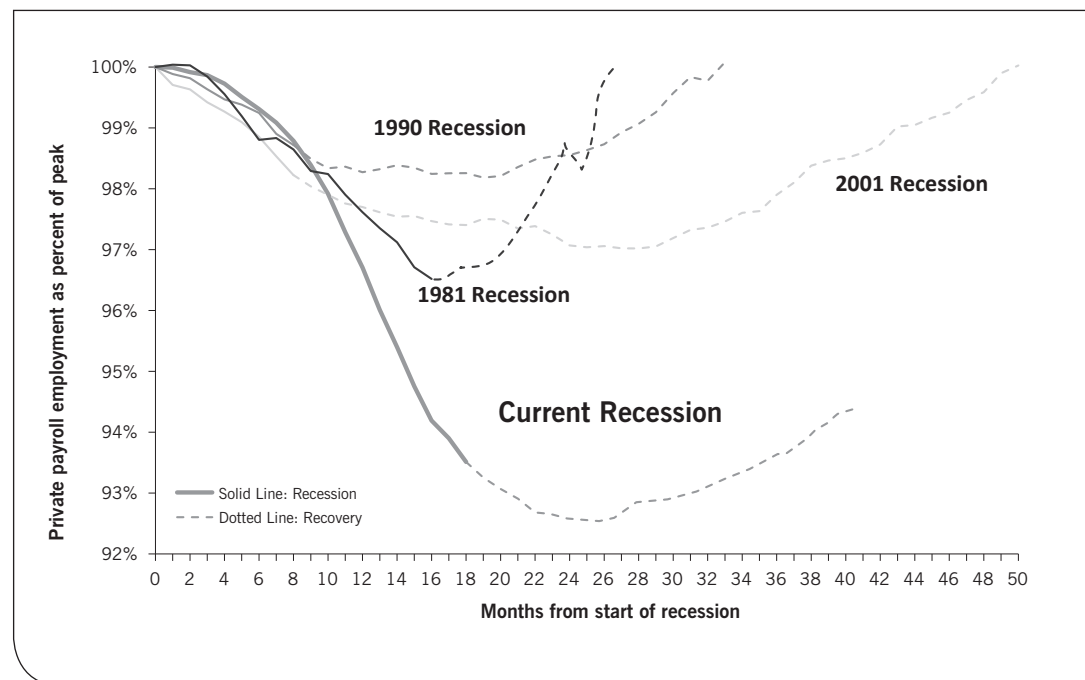
Figure 1: Monthly Private-Sector Job Gains and Losses



4. http://otrans.3cdn.net/45593e8ecbd339d074_l3m6bt1te.pdf

Figure 2 presents the full effect of what has been called “The Great Recession.” It is steeper and deeper than any other recent recession and the Recovery Act was designed to bend the curve of economic downturn as quickly as possible. By early February 2009, the ever deepening loss of jobs prompted the president to urge speedy passage of the Recovery Act. Congress responded as shown in the *ARRA Legislative Timeline* box below. The passage of the Act was highly partisan. No Republicans voted for the bill in the House and only three supported the bill in the Senate. This partisanship contributed to the challenges of implementing the Act since every action was reviewed in the light of the increasing political tension between parties in Congress.

Figure 2: The Deepest Recession Since the Great Depression



ARRA Legislative Timeline

- Introduced in the House as H.R. 1 on January 26, 2009
- Committee consideration by: Appropriations and Budget
- Passed the House on January 28, 2009
- Passed the Senate on February 10, 2009
- Reported by the joint conference committee on February 12, 2009; agreed to by the House on February 13, 2009 (246–183) and by the Senate on February 13, 2009 (60–38)
- Signed into law by President Barack Obama on February 17, 2009

Source: http://en.wikipedia.org/wiki/American_Recovery_and_Reinvestment_Act_of_2009

Purposes of the Act

One of the most beneficial aspects of the Recovery Act as it was passed was the clarity of its legislative purpose. The Recovery Act was designed by Congress and the Obama administration with five purposes in mind (ARRA, Section 3):

- To preserve and create jobs and promote economic recovery
- To assist those most impacted by the recession
- To provide investments needed to increase economic efficiency by spurring technological advances in science and health
- To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits
- To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases

To implement these purposes, the Act contained three major funding categories: Tax Benefits; Grants, Loans, and Contracts; and Entitlements. Each of these can be easily correlated with one of the five purposes of the Act. The three major funding categories were estimated by the Congressional Budget Office at the outset of the Act as follows:

Tax Benefits	\$288 Billion
Grants, Loans, and Contracts	\$275 Billion
Entitlements	\$224 Billion
Total	\$787 Billion

During the course of implementing the Act various other estimates were used. The fluctuations in tax benefits and entitlements make each of these other estimates true for only one point in time.

Each of the major funding categories was composed of a number of sub-categories that represent the details of how the funds would be spent to accomplish the purposes of the Act. Beyond these major categories, there were more than 250 separate funding categories as represented by the Treasury Account Fund Symbols (TAFS) that were used to keep track of them. This plethora of programs caused Vice President Biden to characterize the Recovery Act as “not a silver bullet but silver buckshot.” He believed that the scope of the programs was essential to an equitable and effective distribution of funds.

The Recovery Accountability and Transparency Board’s accounting of the major categories of these funds is presented in Table 1.

As noted above, more than 250 Treasury Account Fund Symbols (TAFS) were created to account for the specific appropriations in the Act. In an unprecedented move, the Office of Management and Budget, working with the Treasury Department and the Recovery Board, established a requirement and designed a system that allowed each agency to report on each TAFS weekly. For every major agency, links to these reports are posted each week on the Recovery Accountability and Transparency Board’s website—Recovery.gov.

This weekly reporting requirement has two major benefits. First, it provides immediate accountability for agency spending. Everyone from the public to the president can easily see how swiftly funds were being put under contract (obligated) and paid out (expended). Second, the transparency enables everyone to know what funds were being used for and allows maps of project activity to be created. These maps were helpful to the public and widely used to demonstrate where recovery activities were being carried out.

Table 1: Funding Categories and Major Programs

TAX BENEFITS: \$288 Billion	
Major Provisions:	
Individual Tax Credits \$122.5B	First-Time Homebuyers. Transportation Subsidy. Education benefits. Earned Income Tax Credits.
Making Work Pay \$89.3B	\$400 tax credit for working individuals; \$800 for working married couples
Tax Incentives for Businesses \$33.4B	The Work Opportunity Tax Credit added unemployed veterans and 16-to 24-year-olds to the list of new hires that businesses could claim. The Net Operating Loss Carry-back allows small businesses to offset losses by receiving refunds on taxes paid up to five years ago.
Energy Incentive \$9.3B	Tax credits for energy efficient improvements to residences. Tax credits for alternative energy equipment. Electric Vehicles Tax Credit.
COBRA \$3.7B	Assistance with Continuation of Health Coverage.
Manufacturing & Economic Recovery, Infrastructure Refinancing, Other \$2.1B	Tax-exempt bonds to expand industrial development. Bonds for investment in infrastructure, job training, and education in high unemployment areas. Increased available New Market Credits.
GRANTS, CONTRACTS AND LOANS: \$275 Billion	
Major Provisions:	
Education \$78.4B	State Fiscal Stabilization Fund. Student Aid. Training and Employment Services. Aid for the Disadvantaged. Special Education and Rehabilitative Services.
Transportation \$27.1B	Highway Infrastructure. High-Speed Rail Corridors. Grants for Railroads and Airports.
Energy / Environment \$22.8B	Energy Efficient and Renewable Energy Program. Defense Environmental Clean-up. Electricity Delivery and Energy Reliability Program. Water and Related Resources Superfund Program.
Infrastructure \$19.0B	Broadband. Federal Building Fund. Highway Construction. Rural Water and Waste Disposal Account.
Housing \$14.7B	Grants to States for Low-Income Housing. Public and Indian Housing. Rental Assistance Programs. Homelessness Prevention Programs. Homeowners Assistance Fund.
Health \$12.6B	Centers for Disease Control and Prevention. Indian Health Service. Food and Nutrition Service. National Institutes of Health.
R&D / Science \$8.6B	Fossil Energy R&D. National Science Foundation. National Institutes of Health.
Other Programs \$4.7B	Administrative and Operational Costs for Recovery Programs. Offices of the Inspectors General Recovery Administration Costs.
Family \$4.6B	Temporary Assistance for Needy Families. Health Resources and Services. Veterans Health Administration. Centers for Disease Control and Prevention. Indian Health Services. Food and Nutrition Services. Supplemental Nutrition Program for Women, Infants, and Children.
Job Training / Unemployment \$3.7B	Community Service Employment for Older Americans. Training and Employment Services. Special Education and Rehabilitative Services. Trade Adjustment Assistance for Farmers.
Public Safety \$3.7B	Wildland Fire Management. FEMA Firefighter Assistance Grants and Emergency Food and Shelter. Violence against Women Programs. Customs and Border Protection.

Table 1: Funding Categories and Major Programs (continued)

ENTITLEMENTS: \$224 Billion	
Major Provisions:	
Medicaid Grants to States \$84.1B	
Unemployment Insurance Programs \$60.0B	
Family Services \$25.2B	Foster Care and Adoption Assistance; Child Support; Food Stamp Program; Assistance for Needy Families.
Economic Recovery Payments \$13.8B	One-time \$250 payments to Social Security beneficiaries; Railroad Board payments; Veterans payments.
Agricultural Disaster Relief Fund \$0.8B	Assistance for farm revenue losses due to natural disasters.

Source: <http://www.recovery.gov/Transparency/fundingoverview/Pages/fundingbreakdown.aspx>

Organizing for Recovery

The Biden Memo

With more than 250 newly created appropriation accounts across more than 25 federal agencies, it was clear at the outset that managing this effort was an extraordinary challenge. On February 20, 2009, Vice President Biden authored a memorandum to the president outlining a plan for overall management of the recovery program. This memorandum provided the blueprint for implementation. It contained recommendations on:

- Implementation leadership
- The vice president's role
- Naming of a chair of the Recovery Accountability and Transparency Board
- The need to speed the search for an implementation CEO
- The announcement of the implementation effort in a joint session of Congress
- Immediate outreach to cabinet, governors, mayors, and Congress
- Rapid announcements on funds release and projects starting

Key Acronyms

American Recovery and Reinvestment Act of 2009	ARRA or Recovery Act
National Governors Association	NGA
Office of Management and Budget	OMB
Recovery Accountability and Transparency Board	RATB
Recovery Implementation Office	RIO
Resource Management Offices (in OMB)	RMO
Senior Responsible Officials	SRO
Treasury Account Fund Symbols	TAFS

“Nobody Messes with Joe”

As a reward for Vice President Biden's thoughtful blueprint, the president assigned the overall management responsibility for the program to Biden, explaining publicly in a joint session of Congress (as recommended in the Biden memo) that he did this “because nobody messes with Joe.” On numerous occasions, the vice president has joked about this being the last memorandum he will ever write the president.

The Act gave a group of Inspectors General responsibility for monitoring how the money was spent. It did not create a mechanism for coordinating the spending of the funds or for ensuring the achievement of results. Biden was looking for an implementation CEO who would crack the whip and get things done. Ron Klain, the vice president's chief of staff, Don Gipps, director of presidential personnel, and Rob Nabors, deputy director of the Office of Management and Budget (OMB) initiated a search and ultimately had the vice president interview me.

Based on my prior experience as the deputy director for management at OMB, I suggested to the vice president that what was needed was an implementation coordinator, not a CEO. The cabinet contained plenty of CEOs as did statehouses across America. Recovery Act implementation called for building a coordinated network that would link all of the interested parties together to swiftly execute the purposes of the Act.

The vice president agreed with this approach and suggested that I have three titles: Special Advisor to the President for Recovery Implementation; Assistant to the Vice President; and Senior Advisor to the Director of OMB. These three titles ensured that I had the authority of the president behind me, that I reported directly to the vice president, and that I would be working closely with OMB during my tenure. This structure proved prescient, as all three components were essential to success.

Major Actors

The importance of managing implementation has been widely recognized. Key to this implementation was involving multiple major actors at the outset. This was reflected in the vice president's February 2011 progress report: *A New Way of Doing Business: How the Recovery Act is Leading the Way to 21st Century Government*:

Vigilant management played a critical role in the Recovery Act's success. From the White House and members of the Cabinet to civil servants and the independent Recovery Board, the Administration's attention to detail drove implementation of the Recovery Act. The President and the Vice President set the tone early, making clear to the entire Administration that effective Recovery Act implementation was a high priority.⁵

The President

The quote above conveys a sense of what Warren Bennis and Burt Nanus were talking about in their book *Leaders: The Strategies for Taking Charge*, "They (leaders) paid attention to what was going on, they determined what part of the events at hand would be important to the future of the organization, they set a new direction and they concentrated the attention of everyone in the organization on it."⁶

In implementing the Recovery Act, the tone was set from the top. In his speeches, economic daily briefings, trips to Recovery Act sites, and daily meetings with key staff, the president made it clear that rapid implementation of the Recovery Act was among his highest priorities. He made sure that the recovery implementation coordinator was a key member of his senior staff and attended each morning's staff meeting chaired by the chief of staff. He personally met periodically with his economic team, the vice president and the recovery implementation coordinator to get direct briefings on progress. He personally read and annotated memos and reports on recovery. At cabinet meetings, he stressed to each of the department secretaries the importance he placed on their achieving recovery goals quickly to aid the American people.

In some cases, the president's impatience with the pace of activity spurred all involved to greater effort.

5. *A New Way of Doing Business: How the Recovery Act is Leading the Way to 21st Century Government*. White House, February 2011, p. 7

6. *Leaders*; Warren Bennis and Burt Nanus. Harper Collins. 1997.

The Vice President

In the Biden memo, which was drafted by Ron Klain, the vice president's chief of staff, the crucial role of the vice president was articulated as follows:

- Designate the vice president to take the lead on implementation. This was to be done by the president in a very public way and the Joint Session of Congress proved to be that venue.
- Have the vice president chair regular meetings with cabinet secretaries or their designees where the agency had major implementation responsibilities
- Appoint an implementation CEO who would report directly to the vice president but also have reporting relationships to the president and the director of OMB
- Have regular public reports from the vice president and regular meetings by him with governors and mayors as well as Congressional leaders

All of these recommendations were accepted by the president and carried out by the vice president. The vice president also provided direct personal attention by traveling to Recovery Act sites on numerous occasions to emphasize the need to carry out the purposes of the Act and to celebrate the successes with people on the front lines.

Recovery Implementation Office (RIO)

Also in the February 20, 2009 memo was the recommendation to create a modest office under the "Implementation CEO" to oversee the "high level management dimensions" of the Act. After a search seeking "experienced public administrators, corporate executives and retired military leaders," I was chosen. I followed the outlines of the memo but suggested that "coordinator of recovery implementation" was a more appropriate title than CEO. The "modest staff" of the recovery implementation office never exceeded eight full-time equivalents and the majority of these were temporarily assigned from other agencies.

We hung on the wall a copy of the purposes of the Act and a copy of the following objectives:

- Get the Money Out
- Get the Money Under Contract
- Support Infrastructure Development
- Produce Results
- Maintain Public Support

The first two objectives were measured each week in the agency financial reports and each quarter in the recipient reports. The third referred to the development of the organizational, reporting, and technological infrastructure of the recovery program itself. This involved intricate coordination with OMB, RATB, recipients, and agencies to stand up a structure quickly and make sure that it provided required and relevant information on a timely basis.

The fourth objective involved working with agencies and recipients to set targets and meet them. The statute contained some very aggressive timelines for spending funds and starting projects. These were enhanced by challenges from the president and vice president to move even faster. A formal process was developed by the Recovery Implementation at OMB to ensure that performance plans were developed and posted on the Internet. At the same time, each agency was encouraged to develop a risk management plan to be sure that appropriate management attention and oversight were applied to implementation. While the quality of the plans varied according to agency, they served as a benchmark for tracking both performance and fraud prevention.

Finally, public support was seen as critical to the success of the program. This proved more difficult to measure. At a cabinet meeting, the president chided me about the unpopularity of the Act. Polling data showed that a majority of the American people did not approve of the Recovery Act effort as a whole. He then explained that another poll deconstructed the Act into its component purposes—assistance to individuals, job creation, aid to states, infrastructure—and these components were extremely popular. Often the public conflated the efforts of ARRA with the Troubled Asset Recovery Program—started under the previous administration—or the automakers' bailout program. These unpopular programs were lumped together with ARRA and cost overall public support, as did the constant partisan critique.

Recovery Accountability and Transparency Board (RATB)

The website Recovery.gov describes the board as follows:

The Recovery Accountability and Transparency Board was created by the American Recovery and Reinvestment Act of 2009 with two goals:

- To provide transparency of Recovery-related funds
- To prevent and detect fraud, waste, and mismanagement

Earl E. Devaney was appointed by President Obama to serve as chairman of the Recovery Board. Twelve Inspectors General from various federal agencies serve with the chairman. The Board issues quarterly and annual reports to the President and Congress and, if necessary, 'flash reports' on matters that require immediate attention.

The board and its chair have been instrumental in creating a reporting environment that emphasizes accountability, transparency, and speed. Quarterly reporting by recipients was instituted in accordance with the Act and has been a highly successful mechanism for using transparency of data to minimize fraud.

The RATB was a tremendously effective partner to the Recovery Implementation Office (RIO) and to OMB as we implemented the Act. While clearly maintaining its independence, the Board was always willing to collaborate in finding ways to fulfill its mission and carry out the purposes of the Act. Much of the credit goes to the leadership of Earl Devaney. The President selected Devaney immediately after the Act became law and Devaney's experience and thoughtful approach to his job paid immediate dividends. Prevention of fraud is "Job One" for the RATB. They have used cutting-edge technology to shine the light of accountability on the program and with that light came a remarkably low incidence of fraud.

Others With Statutory Responsibilities

- **Council of Economic Advisors.** As part of the unprecedented accountability and transparency provisions included in ARRA, the Council of Economic Advisors (CEA) was charged with providing Congress quarterly reports on the effects of the Recovery Act on overall economic activity, and on employment in particular.
- **Congressional Budget Office.** CBO was required to make the initial estimates of the cost of the Act and subsequently monitor progress in spending as part of its overall budgetary activity. In addition, it was required to provide quarterly reports on economic impact and jobs.
- **Government Accountability Office.** In addition to its general responsibilities providing "oversight, insight, and foresight" to all government programs, GAO was specifically tasked with oversight of implementation of ARRA programs in states and local areas and providing quarterly reports. It was also tasked with examining the number of jobs created as reported by recipients.

- **Inspectors General.** IGs were given funding under the Act to exercise additional vigilance over the spending of Recovery Act funds. Twelve of them were ultimately designated by the statute or by the president to serve as members of the Recovery Accountability and Transparency Board.

White House Staff Offices

Chief of Staff Rahm Emanuel made it very clear to all White House staff offices that recovery was a top priority. Each White House office provided support for recovery implementation. For example, Cabinet Affairs organized the cabinet meetings that the vice president convened, making sure that the appropriate cabinet secretaries or their most senior representatives were in attendance and had read and responded to the material.

Intergovernmental Affairs provided similar support for the more than 57 conference calls the vice president conducted with governors of all the states and with local officials. The press office linked directly with the staff of the vice president's office assigned to handle press inquiries (of which there were often hundreds weekly). Press Secretary Robert Gibbs personally joined the recovery implementation coordinator and Jared Bernstein, the vice president's chief economist, in conducting periodic high-level press briefings for local and national print and electronic media. These briefings allowed the message of recovery to go out unfiltered directly to the most important media figures covering the White House.

Office of Management and Budget (OMB)

OMB was first out of the box on recovery implementation. As the vice president noted in his February 20th memo referred to above, "In advance of passage of the Act, OMB has undertaken unprecedented steps to prepare for implementation of this legislation." OMB's actions were led by Deputy Director Rob Nabors and Acting Controller Danny Werfel. Nabors organized the daily calls with agencies while Werfel worked to prepare internal and external guidance on implementing the Act.⁷ On the budget side of OMB, the resource management offices worked to clear spending plans with extraordinary speed. They also resolved disputes among agencies such as resolving the application and implementation of Davis Bacon wage determinations.

The ability of OMB to work with bodies like the Federal Acquisition Regulatory Council, the Office of Personnel Management, the General Services Administration, and others enabled the drafting of needed regulations and other actions by these agencies to be completed in record time. OMB also organized trainings and conference calls with external bodies such as the National Association of State Auditors, Comptrollers and Treasurers and the National Association of State Budget Officers to make sure that grantees had input into the guidance that OMB was developing. This network of consultation was instrumental in the smooth, timely rollout of the unprecedented quarterly reporting required of grantees.

RIO and OMB worked closely in formal weekly meetings and daily informal meetings with the Recovery Accountability and Transparency Board. Early on, a division of responsibility was agreed on by the three parties and each executed their duties in close coordination with the others. This helped provide clarity for agencies and recipients.

States

The Act clearly stated that one of its major purposes was, "To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and

7. For a list of all guidance documents from OMB see: www.whitehouse.gov/omb/recovery_default.

counterproductive state and local tax increases.” As of August 2011, states have been allocated \$280 billion in funding. This meant that states were major players in directly receiving funds, and in some programs, had distribution and oversight of funds going to non-profits and local governments.

The National Governors Association (NGA) took its responsibilities very seriously. Early on, NGA met with RIO to determine how it could constructively be involved. With close coordination with OMB and RATB, RIO helped the NGA construct a network of state representatives who were the recovery coordinators in their states. These coordinators met several times in Washington, D.C., and had frequent conference calls with their counterparts in OMB, RATB, RIO, and the federal agencies. In fact, many were soon on a first-name basis with federal officials. The cooperation of these coordinators went beyond the typical adversarial relationships that have come to characterize intergovernmental activities. As actions were contemplated or guidance was developed, there was immediate communication and feedback with the state coordinators.

When implementation problems developed, NGA brought them forward and they were quickly dealt with. For example, one agency wanted monthly reporting and began asking for a large number of data elements. States felt that this was overly burdensome and NGA asked for an immediate meeting with RIO and the agency involved. After listening to arguments on both sides, the agency agreed to far fewer data elements and the states agreed that monthly management reporting was essential to the oversight of this particularly difficult program.

Federal Agencies

Early on, OMB instituted daily phone calls with senior responsible officials (SROs) in all agencies involved in a major way with recovery. This amounted to more than 20 agencies which had more than 200 programs. These calls—twice a week after May of 2009—were essential communications and problem-solving venues. They allowed each agency to describe implementation challenges and seek assistance solving them. They also gave RIO and OMB the ability to send messages to the entire network of agencies all at once and get their feedback if any. Both the agencies, RIO, and OMB believed that these calls were essential in a rapidly changing environment.

As mentioned previously, the vice president conducted more than 15 recovery cabinet meetings. Both cabinet secretaries and SROs attended and the agenda was sent in advance by Cabinet Affairs. The meetings were pointed reviews of challenges that agencies were having and featured tough deadlines for action delivered by the vice president himself to the agencies. If agencies had problems, they could tell the vice president directly and he would agree to get them resolved in 24 hours. This 24-hour rule applied to agencies as well as governors and local officials. It meant that RIO staff would seek a solution to a problem and present it to agency officials within 24 hours with the goal of immediate resolution. Where this was not possible, a joint plan would be developed in 24 hours to solve the problem. This speed of resolution was something that often astounded the agencies or the grantees but gained much credibility for the recovery implementation effort. This sense of urgency was reflected in making sure that every agency met or exceeded the goals or timelines in the Act.

Organizing Implementation

“It Takes a Network ...”

Given the complexity of the statute and the number of actors involved, traditional hierarchical principles were unlikely to produce results with sufficient speed to meet the urgency of the

Recovery Act's mission. Without explicitly articulating network principles, the February 20th memo from the vice president to the president laid the foundation for invoking networks to manage recovery implementation.

The use of "network management" for government functions has been widely recognized.⁸ An apt summary of the need for "network management" in government is contained in *Transforming Public Leadership for the 21st Century* where the editors observed,

The public sector is rapidly transforming as a result of events following September 11 and emerging trends of globalization, information technology, accountability, privatization, civil service re-engineering, politics and governance. Our traditional notions about an effective practice of public leadership may no longer apply in an age of emergency or crisis, networked settings or extreme politicization, conflict and polarization.⁹

Addressing complex or "wicked" problems requires a new approach.¹⁰ In the Year 2000 Computer Crisis (Y2K), dealing with the Severe Acute Respiratory Syndrome (SARS) epidemic, responding to Hurricane Katrina, and launching the war against terrorism,¹¹ a model of "managed networks" replaced the traditional hierarchical form of government organization. A "managed network" can be defined as: "an integrated system of relationships that is managed across formal and informal organizational boundaries with recognized principles and a clear definition of success."¹² This approach to governance is reflected in the guiding principles for managing the implementation of the Recovery Act.

The type of "managed network" that the Recovery Act represented was a "community of shared mission." The mission was clearly spelled out in the purposes of the Act. Everyone involved knew that job creation, assisting the needy, building and rebuilding infrastructure, stimulating investments in technology, and assisting states and localities in meeting their obligations were the missions of the Act.

Translating a sense of mission into organization and ultimately into action requires the use of network management principles.

As noted earlier, the formal and informal structures used in Recovery Act implementation to tie organizations together created a big tent in which many participants were connected through technology and by means of constant communication. In fact, at the outset the Recovery Act's focus on transparency made sure that the public could see what was going on inside the tent. The RATB's website Recovery.gov was

Network Management Principles

- Network Structure
- Common Purpose
- Governance
- Authority
- Leadership
- Distributed Accountability
- Information Sharing
- Resources

8. See G. Edward DeSeve in *Unlocking the Power of Networks*, Steven Goldsmith and Donald F. Kettl. Brookings Institution Press 2009. *Governing by Network: The Strange New Shape of the Public Sector*, Stephen Goldsmith and William D. Eggers, Brookings Institution Press and John F Kennedy School of Government at Harvard University, 2004.

9. *Transforming Public Leadership for the 21st Century*, Ricardo S. Morse, Terry F. Buss, C. Morgan Kinghorn. M.E. Sharpe 2007.

10. For a definition of "wicked problems" see C. West Churchman, *Management Science*, Vol. 14, No. 4, December 1967.

11. See "Integration and Innovation in the Intelligence Community," G. Edward DeSeve in *Unlocking the Power of Networks*, Stephen Goldsmith and Donald F. Kettl. Brookings Institution Press 2009.

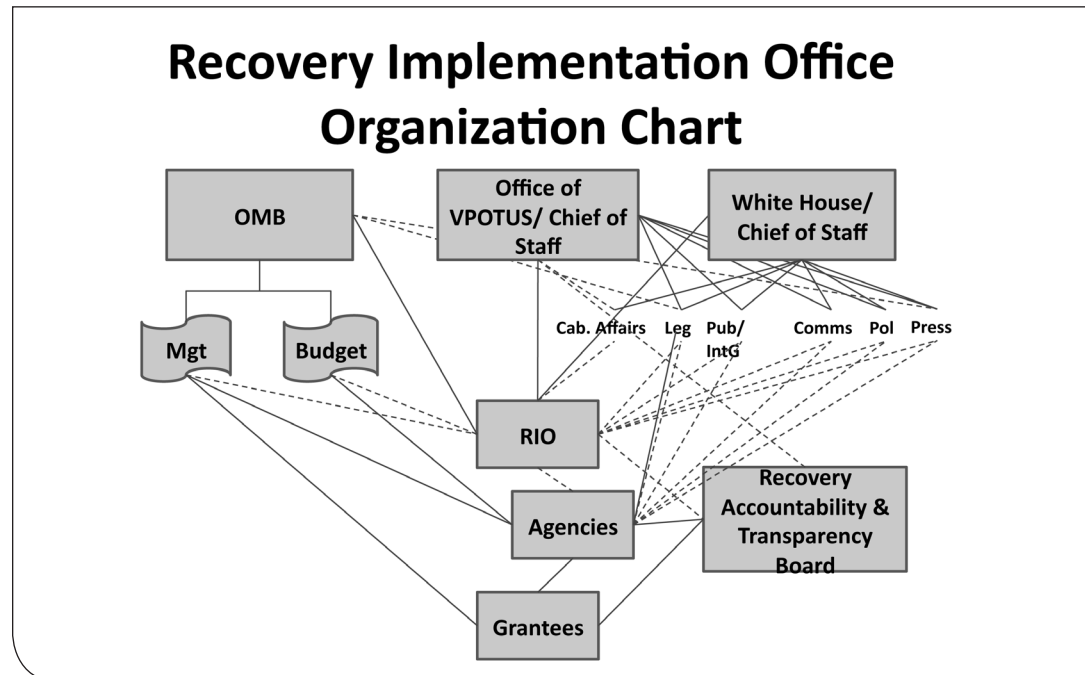
12. Morse, Buss, and Kinghorn, p. 211.

expressly designed to both give and get information in an unprecedented manner. There was weekly financial reporting and mapping of projects that allowed the public to see what was going on in their neighborhoods. There was quarterly reporting on 99 data elements by recipients that provided a rich data set posted immediately on Recovery.gov.

Using a network to provide vigilance against fraud led RATB Chair Earl Devaney to speak of the “Citizen Inspectors General” who are part of a network to fight fraud that includes local, state, and federal law enforcement and anti-corruption officials. As reflected in the network management principles, this is the ultimate in “distributed accountability” through “information sharing.”

In fact, each of the elements in *Network Management Principles* was consciously included in the design of the implementation mechanism for the Recovery Act. For example, the original organizational chart shown as Figure 3 is just one example of the application of the networked structure. It is included here in its original form. The chart was the third item on the RIO wall next to the Purposes of the Act and RIO Objectives referred to earlier.

Figure 3: Original Recovery Implementation Office Organization Chart



Another example of using a formal network element was reliance on formal authority. This authority was derived from the president’s executive orders and memorandum as well as OMB’s guidance. While funding was made available in the Act itself, it was up to RIO and OMB to interpret how these resources would be allocated, which was often a contentious process.

Governance, leadership, distributed accountability, and information sharing were all built into the way the Act was implemented and the way networks function to accomplish the Act’s purposes.

Key Implementation Decisions Made

The box *Key Implementation Decisions* shows the key decisions that were made at the outset of recovery implementation. These are discussed below.

Centralization vs. Decentralization

The fundamental question here was whether OMB or some large existing or new entity would be empowered to exercise “command and control” functions over the entire effort. As noted, neither full centralization or decentralization was chosen, but rather a networked structure that featured clear organizational elements. There was centralized direction on items like reporting guidance and procurement rules issued by OMB, the FAR Council, and others. This was to ensure that existing statutes and regulations were followed. However, agencies and grantees were given great freedom of action to publish notices of funds availability and to run competitions in a manner consistent with their individual statutes, regulations, and agency practices.

Where possible, agencies worked together to coordinate their actions using common rules. For example, the Departments of Commerce and Agriculture coordinated very closely, under the watchful eye of the Recovery Implementation Office, in structuring and executing competitions for broadband funds. While the grantees and eligibility criteria were often different, there was a need to avoid duplication and respect overall state plans and locally defined service areas in providing funds.

Financial Reporting

At the outset, OMB’s Office of Federal Financial Management, led by Danny Werfel, decided that agencies would report their obligations and outlays weekly by Treasury Account Fund Symbol. This decision was a critical one and agencies complied immediately. The financial staffs of agencies posted data to Treasury at the end of each reporting period (weekly unless holidays created a longer or shorter period). The data were compiled centrally and posted on Recovery.gov within seven days of the end of the period. Quality control was done by OMB and RIO and any errors in the data were corrected for the next reporting period.

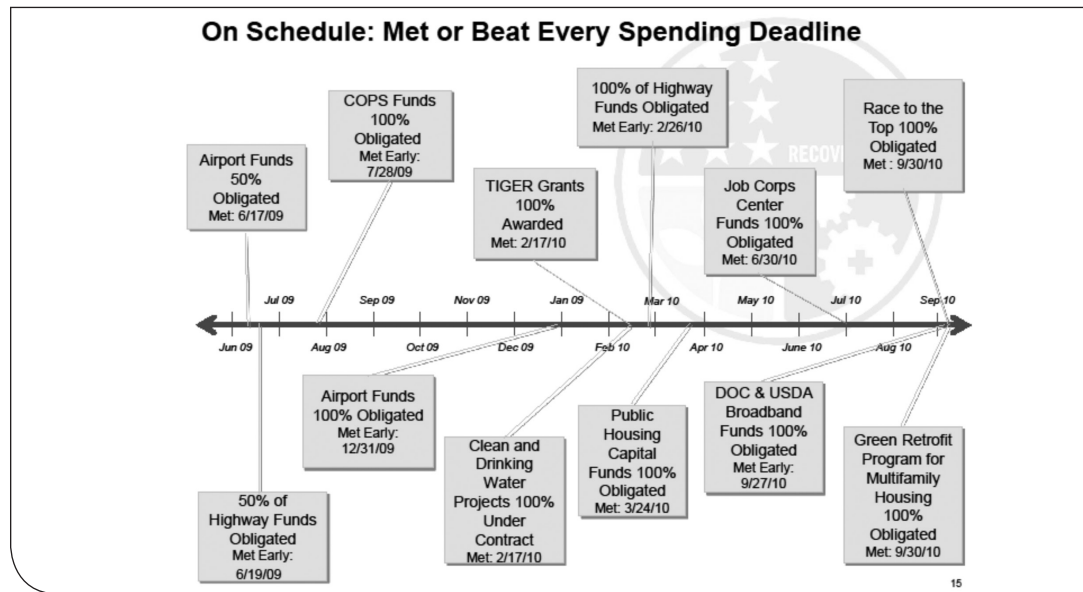
This decision to implement rapid financial reporting made it possible to monitor agency progress in almost real time. For example, if a statutory deadline for funds distribution for EPA or DOT was looming, it was possible to see how close the agency was to meeting the deadline and taking corrective action. This action might include the vice president speaking to governors about the need for speed or simply an extra effort by departmental staff to approve applications. Whatever the action needed, having the financial data made it possible to meet every financial deadline in the statute. An example of the deadlines that were met on time is included as Figure 4.

Progress/Performance Reporting

This decision was considerably more complicated than financial reporting. At the outset, it was decided that all agencies would provide Performance Plans that were consistent in format with those required under existing statutes and guidance. This was done in May 2009 and these were posted on Recovery.gov. The RATB published all of the department and agency plans on Recovery.gov after they were reviewed by the OMB Resource Management Offices with assistance from RIO. The plans were updated by the agencies as needed and current plans can be found on Recovery.gov or on agency websites.

Key Implementation Decisions

- Centralization vs. Decentralization
- Financial Reporting
- Progress/Performance Reporting
- Transparency
- Federalism
- Waste/Fraud Detection and Reporting
- Permanent vs. Temporary

Figure 4: Deadlines Met¹³

Quarterly recipient reporting was a more complicated decision. The responsibility for providing reporting guidance was clearly in the hands of OMB and they were vigilant and collaborative in issuing the guidance.¹⁴ However, the responsibility for collecting and publishing the information was in the hands of the RATB. Considerable discussion between OMB, RIO, the agencies, recipients, and RATB resulted in a divided opinion about how collection and publication should be done.

Two competing models emerged. The first was to use existing agency systems and have the agencies be responsible for data gathering, data quality, and sending the data to RATB. The second model was to have recipients report directly to a new system developed and maintained by RATB. Ultimately, RATB, which had the reporting responsibility under the statute, chose the second alternative. RATB was concerned about the homogeneity and reliability of existing agency systems and about charges that agencies would somehow report the data in a way that might appear to have been manipulated by agencies.

The challenges of going with a RATB-developed system were the ability to put the system in place for the first reporting period (the third quarter of 2009) and the question of who would conduct a data quality review. RATB met the timeliness concern by using an existing government off-the-shelf system that had been developed by EPA. The data quality concern remained more elusive. Agencies were not given access to recipient data until it had been loaded into the system and had no ability to change the data. They could suggest that recipients change the data but this was a time-consuming and cumbersome process. This lack of agency review led to some large errors and RATB ultimately excluded some recipient-provided data from the first reporting cycle.

Later cycles allowed for timelier agency involvement and helped to solve some of the data quality problems. When data quality problems arose, the RATB worked rapidly to clean up the data for the public. Overall, GAO, the transparency community, and recipients gave RATB high marks for their efforts.

13. The Vice President's Annual Report to the President on Progress Implementing the American Recovery and Reinvestment Act of 2009, www.whitehouse.gov, 2010.

14. www.whitehouse.gov/omb/recovery_default.

Another element of performance reporting that worked well was the jobs reporting assigned to the Council of Economic Advisors and the Congressional Budget Office.¹⁵ CEA provided quarterly estimates of the numbers of jobs created and retained and economic impact, as did CBO. These were generally consistent with each other and were supported by other external sources and by the smaller subset of jobs directly reported by recipients. As with other data from recipients, the RIO carefully reviewed the jobs data and pointed out anomalies to the RATB and agencies for investigation and corrections.

Transparency

Both Congress and the administration took the goal of transparency in government very seriously in implementing the Recovery Act. An entire title of the Act (Title XV) focused on accountability and transparency. It established detailed structures, procedures, and methods for assuring transparency. From the outset of the administration, the linkage between accountability and transparency was reflected first in the President's Memorandum on Transparency and Open Government:

Government should be transparent. Transparency promotes accountability and provides information for citizens about what their Government is doing. Information maintained by the Federal Government is a national asset. My Administration will take appropriate action, consistent with law and policy, to disclose information rapidly in forms that the public can readily find and use. Executive departments and agencies should harness new technologies to put information about their operations and decisions online and readily available to the public. Executive departments and agencies should also solicit public feedback to identify information of greatest use to the public.¹⁶

One result of this transparency is noted by RATB Chair Earl Devaney, who calls transparency “the force multiplier that drives accountability.”¹⁷ Certainly, both OMB and the RATB set out to make the Recovery Act fully transparent. Devaney says that transparency is “the friend of the enforcer and the enemy of the fraudster.” He asserts that the reason there has been “so little fraud” is due to the transparency embedded in the Recovery Act.

Transparency also enabled states and localities to carefully monitor all of the activity in their community, whether undertaken by federal agencies or the private sector. In some communities this led to a closer coordination among related projects. The joint HUD/Energy Green and Healthy Homes Initiative is an example of this.¹⁸

Transparency was not without its problems. As Chairman Devaney recalled,

When it comes to embarrassment, I know whereof I speak. When the Board first published recipient data, we discovered that not everyone knows his or her Congressional District. We got a lot of flak from the media from money going to so-called ‘phantom districts.’ In subsequent reporting periods, we added hard-logic checks to FederalReporting.gov to prevent obvious errors.¹⁹

15. The first report contains a description of CEA methodology (See [www.recovery.gov/Transparency/RecipientReportedData/Documents/ Jobs_Report_Final.pdf](http://www.recovery.gov/Transparency/RecipientReportedData/Documents/Jobs_Report_Final.pdf))

16. President Barack Obama, www.whitehouse.gov/the_press_office/Transparency_and_Open_Government/

17. Testimony of the Honorable Earl E. Devaney, Chairman, Recovery Accountability and Transparency Board. Before the Committee on Oversight and Government Reform, United States House of Representatives, June 14, 2011.

18. *New Way of Doing Business*, p. 13.

19. Testimony of the Honorable Earl E. Devaney, Chairman, Recovery Accountability and Transparency Board. Before the Committee on Oversight and Government Reform, United States House of Representatives, June 14, 2011.

Federalism

At the outset, OMB, RIO, and RATB decided to create a partnership with states and localities. In each state, a senior accountable official was identified and a network was created that linked these officials directly with their agency, White House, and RATB counterparts. Over time, a first-name basis developed between Sally from Ohio, Don from Florida, and Frank from RIO or Danny from OMB. Often, problems could be resolved with a single phone call and changes in guidance could be commented on by a group that knew each other.

In other federal programs, relationships between states and the federal government are often characterized by mistrust, slow turnaround, and even hostility. The creation of the network with states and localities reached all the way up to the vice president. He made calls to the governors of every state and more than 150 local officials. These calls allowed state and local partners to tell the vice president directly what was working and what wasn't. Often, changes in agency or OMB guidance or behavior resulted from the calls.

The lessons learned here are that partnership can breed trust and that a shared mission can foster the creation of a powerful network that can efficiently and effectively meet statutory requirements and public needs.

Waste/Fraud Detection and Reporting

As noted above, transparency is a powerful tool for preventing and detecting fraud. Having the Inspectors General of the major agencies collaborating and using powerful detection tools such as those in the Recovery Operations Center²⁰ led to dramatically low levels of fraud and abuse. As Vice President Biden observed,

Transparency not only helped meet ambitious spending goals and promote rapid economic growth, but also helped deter fraud, waste, and abuse. The Recovery Act required the majority of people who received Recovery Act contract, grant, and loan dollars to submit quarterly reports with up to 99 pieces of information updating the federal government and the American people on a project's status. This requirement has led to the filing of more than 1 million recipient reports, which has helped ensure that those receiving Recovery Act money are not wasting or stealing it.²¹

In testimony before Congress in 2010, Chairman Devaney reported that there had been only 144 convictions which involved little over \$1.9 million.²² This result was a conscious decision made at the outset of the program that prevention would be emphasized along with detection.

The RATB deserves great credit for these results. As noted in the vice president's progress report, *A New Way of Doing Business*:

Under Devaney's leadership, the Recovery Board employed computer technology to detect fraud, waste, and abuse. Using the technologies of the Department of Defense, other intelligence agencies, and the private sector, the Recovery Board created the Recovery Operations Center. The Recovery Operations Center is designed to identify potential risk areas related to Recovery Act funds. The system uses advanced computer models and a diverse team of economists, engineers, mathematicians, and investigators to analyze data to help identify potential high-risk recipients. To identify troubling

20. Katherine McIntire Peters. "Recovery Act Auditors Aim to Strengthen Contractor Oversight." Government Executive.com. March 24, 2010. www.govexec.com/dailyfed/0310/032410kp1.htm.

21. *New Way of Doing Business*, p. 10.

22. Testimony of the Honorable Earl E. Devaney, Chairman, Recovery Accountability and Transparency Board. Before the Committee on Oversight and Government Reform, United States House of Representatives, June 14, 2011.

trends, more than 15 data sources—some publicly available, others not—and risk factors are examined including: past suspension and debarment from Federal programs, criminal history, recent bankruptcies, and judgments and lawsuits.

Through their leadership, the independent Recovery Board changed the focus from merely detecting fraud and abuse to working to prevent it. Through the Recovery Operations Center, Inspectors General can make use of sophisticated tools to help prevent fraud and abuse from happening.²³

Permanent vs. Temporary

Much like the Quonset huts that lined the National Mall during World War II, much of the infrastructure of the Recovery Act was designed to be temporary. The Recovery Implementation Office functions have been absorbed into OMB. The RATB term ends in 2011.

However, the president and the vice president recognize that there is a need to preserve many of the things that worked well in the Recovery Act for use in future government program implementation. In his June 13, 2011 executive order, “Delivering an Efficient, Effective, and Accountable Government,” President Obama said:

The implementation of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5) (the Recovery Act) has seen unprecedented transparency. The Recovery Accountability and Transparency Board (RATB) has developed innovative technologies and approaches for preventing and identifying fraud and abuse that have the potential to improve performance across all of Government spending.

The specific proposals to carry on the work of government using recovery-based techniques that have the potential to improve performance are discussed in the next section. Perhaps the most notable thing about the executive order is the recognition that a body such as the Recovery Accountability and Transparency Board should be made permanent as discussed below in the executive order:

Sec 3. Government Accountability and Transparency Board. (a) There is hereby established a Government Accountability and Transparency Board (Board) to provide strategic direction for enhancing the transparency of Federal spending and advance efforts to detect and remediate fraud, waste, and abuse in Federal programs. The Board shall be composed of 11 members designated by the President from among agency Inspectors General, agency Chief Financial Officers or Deputy Secretaries, a senior official of OMB, and such other members as the President shall designate. The President shall designate a Chair from among the members. Building on the lessons learned from the successful implementation of the Recovery Act, the Board shall work with the RATB to apply the approaches developed by the RATB across Government spending.

Also being made permanent was the vice president’s leadership of the cabinet in a management effort:

To hold executive departments and agencies (agencies) accountable for obtaining results consistent with this mission, the Vice President shall convene periodic meetings in which Cabinet members and the Director of the Office of Management and Budget (OMB) report to him on improvements implemented under their direction.²⁴

23. *New Way of Doing Business*, p. 8

24. Executive Order 13576, “Delivering an Efficient, Effective, and Accountable Government” June 13, 2011.

Data accountability and transparency was a prominent feature of ARRA. To make this feature permanent and government-wide, Representative Darrell Issa (R-CA) and Senator Mark Warner (D-VA) each introduced versions of the Digital Accountability and Transparency Act (DATA Act) as H.R. 2146 and S. 1222, respectively, in June 2011. According to the Congressional Research Service, the proposed legislation:

- Requires each person, state, local, or tribal government (recipient) that receives federal appropriated funds, either directly or as a subcontractor or subgrantee, to report at least once quarterly each receipt and use of such funds to the Federal Accountability and Spending Transparency Board established by this Act.
- Requires each executive agency to report all federal obligations and expenditures to the Board.
- Requires the Board to designate: (1) common data elements for information required to be reported, and (2) data reporting standards.
- Requires the Board to establish a federal accountability portal (an integrated Internet-based system, consisting of one or more websites) to: (1) combine information submitted by recipients and agencies with other compilations of information; (2) permit executive agencies to verify the eligibility of recipients to receive federal funds; and (3) permit executive agencies, Inspectors General (IGs), and law enforcement agencies to track federal awards to find waste, fraud, and abuse.
- Establishes the Board in the executive branch. Transfers all functions of the Recovery Accountability and Transparency Board to the Board, including its employees.

In summary, the DATA Act mirrors many of the attributes pioneered by OMB, RIO, and the Recovery Board during the implementation of ARRA. While the passage of the DATA Act is not certain, the executive branch, as noted above, has indicated support for a similar process. To be successful, this new effort needs the continuing support of high-level administration officials such as the vice president and the director of OMB.

“A New Way of Doing Business”

The lessons learned from the Recovery Act can encourage better performance of all federal government programs going forward. Some of these have been mentioned before and are summarized in this section.

Attention from the Top Matters

There is no substitute for the president and the vice president being fully engaged. The president and the vice president stressed to each of the cabinet secretaries the importance of working quickly and effectively to meet the challenges of the Great Recession and at the same time avoid the waste and fraud touted as sure to come. The cabinet secretaries each presented their plans for meeting the deadlines before them and committed in person to the president and vice president that they would make the Recovery Act a priority.

Throughout the senior ranks of every federal agency, there was continual scrutiny of the key elements of the Recovery Act implementation. For example, EPA had deadlines for water and wastewater projects that would have taken funds away from states that had not allocated grant monies to localities. Working with the Recovery Implementation Office, the EPA administrator and her deputy repeatedly called governors and state department heads to offer assistance in meeting these deadlines. When this did not seem to be enough, the vice president made calls to governors as well, reminding them of their obligations.



Photo courtesy of the White House.

President Obama challenges his cabinet to deliver rapid recovery results for the American people. Ed DeSeve is second from the left. (April 2009).

The high-level attention paid off. Late in the evening on the day of the deadline, the last jurisdiction obligated the last of its funding. This attention to meeting deadlines was repeated again and again. At the same time, the emphasis on avoiding fraud led one state official to remark, “There are so many people watching this money no one would dare steal it.”

Transparency Minimizes Fraud

As President Obama noted in June 2011:

The implementation of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5) (Recovery Act) has seen unprecedented transparency. The Recovery Accountability and Transparency Board (RATB) has developed innovative technologies and approaches for preventing and identifying fraud and abuse that have the potential to improve performance across all of Government spending.²⁵

RATB Chairman Earl Devaney also characterized the effects of transparency on fraud as follows:

While transparency is harder to practice than it is to talk about, it has become abundantly clear that transparency is the friend of the enforcer and the enemy of the fraudster. With more than 80% of Recovery monies having been awarded, less than half a percent of all reported Recovery contracts, grants, and loans currently have open investigations. To date, there have been only 144 convictions involving a little over \$1.9 million. I am often asked why there has been so little fraud. I have little empirical evidence to prove it, but I believe it is due to the transparency embedded in the Recovery Act.²⁶

Financial Information Can Be Transmitted in an Almost Real-Time Environment

The weekly financial reporting system designed by OMB and administered by the Recovery Implementation Office was critical to the success of Recovery Act implementation. Each week, agencies transmitted financial information on more than 250 Treasury Account Fund Symbols to the Recovery Implementation Office (RIO) and the RATB. These were analyzed, compiled and immediately published on Recovery.gov. If there was a variance from projections, RIO staff was on the phone immediately with the agencies they worked with to find out why and to help resolve any problems.

In addition to statutory deadlines, there were self-imposed administration deadlines for spending funds that reflected the urgency of getting the funds out to aid the American people. One of the most rigorous of these deadlines was committing to spend 70 percent of all Recovery Act funds by September 30, 2010.²⁷ As Figure 5 shows, the actual spending of 70 percent (\$551 billion) occurred on time as promised by the administration in April 2009. This surprised many outside analysts, who had never seen this pace of spending before.

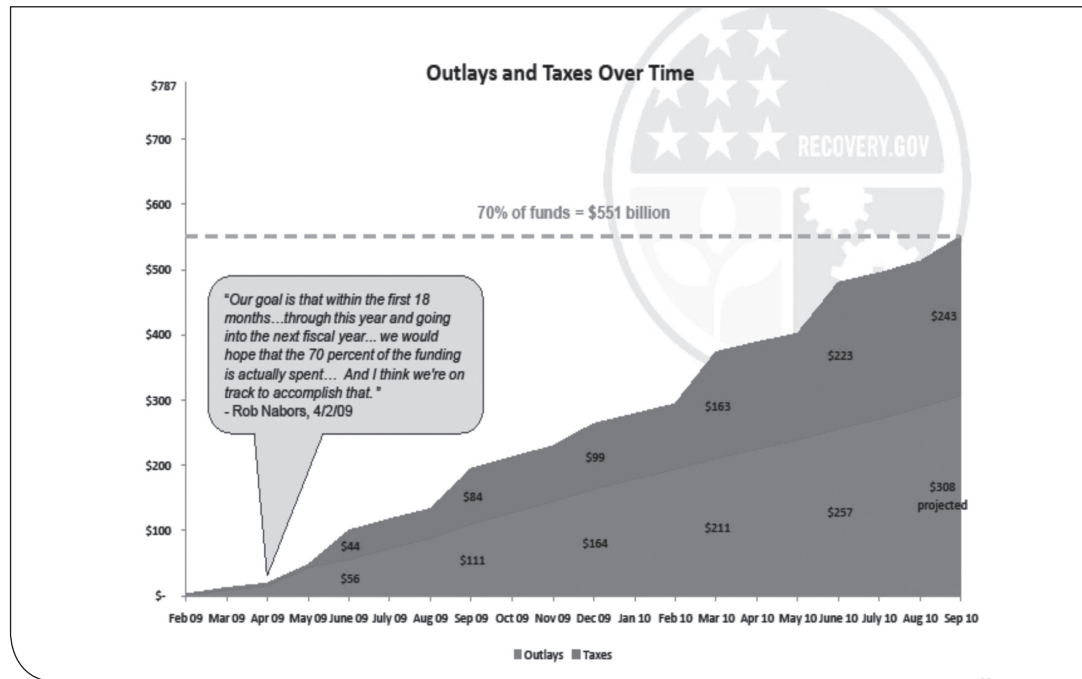
New Technology Enables Direct Reporting

At the outset of the Recovery Act, the RATB, OMB, and RIO debated the best way to meet the reporting requirements of the Act. Clearly the responsibility for determining how data would flow was in the hands of the RATB. Two models were debated. The first was having recipients report to agencies and the agencies in turn transmitting the recipient reports to RATB. The second was direct reporting by recipients to RATB with the agencies able to provide quality control after the fact.

25. Executive Order 13576, Delivering an Efficient, Effective, and Accountable Government. June 13, 2011.

26. Testimony of the Honorable Earl E. Devaney, Chairman, Recovery Accountability and Transparency Board. Before the Committee on Oversight and Government Reform, United States House of Representatives, June 14, 2011.

27. Spending includes both outlays and the distribution of tax benefits.

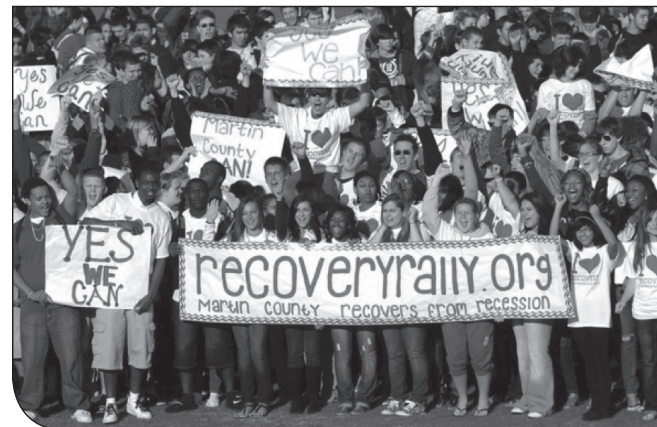
Figure 5: On Schedule: Recovery Act Met 70 Percent Spending Target

After much debate, RATB chose the latter course. The primary reason for its choice was to avoid any appearance that agencies manipulated the data before it was made public. While this had the potential for material errors, these were minimized by front-end training of the recipients and quality control performed after the fact, when agencies pointed out to recipients where discrepancies might exist and had the recipients submit corrections to RATB.

Only the existence of web-based reporting tools and a rapid exchange of data allowed for this to be successful. In fact, in the first reporting period, RIO performed central quality control on the data and pointed out to RATB 12 reports that were significantly at variance with what might have been expected. This "dirty dozen" set of reports was eliminated from the first reporting cycle and subsequently corrected in the second cycle.

Geospatial Mapping Makes Data More Understandable

From the outset, the recipient reported data was geo-coded in a way that made it possible to show awards and progress on a block-by-block basis. This was a very powerful demonstration to both supporters and detractors of the Recovery Act. Supporters often staged events around projects in their neighborhoods while detractors watched carefully for indications of waste or fraud.



Students stage a Rally For Recovery in Marion County, Florida, 2009.

Collaboration Through Networks was Essential

As discussed in Vice President Biden's February 2011 progress report to the president:

The Administration could not have implemented the Recovery Act without strong collaboration that broke down the bureaucratic barriers that existed in government. To make the Recovery Act work, the Administration cut through red tape within and between agencies and compelled every level of government to cooperate more closely with the communities it was trying to help.²⁸

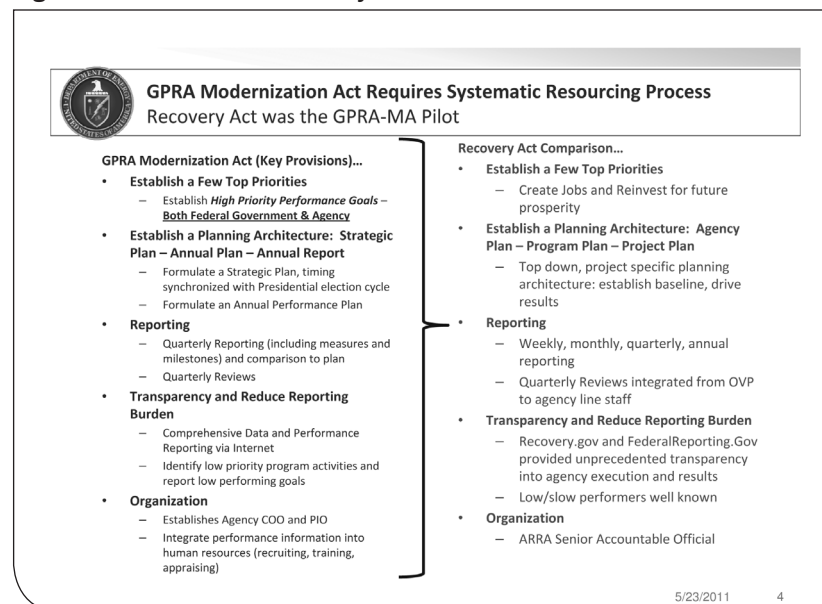
The conscious creation of networks between agencies, between agencies and recipients, between agencies and the White House, and among agencies, grantees, overseers, and the White House allowed collaboration to thrive within the rules of managed networks.

The Recovery Act Provides a Template for Agency Planning

Agencies can take the lessons of the Recovery Act and translate these into a model for implementation of the GPRA Modernization Act. Section Three of ARRA clearly established a set of critical purposes in the Act itself. However, effective implementation required that these priorities were immediately translated into measures of cost, schedule, and performance elements by agencies and made part of their overall performance plans.

As noted by Jay Hoffman, Director of Program Analysis and Evaluation at the Department of Energy, ARRA implementation can provide agencies with a template for the GPRA Modernization Act of 2010. The lessons learned in ARRA are readily translated into implementation of the GPRA Modernization Act (see Figure 6). Hoffman highlights five key provisions of GPRA Modernization (Priority Setting, Architecture, Reporting Requirements, Burden and Organization) and traces these to origins or at least parallels in the implementation of the Recovery Act. In each of the five areas, great care was taken by OMB, RATB, RIO, agencies, and recipients to create a workable process that could quickly yield results. The lessons learned in recovery will certainly assist managers in implementing GPRA Modernization.

Figure 6: Influence of Recovery Act on GPRA Modernization Act



28. *New Way of Doing Business*, p. 12

Epilogue: Lessons for Acting on Future Big Challenges

While we don't know exactly what the future will bring, we do know that there will be huge challenges that only government can meet. Many of these challenges will be in the form of emergencies—technology, financial, health, disaster response, or others. We've seen them before: the 2008 meltdown of the financial system, the Y2K challenge, the SARS epidemic, and Hurricane Katrina. We will see them again.

Meeting complex, or “wicked,” problems requires a new approach based on an integrated system of relationships that reach across both formal and informal organizational boundaries. The approach used to implement the American Recovery and Reinvestment Act—the use of managed networks—reflects some of the guiding principles for how to successfully meet future challenges when acting on big problems. Some of the major lessons learned were:

Lesson One: Act quickly. The American Recovery and Reinvestment Act was signed less than one month after President Obama took office. This was accomplished by close coordination with Congressional leadership and continued dialogue with key senators and representatives. There was a downside to fast action. Partisan opponents of the Act felt disenfranchised and continued their criticism of the Act throughout its implementation. Such criticism is not unusual in the history of the Republic. President Washington felt it in the passage of the Jay Treaty. President Lincoln felt it in the Emancipation Proclamation. The real question for history is whether the Recovery Act was effective in preventing an even more catastrophic economic downturn.

Lesson Two: The president and vice president must provide strong direction. In Recovery Act implementation, we all learned the lesson that there is no substitute for presidential leadership. From his strong action even before taking office to his joint statement to Congress and on to his regular meetings with cabinet members and the Recovery Implementation Office team, President Obama demonstrated the kind of hands-on leadership that is required to meet big challenges. He delegated management of the challenges but he didn't delegate very far. Having the vice president as the single “responsible individual” made all the difference. Vice President Biden could speak to the cabinet, to governors, and to local officials with all of the power of the Office of the President behind him. There were no turf wars or bureaucratic shuffles that he didn't sort out—often imposing his rule that the problem had to be fixed within 24 hours or he wanted to know the reason why.

Lesson Three: Collaboration maximizes speed of execution. Speed was of paramount importance in recovery implementation. The sheer number of actors—more than 250,000 prime recipients alone—meant that collaboration had to replace command and control as the operative model. The mantra of “managed networks” was put in play at the very beginning of the Act's implementation and was the watchword throughout. Leadership, clear guidance, resources, a compelling mission statement, information sharing, a networked structure, distributed accountability and the presence of statutory or regulatory authority that could quickly be deployed were essential elements.

Lesson Four: Federalism is a key form of collaboration. It was essential to eliminate the adversarial relationship that often exists in dealings between the federal government and states and localities. States were responsible for delivering or overseeing more than one-third of Recovery Act funds. Localities competed hard for their share of funding for programs like community-oriented policing (COPS), community development block grants (CDBG), and transportation infrastructure improvement grants (TIGER grants). This competition sharpened the focus of these programs and helped speed delivery. Having state and local governments as full partners made the Act's implementation swifter and less prone to error.

Lesson Five: Information must be transparent, timely, and relevant. President Obama indicated early in his administration that his long-held view that information was to be fully transparent was at the core of his approach to governing. This commitment translated itself into the operating principles of the Act. Even the name of the oversight agency, The Recovery Accountability and Transparency Board, was a powerful symbol of what was expected. But the Board could not have been as effective as it was without the leadership of OMB in providing standards and guidance for data reporting. The unprecedented weekly reporting and posting of financial data for both obligations and outlays required by OMB set the tone for all data transmission under the Act.

But it was the incredible energy and creativity of the RATB that made the timely data even more relevant. Their award-winning website, Recovery.gov, provided the public with real-time data using geospatial mapping and the latest in Internet-based reporting tools. Given the speed with which the technology was developed and deployed, there were remarkably few errors in the data. A validation of this is the bipartisan proposal by Representative Issa and Senator Warner of the policies and procedures of the RATB as a future standard for the whole government in the Digital Accountability and Transparency Act they introduced in June 2011.

The rapid, open transmission of relevant information also served as a deterrent to fraud. Chairman Devaney often spoke of enlisting the "citizen inspectors general" and one local recipient quipped, "No one would steal this money with everyone watching." This phenomenon of citizen IGs and everyone watching was empowered by the collaboration of OMB and RATB with recipients and oversight agencies.

Lesson Six: It ain't over till it's over. As we view the implementation of the Act, it is clear that all of its original purposes were met. Jobs were created or saved; the needs of the most vulnerable were addressed; new and existing infrastructure was enhanced; and states and localities were saved from disastrous cuts or new taxes. As this is written in August of 2011, there is a fear of a second recession. The administration has been vigilant in guarding against this while at the same time seeking a path toward fiscal discipline. The lessons learned in implementing the Recovery Act will no doubt be helpful to them as they go forward.

About the Author

G. Edward DeSeve is the President of the Global Public Leadership Institute. As Special Advisor to President Barack Obama, Mr. DeSeve oversaw the successful implementation of the \$787 billion American Recovery and Reinvestment Act.

His career has included work in finance, academia, and government. Mr. DeSeve was the founder and president of Public Financial Management—the nation's largest independent financial advisor to governments. He served as a tenured professor of public management and finance at the University of Maryland. His government service at the federal level included being Controller and Deputy Director of the Office of Management and Budget, as well as the Chief Financial Officer of HUD. He was the Director of Finance for the City of Philadelphia and served as a Special Assistant to the Governor of the Commonwealth of Pennsylvania.

At each level of government, Mr. DeSeve oversaw complex fiscal affairs. He was instrumental in balancing Philadelphia's budget during two fiscal crises. At OMB, he helped balance the federal budget for the first time in more than a generation. Mr. DeSeve also oversaw the fiscal reforms of the District of Columbia that led to its return to investment-grade ratings with strong budget and cash surpluses.

He is the author of numerous publications including *The Presidential Appointees' Handbook* (Brookings 2009). At the National Academy of Public Administration, he served as Vice Chair and co-authored its first Fiscal Future Report warning of the coming federal deficits. He was awarded the Kenneth Howard award for career public service in financial management by the American Society of Public Administration.

He is a graduate of Cornell University's School of Industrial and Labor Relations and has a Master's degree in Public Finance from the Wharton School of the University of Pennsylvania.



Key Contact Information

To contact the author:

G. Edward DeSeve

President

Global Public Leadership Institute

8801 Montgomery Ave.

Wyndmoor, PA 19038

(215) 692-7357

e-mail: gedeseve@gmail.com



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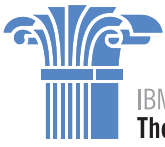
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For more information:

Jonathan D. Breul

Executive Director

IBM Center for The Business of Government

600 14th Street NW

Second Floor

Washington, DC 20005

202-551-9342

website: www.businessofgovernment.org

e-mail: businessofgovernment@us.ibm.com

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