

TRANSPARENCY THROUGH TECHNOLOGY: EVALUATING FEDERAL OPEN-GOVERNMENT EFFORTS

HEARING

BEFORE THE

SUBCOMMITTEE ON TECHNOLOGY, INFORMATION
POLICY, INTERGOVERNMENTAL RELATIONS AND
PROCUREMENT REFORM

OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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TRANSPARENCY THROUGH TECHNOLOGY: EVALUATING FEDERAL OPEN-GOVERNMENT EFFORTS

FRIDAY, MARCH 11, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS AND PROCUREMENT
REFORM,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The committee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. James Lankford (chairman of the committee) presiding.

Present: Representatives Lankford, Chaffetz, Walberg, Labrador, Meehan, Farenthold, Kelly, Connolly, Lynch, and Murphy.

Also present: Representatives Issa and Cummings.

Staff present: Ali Ahmed, deputy press secretary; Molly Boyd, parliamentarian; Benjamin Stroud Cole, policy advisor and investigative analyst; Gwen D. Luzansky, assistant clerk; Christopher Hixon, deputy chief counsel, oversight; Hudson T. Hollister, counsel; Ryan Little, manager of floor operations; Justin Lo Franco, press assistant; Mark D. Mann, senior professional staff member; Tegan Millspaw, research analyst; Laura I. Rush, deputy chief clerk; Peter Warren, policy director; Jill Crissman, minority professional staff member; Carla Hultberg, minority chief clerk; Adam Miles and Amy Miller, minority professional staff members; Donald Sherman, minority counsel; and Cecelia Thomas, minority counsel/deputy clerk.

Mr. LANKFORD. The committee will come to order.

This is a hearing on Transparency through Technology, Evaluating the Federal Open-Government Efforts.

Let me read our mission statement for this committee, so it will be very clear why we are here. We exist as the Oversight and Government Reform Committee to secure two fundamental principles. First, Americans have a right to know that the money Washington Takes from them is well spent. Second, Americans deserve an efficient government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold government accountable to taxpayers, because taxpayers have the right to know what they get from their government. We will work tirelessly and in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to Federal bureaucracy.

This is the mission of the Oversight and Government Reform Committee.

I will make a quick statement of what I think we are headed toward today on that. The focus of today's hearing is Transparency through Technology. The Oversight Committee has a strong history of promoting advancements in this area. During the 111th Congress, under the leadership of then-Chairman Towns and Ranking Member Issa, the committee worked on a bipartisan basis to pursue technology-driven transparency initiatives. I look forward to continuing that work and joining the administration in its efforts to fully implement its Open Government Directive and other transparency-related initiatives.

President Obama, while in the Senate, joined Senator Coburn in shepherding the passage of the Federal Funding, Accountability and Transparency Act. This act required the administration to create a single, searchable Web site, accessible by the public at no cost, that will provide information on all transactions over \$25,000. The result was USAspending.gov, first launched in December 2007. President Obama and Senator Coburn deserve great praise for having the foresight that the Federal Government use available technologies to meet the public's right to know how their tax dollars are being spent.

Unfortunately, despite a number of expensive makeovers, USAspending.gov still fails to achieve the total goal at 3 years after its launch because of some well-known data quality issues that we will discuss, I am sure, as we go through. Data from USAspending.gov comes from two sources, one that collects information from Federal agencies on contract expenditures and one that collects information from Federal agencies on grants, loans and other spending. GAO has reported that these two data sources are riddled with errors, largely due to human error and a lack of agency oversight over its data submissions.

The administration's Data.gov initiative is similar to USAspending.gov. It is a commendable area and one that in principle, I agree with wholeheartedly. The Federal Government collects and generates an enormous amount of data that is largely invisible to the American citizen, but was paid for by the American citizen. This data is also invisible to the reporter or watchdog group that is trying to hold the Government accountable, or the entrepreneur who might be able to take that data and create new products, services or jobs in ways never contemplated by the Federal bureaucracy.

Unfortunately, the implementation of Data.gov has not matched its promise. The administration required agencies to publish at least three high value data sets that had not previously been published. There was little guidance, however, as to what constituted a high value data set. As the Sunlight Foundation's director has said of this, "The Government has some pretty interesting ideas about what they regard as high value data. The Department of the Interior seems to think that the population count of wild horses and burros is a high value, but records of safety violations is not. We want to see data that can be used to hold the Government and entities that report to it accountable."

Data about spending. Department missions and personnel are noticeably absent from Data.gov. If this data was public, it would save time and expenses as groups request basic reports and data from their government. This is highlighted by an article in Politico yesterday detailing how a watchdog group has been requesting long-term budget projections from OMB that were available in previous years, but they are now being withheld.

In addition to data quality and data value, I hope to discuss with our witnesses today the issue of data standards and interoperability among Federal data systems. If a taxpayer wants to look at how much an agency plans to spend on a particular program, from and how much Congress ultimately appropriates, and then matches that figure with the information from USASpending.gov on organizations that receive from the program, and then compare that with the information on the impacts of the program from information published on Data.gov, he or she simply couldn't do it.

These data systems lack the common data standards; they are not interoperable. Not only do they lack a common data standard, they sometimes violate even the most basic data standards in areas like separating the State field from the address field to allow for easy searches.

I look forward to hearing from our witnesses today and hope that we can begin a fruitful discussion of what is working, what isn't, what are the next steps each of us should take to ensure the Federal Government is utilizing all the technology available to provide true transparency to the American public.

I do want to take this moment to commend the work done by OMB for Recovery.gov, Data.gov and USASpending.gov. This is the first administration to make this kind of data available, and the first attempt will always have some errors. It is not our intent today to belittle the efforts of this administration, only to discover the important lessons learned and to hear the steps that are being taken to move things forward.

I will now defer to the ranking member for his opening statement.

[The prepared statement of Hon. James Lankford follows:]

Opening Remarks for March 11 Hearing — Lankford

The focus of today's hearing is "Transparency through Technology." The Oversight Committee has a strong history of promoting advancements in this area. During the 111th Congress, under the leadership of then-Chairman Towns and then-Ranking Member Issa, the Committee worked on a bipartisan basis to pursue technology-driven transparency initiatives. I look forward to continuing that work and to joining the Administration in its efforts to fully implement its Open Government Directive and other transparency-related initiatives.

President Obama, while in the Senate, joined Senator Coburn in shepherding to passage the Federal Funding Accountability and Transparency Act. This Act required the Administration to create a "single searchable website, accessible by the public at no cost," that would provide information on all transactions over \$25,000. The result was USASpending.gov, first launched in December 2007.

President Obama and Senator Coburn deserve great praise for having the foresight to mandate that the federal government use available technologies to meet the public's right to know how their taxpayer dollars are being spent. Unfortunately, despite a number of expensive makeovers, USASpending.gov still fails to achieve that goal more than three years after its launch because of severe, and well known, data quality issues.

Data for USASpending.gov comes from two sources, one that collects information from federal agencies on contract expenditures and one that collects information from federal agencies on grants, loans, and other spending. GAO has reported that these two data sources are riddled with errors, largely due to human error and a lack of agency oversight over its data submissions. A government transparency watchdog group concluded after studying the accuracy of data on USASpending.gov that it "is almost completely useless."

The Administration's Data.gov initiative is, similar to USASpending.gov, a commendable idea and one that, in principle, I agree with wholeheartedly. The federal government collects and generates an enormous amount of data that is largely invisible to the American citizen, and also to the reporter or watchdog group holding the government accountable and the entrepreneur who might be able to take that data and create new products, services, and jobs in ways never contemplated by the federal bureaucracy.

Unfortunately, the implementation of Data.gov has not matched its promise. The Administration required agencies to publish at least three "high value" data sets that had not previously been published. There was little guidance, however, as to what constituted "high value." As the Sunlight Foundation's Director said of Data.gov, "The government has some pretty interesting ideas about what they regard as high value data. The Department of the Interior seems to think that the population count of wild horses and burros is high value but records of safety violations...are not. We want to see data that can be used to hold government and the entities that report to it accountable."

In addition to data quality and data value, I hope to discuss with our witnesses today the issue of data standards and interoperability among federal data systems. If a taxpayer wants to look at

how much an agency plans to spend on a particular program from and how much Congress ultimately appropriates, and then match that figure with information from USASpending on the organizations that received funding from that program, and then compare that with information on the impacts of the program from information published on Data.gov, he or she simply could not do it. Those data systems, because they lack a common data standard and are not interoperable, cannot be reconciled. But just imagine the innovation that could result from the ability to do so, not to mention the enhanced awareness of American citizens on how the government is spending their money.

I look forward to hearing from our witnesses today, and hope that we can begin a fruitful discussion of what is working, what isn't, and what next steps we each should take to ensure that the federal government is utilizing all of the technology available to provide true transparency to the American public.

Mr. CONNOLLY. Thank you, Chairman Lankford. I want to applaud you for your decision to hold this hearing and for the tone you have set in your opening statement about the subject matter and the administration.

Too often oversight focuses only on failures when our role should be to rectify failures while publicizing and encouraging the dissemination of best practices. In the case of Federal transparency and technology, consider where we were four short years ago. There was no centralized site for citizens to read about Federal spending, projects in the congressional district, or summaries of investments for major bills like the Recovery Act.

Today, citizens can access comprehensive Federal spending information at USAspending.gov. As a result of House rules adopted under the previous Congress, all earmarked requests have also been posted on each Member's Web site for each of the last 2 years. Finally, thanks to Recovery.gov, all Recovery Act investments have been readily accessible to anyone with an internet access.

These reforms have been a collaborative effort. Then-Senator Obama and Senator Coburn wrote legislation to consolidate information on Federal spending, the result of which was USAspending.gov. The House adopted rules to require public disclosure of earmarks to be posted online. President Obama undertook an unprecedented effort to make public his administration's implementation of the Recovery Act as well as information technology and other investments.

Finally, non-governmental organizations have monitored the accuracy of those reporting instruments and their efforts have identified the suggested ways to improve the reliability of the reported data. As we continue to expand these transparency initiatives, I believe we should demand that we are receiving the greatest possible utility for these programs. Resources dedicated to reporting should lead to greater public understanding and promote accountability.

As the Government works toward achieving transparency goals, we need to consider any impact that greater reporting costs may have on the infrastructure and educational investments this country needs. During this period of budget uncertainty, these potential tradeoffs are real considerations that I hope all of our witnesses today will also address.

Another question is how we report and consider the benefits of Federal spending programs. It is important for our constituents to understand what they are getting from a Federal investment as it is to understand how much money is being spent. Because not all spending is the same. Not all spending has the same impact on the quality of life or on the economy.

In addition, as we consider the results of different expenditures, it is important to treat all Federal expenditures equally, that is, including those buried in the tax code. Tax expenditures account for over \$1 trillion in foregone revenue annually. While tax expenditures differ from other spending in form, in reality these are simply spending and policy programs administered by the IRS.

Of course, many tax expenditures have a valid purpose, but as a whole, they do not receive the same scrutiny as direct expenditures, even though they have the same impact on the Federal budget. They are not listed on USAspending.gov, and they are not

subject to the accountability mechanisms that apply to other forms of spending.

The Fiscal Commission recommended that Congress carefully consider the impact of tax expenditures on the budget. I believe that this committee should look into those opportunities to make sure these IRS-administered spending programs are working for all Americans and not just those receiving the tax break.

I look forward to working with members of the subcommittee and with you, Mr. Chairman, to ensure that we are working toward this comprehensive presentation of Federal expenditures and their impacts. I yield back.

[The prepared statement of Hon. Gerald E. Connolly follows:]

Opening Statement of Congressman Gerald E. Connolly
"Transparency Through Technology: Evaluating Federal Open-Government Initiatives"

March 11, 2011

Chairman Lankford, I applaud your decision to hold this hearing to focus on an area where the government has demonstrated remarkable improvement over the last couple years. Too often, oversight focuses only on failures, when our role should be to rectify failures while publicizing and encouraging the dissemination of best practices. In the case of federal transparency and technology, consider where we were four short years ago. There was no centralized site for citizens to read about federal spending, projects in their Congressional district, or summaries of investments from major bills like the Recovery Act. Today, citizens can access comprehensive federal spending information at usaspending.gov. As a result of House rules adopted under the previous Congress, all earmark requests have been posted on each member's website for each of the last two years. Finally, thanks to Recovery.gov all Recovery Act investments have been readily accessible to anyone with the internet.

These reforms have been a collaborative effort. Then-Senator Obama and Senator Coburn wrote legislation to consolidate information on federal spending, the result of which was usaspending.gov. The House adopted rules to require public disclosure of earmarks to be posted online. President Obama has undertaken an unprecedented effort to make public his administration's implementation of the Recovery Act as well as information technology and other investments. Finally, nongovernmental organizations have monitored the accuracy of these reporting instruments, and their efforts have identified and suggested ways to improve the reliability of reported data.

As we continue to expand these transparency initiatives, I believe we should demand that we are receiving the greatest possible utility from these programs. Resources dedicated to reporting should lead to greater public understanding and promote accountability. As the government works toward achieving transparency goals, we need to consider any impact that greater reporting costs may have on the infrastructure and educational investments this country needs. During this period of budget uncertainty, these potential trade-offs are real considerations that I hope all of the witnesses will address. Another question is how we report and consider the benefits of federal spending programs. It is as important for our constituents to understand what they are getting from federal investment as it is to understand how much money is being spent, because not all spending has the same impact on our quality of life or economy.

In addition, as we consider the results of different expenditures, it is important to treat all federal expenditures equally, including those buried in the tax code. Tax expenditures account for over \$1 trillion in foregone revenue annually. While tax expenditures differ from other spending in form, in reality, these are simply spending and policy programs administered by the IRS. Of course, many tax expenditures have a valid purpose. But, as a whole, they do not receive the same scrutiny as direct expenditures, even though they have the same impact on the federal budget. They are not listed on usaspending.gov, and are not subject to the accountability mechanisms that apply to other forms of spending. The Fiscal Commission recommended that Congress carefully consider the impact of tax expenditures on the budget, and I believe that this committee should look into those opportunities to make sure these IRS-administered spending programs are working for all Americans, and not just those receiving a tax break.

I look forward to working with members of the Subcommittee to ensure that we are working toward this comprehensive presentation of federal expenditures and their impacts.

Mr. LANKFORD. Thank you.

I would like to recognize, as many of you know, this is a subcommittee of Oversight and Government Reform, we do have the chairman for the committee as a whole here, and I would like to recognize Chairman Issa for an opening statement.

Chairman ISSA. I thank you, Chairman, and I would also recognize that the full committee ranking member is here.

This is the most important issue of this committee in the long run. We are a committee that on a day to day basis obviously deals with the events, the failures in Government, and the need for reform, short term. Today, like every other hearing that is about oversight, transparency and getting it right, particularly in data reporting, we are dealing with what is ultimately going to be the fix.

I came from the private sector, where the idea that there would be data entry errors, and that those data entry errors would be different than the actual payments, was unheard of. If someone is typing in something for a report, rather than taking the actual data as it went out on a purchase order, an invoice, or some other disbursement, then by definition, you are not giving people the honest results of what Government did. You are giving them somebody's interpretation of the honest result.

If they are completely accurate, then all you have wasted is a huge amount of human capital. If they are inaccurate, then you have data which is worthless.

Today, I am very proud that I have a panel of four here, both Government and very responsible people within the watchdog community, to talk about transparency, to talk about reporting, and to continue with our process of getting it right in the future. I regret we have a second panel. We have a second panel for an inexplicable reason that OMB has told us that they will not sit with non-government entities, that they have a longstanding policy.

I have been here only going on 11 years. But it is not that long a policy. I would hope that in the future, we can have the responsible people who are in the data use business and the data transparency business as often as possible, when appropriate and vetted, with the Government people who are charged with working to do that.

Today's hearing is not the first, and it won't be the last in this process. Until every dollar from the time it leaves the taxpayer's account or for that matter, the dollar deposited when you want to go into a Federal park, until the last dollar is spent or disbursed, either used to pay a Federal employee or disbursed through the system in the private sector, until that is accounted from womb to tomb, we will not have done our job.

When we get to that point, then the job that we all want done, which is full accountability with virtually no loss, theft or waste, will be possible. Today it is not possible. This hearing is important because the failure to get the data right is the reason that ultimately we are not getting the responsible government. And day after day, we are told \$100 billion, \$200 billion, \$300 billion would be saved if we simply stopped disbursements to people or to entities which do not deserve them.

So until we get there, this committee will have no more important issue than the one we are here today. This is a subcommittee

hearing, but you have both of the chairs and ranking members for the reason that the work you are doing is the most important work of the Congress.

Thank you, and I yield back.

Mr. LANKFORD. Thank you, Mr. Chairman.

I would also like to recognize the ranking member of the entire committee as well, Mr. Cummings. Glad that you are here. We would be open to receive your opening statement.

Mr. CUMMINGS. Thank you very much, Mr. Chairman. To Chairman Lankford and Ranking Member Connolly, certainly to Chairman Issa, and all the members and the panel. It is certainly a pleasure to have all the witnesses here.

I was just listening to all of what has been said. It is true that you play a very important role. Right now, we are in a big struggle here in the Congress. Just this morning I had to explain to some Morgan State University students why it is that many of them may not be able to go to school next year, because the Pell grants are being slashed.

It is painful, because many of those students will never return to school. They will never go back. I sit on the board of that school and have been there for the last 12 years. And we were losing students even with the Pell grants as they are. But when they get slashed, it gets worse.

Then I thought about, as I was just sitting here, I thought about a town hall meeting I had on Saturday, where people came up to me and said, we have 250 kids in Head Start. But we have 750 on the waiting list.

And so what does that have to do with all of this? It is about accountability.

I agree with Chairman Issa that we need to account for every single dime. If money is not being accounted for, there is a major problem. And that is a sad situation, particularly in a country where we can send folks to the moon, but we can't keep up with where the money is going. That is a major problem.

So I am grateful for this opportunity to examine the administration's ongoing efforts to bring increased transparency to the Federal Government. I want to thank Chairman Lankford for giving this President some credit for something for a change. This is an issue of critical importance, and the Federal Government must be held strictly accountable for its expenditures of taxpayers' hard-earned dollars.

On April 15th, there will be people figuring out, trying to figure out how they are going to pay the taxes. There are folks who, at the end of a week or 2-week period, look at their pay stubs and scratch their heads. They are barely making it now, if they have a paycheck. So we owe it to them to get it right.

The passage of the Federal Funding, Accountability and Transparency Act of 2006 and the establishment of USAspending.gov, as required by the act, have given the average American unprecedented ability to track Federal contracts and grants. This transparency increases the public's ability to hold elected representatives and Federal Government accountable for distribution in the use of Federal funds.

Further, the act and the Government's experience with USAspending.gov paved the way for creation of additional Web sites that allow the public to track specific types of spending, including Recovery.gov and Data.gov.

The administration's ongoing efforts to improve the quality and breadth of data being reported are to be commended. In particular, I am pleased that in October 2010, the administration began publishing sub-awards on USAspending.gov for the first time. However, the Sunlight Foundation's September 2010 report shows that there is an opportunity to continue improving transparency and make additional information publicly available. In other words, we could always do better.

During the last Congress, I supported legislation that moved through this committee to enhance the usability and interoperability of Federal financial data. I look forward to working together in a bipartisan manner to advance such legislation in the Congress.

OMB must also work to ensure that USAspending.gov implements mechanisms to improve the timeliness and accuracy of its reporting to the public. However, we should also be mindful that pursuit of perfection in the reporting of spending data imposes real financial costs, both in dollars and manpower. And such costs must be weighed against the benefits they will yield.

I look forward to the witnesses' views on the issues today.

And finally, let me say this. Any accounting of costs of Government spending is inherently incomplete unless it also includes data detailing the revenue loss to the Government through tax breaks and incentives to the wealthiest individuals and businesses, including businesses that move jobs overseas, as children will be thrown out of Head Start, or never get a head start, and as young people are thrown out of colleges.

I look forward to the testimony of our witnesses and to working with Chairman Lankford, and certainly Chairman Issa and Ranking Member Connolly, to identify and address areas where the Federal transparency efforts can continue to be improved.

With that, Mr. Chairman, I thank you and I yield back.

[The prepared statement of Hon. Elijah E. Cummings follows:]

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COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
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Opening Statement
Rep. Elijah E. Cummings

**Subcommittee on Technology, Information Policy,
Intergovernmental Relations and Procurement Reform**

“Transparency through Technology: Evaluating Federal Open-Government Efforts”

March 11, 2011

Thank you, Chairman Lankford and Ranking Member Connolly.

I am grateful for this opportunity to examine the Administration’s ongoing efforts to bring increased transparency to the federal government. This is an issue of critical importance, and the federal government must be held strictly accountable for its expenditure of taxpayers’ hard-earned money.

The passage of the Federal Funding Accountability and Transparency Act of 2006 and the establishment of USAspending.gov, as required by the Act, have given the average American an unprecedented ability to track federal contracts and grants. This transparency increases the public’s ability to hold elected representatives and the federal government accountable for the distribution and use of federal funds. Further, the Act and the government’s experience with USAspending.gov paved the way for the creation of additional websites that allow the public to track specific types of spending, including Recovery.gov and Data.gov.

The Administration’s ongoing efforts to improve the quality and breadth of data being reported are to be commended. In particular, I am pleased that in October 2010, the Administration began publishing sub-awards on USAspending.gov for the first time.

However, the Sunlight Foundation’s September 2010 report shows that there is an opportunity to continue improving transparency and make additional information publicly available. During the last Congress, I supported legislation that moved through this Committee to enhance the usability and interoperability of Federal financial data. I look forward to working together in a bipartisan manner to advance such legislation in this Congress.

OMB must also work to ensure that USAspending.gov implements mechanisms to improve the timeliness and accuracy of its reporting to the public. However, we should also be mindful that the pursuit of perfection in the reporting of spending data imposes real financial

costs both in dollars and manpower – and such costs must be weighed against the benefits they will yield. I look forward to hearing from the witnesses on these issues.

Finally, any accounting of the cost of government spending is inherently incomplete unless it also includes data detailing the revenue lost to the government through tax breaks and incentives to the wealthiest individuals and businesses, including businesses that move jobs overseas.

I look forward to the testimony of our witnesses and to working with Chairman Lankford and Ranking Member Connolly to identify and address areas where federal transparency efforts can continue to be improved.

Thank you.

Mr. LANKFORD. Thank you.

All the Members will have 7 days to submit opening statements and other materials for the record.

I would like to now welcome and introduce the members of the panel. Then I will lay some basic ground rules and we will receive your testimony from there.

Ms. Ellen Miller is the Co-Founder and Executive Director of the Sunlight Foundation. She is the founder of two other prominent Washington-based organizations in the field of money and politics, the Center for Responsive Politics and Public Campaign, and a nationally recognized expert on transparency and the influence of money in politics. Thank you for being here.

Mr. Chris Smith is the Chief Information Officer for the Department of Education. Mr. Smith previously served as the Chief Information Officer for Rural Development and the U.S. Department of Education and as the Information Technology Director for Financial Information at the General Services Administration. Thank you.

Switching people back there, Mr. Harris is the Chief Information for the Department of Agriculture—did I get those two reversed? I did, actually. I got those two reversed. I apologize for that. So take all the Education stuff and apply it to Mr. Harris, and let me switch to Mr. Smith.

Mr. Smith is the Chief Information Officer for the Department of Agriculture. Mr. Smith previously served as the Deputy Chief Financial Officer for the Department. I understand that Mr. Jon Holladay, the CFO for the Department of Agriculture, will also be advising Mr. Smith. So when everyone stands to be sworn in, if you would also stand and be sworn in as well.

Mr. Jerry Brito is a Senior Research Fellow at the Mercatus Center at George Mason University. He is the author of several published scholarly articles, and a contributor to the Technology Liberation Front, a leading tech policy blog. He is also the creator of Unclutter, a popular blog about personal organization and simple living that is read by a quarter million people each month. That is a nice reading list.

Let me give you the ground rules for our hearing itself here. Each of you has been asked to submit a written statement for the record. We have also asked you to prepare an oral statement no longer than 5 minutes. We will allow time for questioning on your statement after that.

You will see on your desk a series of lights and a clock which will count down from 5 minutes. The lights will change from green to yellow to red when your time is expired, and it will be time at that point to quickly wrap up.

After all the panel has given their oral statements, each Member present will have 5 minute to ask questions of the panel. Many Members may have several questions, so it is very important that you answer your questions very concisely. Do not feel you have to give a lengthy answer on anything.

Please also forgive the members of this committee as we excuse ourselves. Most of us have multiple committee assignments going on this morning. We are juggling concurrent meetings. Mr. Connolly had to slip out and head to the floor of the House as we

have things going on there right now. Your testimony will be recorded and it will be available for review by all of us. I can assure you, it is written down, every bit of it, and we will be able to review it in days to come. So thank you.

Each Member completely chooses the content of their 5 minutes of questioning. I would ask the Members to honor our guests' time and attendance by prioritizing answers and information from them, instead of making speeches. I would also ask all of our Members not to ask a question past their 5-minute time. Once it is expired, as the chairman, I reserve the right to remind everyone that time is expired and ask for proper decorum in our hearings.

We will have two panels this morning. The first will include Ms. Miller, Mr. Smith, Mr. Harris and Mr. Brito. The second one will have only Mr. Werfel. It is my understanding that the Office of Management and Budget did not want to sit on a panel with non-government witnesses, so we have honored their request for Mr. Werfel to be separated from the other witnesses. We will hear the testimony of the first panel, and when we conclude that testimony and our questions, we will immediately move to questions and testimony from Mr. Werfel individually.

We are very grateful for all the time you have committed in preparing your written and your oral statements, and the time you have been away from your family for this hearing. Do you understand all the ground rules of this hearing?

[Witnesses respond in the affirmative.]

Mr. LANKFORD. Thank you.

It is the policy of the committee that all witnesses be sworn in before they testify. For all of you that are going to be doing any testimony, would you please rise. Please raise your right hands.

[Witnesses sworn.]

Mr. LANKFORD. Thank you. Please be seated.

I would like to recognize Ms. Miller for 5 minutes. Thank you.

STATEMENTS OF ELLEN MILLER, CO-FOUNDER AND EXECUTIVE DIRECTOR, SUNLIGHT FOUNDATION; DANNY A. HARRIS, CHIEF INFORMATION OFFICER, DEPARTMENT OF EDUCATION; CHRISTOPHER L. SMITH, CHIEF INFORMATION OFFICER, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY JON M. HOLLADAY, ACTING CHIEF FINANCIAL OFFICER, U.S. DEPARTMENT OF AGRICULTURE; AND JERRY BRITO, SENIOR RESEARCH FELLOW, MERCATUS CENTER AT GEORGE MASON UNIVERSITY

STATEMENT OF ELLEN MILLER

Ms. MILLER. Thank you, Chairman Lankford, Ranking Member Connolly, and Mr. Cummings and members of the committee. Thank you for the invitation to appear before you today.

My name is Ellen Miller, and I am co-founder and executive director of the Sunlight Foundation, a non-partisan, non-profit dedicated to using the power of the internet to catalyze greater government openness and transparency. We take our inspiration from Justice Brandeis' famous adage, "Sunlight is said to be the best of disinfectants."

The public has a right to know how its government works. Recent Congresses deserve congratulations for taking concrete steps toward embracing a 21st century vision of transparency. Initiatives from this administration, like the Open Government directive, are emblematic of the willingness to take transparency seriously.

Unfortunately, the Open Government directive's value has proven to be largely aspirational. While establishing positive transparency norms is hugely important, we believe that government must now focus on the harder challenges. It is no longer enough to acknowledge transparency's importance; transparency initiatives must be accurate, complete and useful as well as timely.

There is perhaps no better example of the tension between show and tell than USAspending.gov. Disclosure of the ways in which the public's money is spent is among the most important types of government transparency. Congress recognized this in 2006, with the passage of the Federal Funding, Accountability and Transparency Act, which required that information about Federal grants, contracts, loans and insurance be placed online in a searchable Web site known as USAspending.gov.

In the course of their work, Sunlight researchers have become deeply familiar with the data powering USAspending.gov. As we began to examine these systems, we were aware that the quality of the data sets was widely considered problematic. Our work quickly confirmed that data suffered from irregularities. However, we were anxious to reach an even more complete understanding of the problem, so we dug in.

In order to do so, we needed a reference point against which we could compare the USAspending.gov data. Unfortunately, the complexities of the Federal budget make both the budget and Treasury expenditure data unsuitable for that use. We found our yardstick in the Catalog of Federal Domestic Assistance, an index of many Federal programs, including program descriptions and yearly obligation amounts. Although not strictly designed for this use, CFDA has been used for comparative analysis by GAO in the past.

We took their methodology and expanded it. Like GAO, we looked for mismatches in amounts between CFDA and USAspending.gov data, allowing a generous margin of error to account for differences in the systems. We also looked for instances in which reports had been made within statutory deadlines, and for incomplete reports. Finally, we automated GAO's sample-based methodology, so that we could examine the entire data base which consists of hundreds of thousands of records.

The results were sobering. We found over \$1.2 trillion of mis-reported spending in 2009 alone. Some of the most serious problems appeared to be caused by the agency's failure to meet their reporting obligations. The USDA Web site lists the cost of their school breakfast program and lunch programs at \$12.7 billion. But only \$250,000 of these costs are reported on USAspending.gov.

The Maritime Administration has never reported spending associated with any of its loan or insurance programs and reports only a fraction of its grant activity. These are just two examples. Almost every agency has one or more programs that failed to report their spending.

And the spending that is reported is often incomplete or incorrect. For example, each loan record is required to include both a subsidy cost and the face value of the loan. Unfortunately, the subsidy cost is incorrectly reported as zero for over 85 percent of the loan records. And the face value of all fiscal year 2010 student loans was reported as \$6.9 trillion, an amount greater than the entire Federal budget. Clearly, that number is wrong.

We do not believe that these problems are the fault of the USAspending.gov Web site or the people that maintain it. Indeed, USAspending.gov deserves praise for its growth and improvement. When we conducted this analysis, we had to send a hard drive out to Maryland to get the data. Today, we can download it directly from the Web site.

Similarly, we are pleased to see the administration finally begin to offer the sub-award data maintained by FFATA. But these improvements will be meaningless for the vast majority of users if the underlying data is not reliable. Agencies typically use purpose-built internal systems for managing their spending that are separate from the public reporting systems and much more accurate. In essence, they maintain two sets of books, one of which is habitually neglected.

But this latter system is vitally important for both the public and Government planning efforts. And until the agencies begin to take these responsibilities more seriously, Federal spending transparency will remain an unfulfilled promise.

We welcome the committee's attention to this issue and encourage you to continue to spend time in engaging oversight and legislative efforts on this important topic. Thank you for the opportunity to testify today. My colleagues and I, Tom Lee and Kaitlin Lee, look forward to your questions. Thank you.

[The prepared statement of Ms. Miller follows:]



Testimony

of Ellen Miller

Co-founder and Executive Director
The Sunlight Foundation

before the Committee on Oversight and Government Reform
Subcommittee on Technology, Information Policy,
Intergovernmental Relations, and Procurement Reform
United State House of Representatives

on Transparency through Technology:
Evaluating Federal Open Government Efforts

March 11, 2011

Comments of the Sunlight Foundation
Before the
Committee on Oversight and Government Reform
Subcommittee on Technology, Information Policy, Intergovernmental
Relations, and Procurement Reform
March 11, 2011

Chairman Lankford, Ranking Member Connolly, and members of the Committee, thank you for the invitation to appear before you today.

My name is Ellen Miller and I am the co-founder and executive director of the Sunlight Foundation, a non-partisan non-profit dedicated to using the power of the Internet to catalyze greater government openness and transparency. We take inspiration from Justice Brandeis' famous adage "Sunlight is said to be the best of disinfectants."

We believe that the public has a right to know how its government works. I am pleased to have the opportunity to speak to you today about the progress that has been made toward achieving that goal. Recent Congresses and presidential administrations deserve congratulations for taking concrete steps toward embracing a 21st century vision of transparency. Initiatives like the Open Government Directive are emblematic of a willingness to take the issue seriously.

Unfortunately, the OGD's value has proven to be primarily aspirational. And while establishing positive transparency norms is important, we believe the government must rededicate itself to addressing the fundamental challenge of transparency itself. Merely acknowledging the importance of transparency is no longer sufficient; transparency initiatives must now yield information that is accurate, complete and useful.

The Data Powering USASpending.gov Are Seriously Flawed

There is perhaps no better example of this tension than USASpending.gov.¹ Disclosure of the ways in which the public's money is spent is among the most important types of government transparency. Congress acted upon this responsibility in 2006 with the passage of the Federal Funding Accountability and Transparency Act,² which required that information about federal grants, contracts, loans and insurance be placed online in a searchable website known as USASpending.gov.

In the course of their work, Sunlight researchers have become deeply familiar with the data powering USASpending.gov. As we began to examine these systems, we were aware the quality of these datasets was widely considered to be problematic, based both upon GAO reports³ and the informal consensus of the research community. Our work quickly confirmed that the data suffered from irregularities. We were anxious to reach a more in-depth understanding of the problem.

In order to do so, we needed a reference point against which we could compare USASpending data. Unfortunately, the complexities of federal budgeting make both budget and U.S. Treasury expenditure data unsuitable for this use. However, we found

¹ The remainder of my testimony will focus on financial spending transparency. For my analysis of the Open Government Directive, please see my speech at the Gov2.0 summit, available here: <http://bit.ly/gMli7P>, and my blogpost "Open Government: idling in the driveway," available here: <http://bit.ly/gbb76O>.

² P.L. 109-282 (available at <http://1.usa.gov/eWVqSR>).

³ See, e.g., "Nonprofit Sector: Significant Federal Funds Reach the Sector through Various Mechanisms, but More Complete and Reliable Funding Data Are Needed" (GAO-09-193) (available at <http://www.gao.gov/products/GAO-09-193>); "Electronic Government: Implementation of the Federal Funding Accountability and Transparency Act of 2006" (GAO-10-365) (available at <http://www.gao.gov/products/GAO-10-365>).

our yardstick in the Catalog of Federal Domestic Assistance,⁴ an index of many federal programs that includes program descriptions and yearly obligation amounts. Although not strictly designed for this use, the CFDA has been used for comparative analysis by GAO.⁵ We took GAO's methodology and expanded it. We looked for mismatches in amounts between the CFDA and USASpending.gov, allowing a generous margin of error⁶ to account for differences between the systems. We also looked for instances in which reports had not been made within statutory deadlines, and for incomplete reports. Finally, we automated GAO's sample-based methodology so that we could examine the entire database, which consists of hundreds of thousands of records.

The results were sobering. We found **over 1.2 trillion dollars' worth of misreported spending in 2009 alone.**⁷ Some of the most serious problems appear to be caused by agencies' failure to meet their reporting obligations. The USDA website lists the cost of their school breakfast and lunch programs at \$12.7 billion, but only \$250,000 of these costs are reported on USASpending.gov.⁸ The Maritime Administration has never reported the spending associated with any of its loan or insurance programs, and reports only a fraction of its grant activity. These are just two examples. Almost every agency has one or more programs that fail to report their spending.⁹

⁴ Available at <https://www.cfda.gov/>

⁵ See, e.g., "Electronic Government: Implementation of the Federal Funding Accountability and Transparency Act of 2006" (GAO-10-365) (available at <http://www.gao.gov/products/GAO-10-365>).

⁶ Our analysis ignores disparities between the CFDA and USASpending that are less than fifty percent of the total dollar amount for the program in question.

⁷ <http://sunlightfoundation.com/clearspending/>

⁸ See <http://1.usa.gov/hM151A> (school breakfast FY09) and <http://1.usa.gov/gNpmbM> (school lunch FY09).

⁹ <http://sunlightfoundation.com/clearspending/scorecard/>

Ironically, agencies typically use purpose-built internal systems for managing their spending that is separate from these public reporting systems and much more accurate. In essence, agencies are maintaining two sets of books. Publicly disclosing relevant information from these internal systems is vital both for the public and for government planning efforts like the Consolidated Federal Funds Report.¹⁰

We recognize that the Catalog of Federal Domestic Assistance may have its own reporting errors, but we think it is fair to draw attention to the gross inconsistencies between CFDA and USASpending.gov spending data.¹¹ The \$1.2 trillion mis-reporting number does not include contracting data, as the CFDA does not provide a point of comparison for procurement. And, the number also does not reflect the myriad of problems with loan data.¹²

The Challenge of Useful Identifiers

The data is not only limited by these failures of consistency, timeliness and completeness. Another major limitation is that the identifiers used throughout the system

¹⁰ A presentation of data on federal government expenditures or obligations in state, county, and subcounty areas of the

United States, including the District of Columbia and U.S. Outlying Areas, available at <http://www.census.gov/govs/cffr/>.

¹¹ We attempted to manually correct order-of-magnitude errors in the CFDA, such as when billions of dollars were inadvertently substituted for millions.

¹² Sunlight examined loan programs, but the data quality problems were so pervasive that including them would have overwhelmed our other results. For instance, each loan record is required to include both the face value of the loan and the subsidy cost—an estimate of the true cost of the loan to government, reflecting the risk of default, loss of interest revenue, and other factors. Unfortunately, the subsidy cost is reported as zero for over 85% of all loan records. The loan face value field suffers from serious problems as well. According to USASpending, the face value of all FY2010 student loans was \$6.9 trillion – an amount greater than the entire federal budget. This is clearly wrong.

are poorly designed, unreliable, and act as barriers to use of the data. Identifiers are the social security numbers of data, and their unreliability creates confusion.

Within the dataset, identifiers are used to designate unique entities. A single recipient of multiple contracts should be assigned a single identifier to ease the examination of those contracts as a set. For example, if Boeing wins several contracts to build a number of planes, Boeing itself should have a unique identifier. Similarly, all of the payments associated with a grant should have a unifying grant ID. For example, if a homeless shelter receives monthly payments for the services it provides, all of the money should be identified as belonging to a particular grant. Finally, individual payment records should have unique identifiers. In other words, each transaction must be identified, like checks in a checkbook. That way different databases tracking the same information will have the same data, like when reconciling a checkbook to a bank statement.

These are all obvious and uncontroversial requirements of a well-designed database system. Unfortunately, the federal government's spending systems fail to satisfy any of them.

Perhaps the most challenging problem involves recipient identifiers – identifiers that indicate who has received money. The government spends millions per year on purchasing a private sector solution to identifying recipients of federal grants and contract dollars from Dun & Bradstreet.¹³ Obtaining a DUNS number is a requirement for receiving many kinds of federal awards.

¹³ The total amount spent on Dun and Bradstreet subscriptions is unclear because the contract reporting lacks specificity. For the total amount spent on Dun and Bradstreet, see this spreadsheet taken from USASpending.gov data: <http://bit.ly/hSNdFw>. In FY2010, it was approximately \$56 million.

Unfortunately, using DUNS numbers carries limitations beyond their substantial cost. Business entities often have complex structures, and it is necessary for a single entity to possess many identifiers. The linkages between these identifiers are as important as the IDs themselves. Dun & Bradstreet maintains a vast system of these linkages. Unfortunately, **none of them are available to the public** as it tries to make sense of data obtained from USASpending. Only the lowest, most granular level of DUNS numbers is exposed. This is not adequate.

For instance, each individual Wal-Mart location has a unique DUNS. Without the ability to link these IDs to the parent corporation -- to identify the branches of the same tree -- an analysis of funds flowing to Wal-Mart will be incomplete. Various parts of the federal government already collect the information necessary to replicate the functions of DUNS.¹⁴ But transitioning from the existing system will be a substantial undertaking, as it poses challenges related to system upgrades, privacy, and political sensitivities. Nevertheless, because data transparency should be an essential part of government's mission, we consider the government's adoption of a truly open identifier system to be a vitally important undertaking.

The problems of award and record identifiers are considerably more manageable. Award IDs suffer from a simple lack of coordination: each agency generates numbers in an ad-hoc manner, without any central structure or guidance. It should be relatively simple to coordinate the generation and assignment of award IDs. Last year the Recovery Accountability and Transparency Board issued a whitepaper entitled *Solutions for Accountability and Transparency: Uniform Governmentwide Award ID Number*¹⁵ that

¹⁴ For example, the Employer Identifications Numbers maintained by the IRS. See <http://1.usa.gov/15wxQO>

¹⁵ <http://1.usa.gov/9pkpzq>

discussed this problem at length. We endorse both its diagnosis of the problem and recommendations. Issues surrounding record identifiers are the simplest problem to resolve.¹⁶

The need for reliable IDs is clear, and the path to satisfying that need is straightforward.

Conclusion

We do not believe that the problems affecting USASpending.gov are the fault of the website or the people that maintain it. Indeed, USASpending deserves praise for its growth and improvement: when we first conducted this analysis, we had to obtain a copy of the data by shipping a hard drive to Maryland. Today we are able to download it directly from the USASpending.gov website. Similarly, we were pleased to see the administration finally begin to offer the subaward data mandated by FFATA.¹⁷ But these improvements will be meaningless for the vast majority of users unless the underlying data can be made reliable. Until agencies begin to take their reporting responsibilities more seriously, federal spending transparency will remain an unfulfilled promise. And what is true for federal spending transparency is equally true for the Open Government Directive.

¹⁶ Indeed, until recently record identifiers have been quite reliable and useful to us in our analysis. A major overhaul of the record IDs present in the USASpending data posed substantial analytic challenges for Sunlight. We believe that this change was made in good faith, likely due to a belief that no one outside of the engineers maintaining USASpending.gov utilized these IDs. This is understandable, but speaks to the lack of attention and rigor that government currently devotes to the identifier problem.

¹⁷The statutory deadline for this data's availability was January 1, 2009. Responsibility for the lateness of the data properly rests with many parties.

We welcome the Committee's attention to this issue and encourage you to continue to spend time engaging in oversight and legislative efforts. Thank you for the opportunity to testify today. I look forward to your questions.

Mr. LANKFORD. Thank you.

Dr. Harris, I am going to appropriately recognize you at this point. Thank you for being here. We will receive your testimony.

STATEMENT OF DANNY A. HARRIS

Mr. HARRIS. Thank you, and good morning, Chairman Lankford and members of the subcommittee.

Thank you for the opportunity to appear before the subcommittee today. My name is Danny Harris and I am the Chief Information Officer at the U.S. Department of Education, a position I have had the privilege to hold since October 2008. I am very pleased to discuss the Department's transparency efforts specific to the Open Government initiative.

On his first day in office, the President sent a memo directing all Federal agencies to create unprecedented levels of openness in Government. The Department of Education has taken this directive very seriously. Our Open Government plan makes our efforts more transparent, participatory and collaborative. I am personally committed to these goals, and the Department looks forward to building upon the solid foundation put in place during the first 2 years of this initiative.

For decades, the Department has collected, analyzed and used data to inform our delivery of services. At the Department of Education, we collect data about the overall condition and effectiveness of education provided by the States, local educational agencies and institutions of higher education. A key part of our mission is to provide useful information to States, assisting their efforts to allocate resources to education citizens in the most effective and efficient way.

Equally important to our mission is supporting the use of Federal resources toward ensuring fair access to education for all. Open Government efforts place special emphasis on providing information to the public leading to increased transparency and to the information we and States use for decisionmaking.

At the Department of Education, we have established a cross-functional team to develop our Open Government plan, which is available on our Web site. Also, we have established a governing body to oversee departmental execution of the Open Government plan and to improve the efficiency and effectiveness of all of the information collection and dissemination activities at the Department.

Decisions and recommendations from this board will and do affect IT spending. This coordinated effort will effectively manage duplicative data requests, it will reduce burdens to the States and local agencies, and it will optimize Department-wide data aggregation. At the end of the day, it is not just about the data that we deliver, it is about delivering tools to drive innovation.

Prior to implementing Open Government efforts, we provided similar information and tool sets, allowing citizens to view the information in ways that we thought were useful. Open Government altered this framework, and now we deliver the same information in a raw, machine-readable format, allowing citizens to analyze the data and transform those data into useful, aggregated information. This access to data has undoubtedly created new insights and

views, enabling previously unthought of ways for citizens to understand, view and track Federal dollars.

The clear benefit is that citizens can now view the delivery of services with comprehensive information and the public's ability to access and analyze these data make Federal spending transparent. In turn, this helps ensure departments are accountable for results and outcomes.

The challenge for the Department is to ensure the quality of this data. We view key attributes of quality as timeliness, accuracy and most of all, privacy. The challenge for our stakeholders is to establish proper awareness and context for these data. We have already seen positive outcomes as a result of these initiatives. For example, in our Race to the Top program, we provided a detailed description of the process used to review and select the winners of that program. The Department, in implementing Race to the Top, has demonstrated unprecedented transparency by posting all of the applications as well as peer reviewer scores and comments to the public for review.

To help spur innovation, our Investing in Innovation team created an open innovation portal, a Web site where education innovators can share ideas and collaboration, where funders and educators can point out their needs, and where people can gather to propose, develop, fund, implement and more than anything else, improve solutions inside and outside of the classroom.

We take the commitment to transparency seriously at all levels within the Department. For example, in 2009, Secretary Duncan launched his Listening and Learning Tour. He did this to engage the public directly in discussing education reform in America. The Department used the input we received to prepare a blueprint for reauthoring the Elementary and Secondary Education Act.

Transparency through technology provides an opportunity to engage with the public in making the Department of Education more accountable. Specifically, the Department has a significant role in complying with the Federal Funding and Accountability Transparency Act, due to the very large number of grants, contracts and loans that we administer. These funds go to numerous recipients and sub-recipients in States and territories, and the public should know where these funds are going, for what purpose, and most importantly, what results they should expect. We submit grant and loan funding transactions on a bi-weekly basis from our grant system in the Federal assistance award data system file layout.

Additionally, we provide our contract funding transactions to the Federal procurement data system in real time during our contract award. Both our grants and contract systems are integrated with the Department's general ledger. This ensures that the transactions that we submit to USAspending.gov are directly traceable to our financial systems.

Finally, the Privacy Act and Federal guidelines govern how we protect personally identifiable information while at the same time complying with the Transparency Act and other public reporting requirements.

In conclusion, I believe that Open Government, USAspending.gov, Federal reporting and other recovery Web sites all work together to put more and better information in the hands

of the public. The benefits are tremendous, because these efforts lead to increased accountability, transparency, and more than anything else, recognizable links between spending and results.

Thank you, chairman and members of the subcommittee, for your attention to this important issue. I would be happy to answer any questions you may have.

[The prepared statement of Mr. Harris follows:]

Testimony of
Dr. Danny A. Harris
Chief Information Officer
U.S. Department of Education
Before the Subcommittee on Technology, Information Policy,
Intergovernmental Relations and Procurement Reform
House Committee on Oversight and Government Affairs

Hearing on
“Transparency through Technology: Evaluating Federal Open-Government Efforts”
March 11, 2011.

Good morning Chairman Lankford, Ranking Member Connolly, and Members of the Subcommittee. Thank you for the opportunity to appear before the Subcommittee today. My name is Danny Harris and I am the Chief Information Officer for the U.S. Department of Education, a position I have had the privilege of holding since October 2008.

I am pleased to discuss the Department’s transparency efforts specific to the open-government initiative. On his first day in office, the President sent a memo directing all federal agencies to create unprecedented levels of openness in government. The Department of Education has taken this directive to heart. Our open government plan makes our efforts more transparent, participatory, and collaborative. I am personally committed to these goals, and the Department looks forward to building upon the solid foundation put in place during the first two years of this initiative. For decades, the Department has collected, analyzed, and used data to inform our delivery of services. At the Department of Education, we collect data about the overall condition and effectiveness of education provided by the States, local educational agencies, and institutions of higher education. A key part of our mission is to provide useful information to States, assisting their efforts to allocate resources to educate citizens in the most effective and efficient way. Equally important to our mission is supporting the use of Federal resources toward ensuring fair access to education for all. Open Government efforts place special emphasis on providing information to the public, leading to increased transparency into the information we and the States use for decision-making.

We have established a cross-functional team to develop our Open Government Plan, which is available on our website [www.ed.gov/open]. Also, we have established a governing body to oversee departmental execution of the Open Government Plan and to improve the efficiency and effectiveness of all information collection and dissemination activities. Decisions and recommendations from this board will directly affect IT spending that supports collection and dissemination of information. This coordinated effort will efficiently manage duplicative data requests, reduce burdens on states and local agencies, and optimize department-wide data

aggregation. The board helps coordinate across our principal offices and ensures we are providing new data for public dissemination. At the end of the day, we are not only delivering data—we are delivering tools to drive innovation.

Prior to implementing Open Government efforts, we provided similar information in toolsets, allowing citizens to view the information in ways we thought were useful. Open Government efforts altered this framework, and we now deliver the information in a raw, machine-readable format allowing citizens to analyze the data and transform those data into more useful aggregated information. This open access to data has undoubtedly created new insights and views, enabling previously unthought-of ways for citizens to understand, view and track federal dollars. The clear benefit is that citizens can now view the delivery of services with comprehensive information, and the public's ability to access and analyze these data makes Federal spending transparent—which helps ensure departments are accountable for results and outcomes.

The challenge for the Department is to ensure the quality of the data provided to the various internet sites (e.g., [USAspending.gov](#), [Federalreporting.gov](#), and [Recovery.gov](#)). Key attributes of data quality include availability, timeliness, accuracy and privacy. The challenge for all stakeholders is to establish proper awareness of and context for these data.

We have already seen positive outcomes as a result of these initiatives. For example, in Race to the Top, we provided a detailed description of the process used to review and select the winners. The Department, in implementing Race to the Top, has demonstrated unprecedented transparency, by posting all applications as well as peer reviewer scores and comments for the public to view. To help spur innovation, our Investing in Innovation team created an Open Innovation Portal—a website where education innovators can share ideas and collaborate, where funders and educators can point out needs, and where people can gather to propose, develop, fund, implement, and improve education solutions in and outside of the classroom. Finally, when the Department dispersed the \$48.6 billion State Fiscal Stabilization Fund (SFSF), a part of the American Recovery and Reinvestment Act, it demanded accountability and transparency. The Department posted all SFSF applications and amendments to ensure stakeholders were informed about a states' use of the program funds.

We take the commitment to transparency seriously at all levels within the Department. In May 2009, Secretary Arne Duncan launched his Listening and Learning Tour to engage the public directly in discussing education reform in America. The Department used the input we received from this nearly yearlong dialogue led by the Secretary and senior staff in meetings across America in preparing the comprehensive Blueprint for reauthorizing the Elementary and Secondary Education Act.

Transparency through technology provides an opportunity to engage with the public in making the Department of Education more accountable. Specifically, the Department has a significant role in complying with the Federal Funding Accountability and Transparency Act (Transparency Act) due to the large number of grants, contracts and loans that we administer. These funds go to numerous recipients and sub-recipients in the States and territories, and the public should know where these funds are going, for what purpose, and what results they should expect. We submit grant and loan funding transactions on a bi-weekly basis from our grants management system in the Federal Assistance Award Data System Plus file layout. We input contract funding transactions into the Federal Procurement Data System – Next Generation system in real time during contract award via our Contracts and Purchasing Support System. Both our grants management and contracts systems are integrated with the Department’s General Ledger, ensuring that the transactions reported to [USAspending.gov](https://www.usaspending.gov) are directly traceable to transactions in our financial system. Finally, the Privacy Act and Federal guidelines govern how we protect personally identifiable information, while complying with the Transparency Act and other public reporting requirements.

In conclusion, I believe that Open Government, [USAspending.gov](https://www.usaspending.gov), [federalreporting.gov](https://www.federalreporting.gov), and [recovery.gov](https://www.recovery.gov) all work together to put more and better information in the hands of the public. These initiatives provide transparency that supports participation and accountability. The benefits are tremendous because these efforts lead to increased accountability, transparency, and recognizable links between spending and results.

Thank you Chairman and Members of the Subcommittee for your attention to this important issue, and I would be happy to answer any questions.

Mr. LANKFORD. Thank you, Dr. Harris.
Mr. Smith.

STATEMENT OF CHRISTOPHER L. SMITH

Mr. SMITH. Thank you, Chairman Lankford, Ranking Member Connolly, members of the subcommittee, Chairman Issa, who was with us here earlier. Thank you for this opportunity to share with you our progress on the implementation of the Open Government initiatives, transparency and accountability in the use of information technology to further these important goals.

I am joined today by my colleague, Jon Holladay, who is the USDA Acting Chief Financial Officer, just behind me.

USDA programs touch every American and many others around the world every day. We are focused on the activities that ensure an economically thriving rural America, that we are conserving our national forests and private working lands, and promoting sustainable agricultural production and biotechnology exports to ensure and increase food security and to provide access to a nutritious diet for all Americans.

Full and easy access to information on Government spending promotes accountability by allowing detailed tracking and analysis of deployment of these resources. Tracking and analysis allows the public and public officials to gauge the effectiveness of expenditures and to monitor spending patterns to achieve the best possible results. Transparency also gives the public confidence that we are properly managing its funds.

From the Transparency Act of 2006 to the Open Gov directive of 2009, Government transparency has become the cornerstone for information access to facilitate participation and collaboration across Federal, State and local governments and with the public. USDA is a strong advocate of Government transparency and is striving to meet both the letter and intent of the Open Government Directive.

On December 8, 2009, the White House issued the Open Government directive, requiring Federal agencies to take specific action to promote transparency, collaboration and participation. The Open Government directive puts accountability and accessibility at the center of how Federal Government operates. It instructs agencies to share information with the public through online, open and accessible, and as my colleague has stated, machine readable formats.

USDA fully supports the administration's directive for open government and is actively engaged on this front in making the Department more accessible and accountable to our citizens. To foster accessibility, USDA launched its OpenGov Web site in spring of 2010 and published an open government plan describing how USDA would improve transparency and integrate public participation and collaboration into its activities.

With the launch of our Web site, citizens are able to learn about and comment on USDA information and post their ideas on transparency and collaboration, and actively participate with the Department. The public can also post ideas to help USDA become more efficient and more effective in everything that we do.

Additionally, to improve outreach initiatives, USDA has established an open government communication plan, which describes

USDA's interaction and collaboration and details the activities that we are taking.

USDA is leveraging information technology to improve transparency and increase citizen interaction and participation. Two good examples are USDA's My Pyramid and Apps for Healthy Kids, which are innovative approaches to USDA reaching out and encouraging collaboration with the private sector and the public.

The Applications for Healthy Kids competition was a collaborative project to challenge the general public to design online mobile gaming tools and educational applications to educate people about the importance of healthy eating and physical activity. USDA's Food and Nutrition Service, Department of Health and Human Services, First Lady Michelle Obama's Let's Move initiative and the NFL's Fuel Up To Play 60 played a vital role in this challenge. Over 45,000 participants submitted 95 games and applications, with 12 submissions selected as the ultimate winners.

Additionally, as a part of the USDA Open Government flagship initiatives, the Forest Service directly improved transparency, collaboration and participation by increasing public participation in the development of its land management planning rule by leveraging information technology to improve collaboration and interaction. Using Web 2.0 technologies and online collaborative environments, the agency provided the public with updates on the planning rule process and enabled them to submit comments.

The agency also held public meetings and listening sessions all over the country to gain input from these citizens. More than 700 individuals were not able to attend these in person. Using collaborative technologies, they were able to participate remotely.

The development of this proposed rule involved more than 26,000 comments on the notice of intent and more than 40 public meetings with over 3,000 participants, including the National Science Forum, tribal consultation and Forest Service employees submitting comments. This increased focus on accountability and transparency built upon our commitment to strong financial stewardship as evidenced by USDA compliance with the Transparency Act.

In September 2006, the Transparency Act was enacted. As required by the act, the Office of Management and Budget established the USA Spending.gov Web site to provide transparency of Federal spending by disclosing entities receiving the funds. USDA sends bi-weekly transmissions to the Federal Financial Assistance system, reporting any award over \$25,000. We report the key data elements regarding Federal award within 30 days after that award. And USDA data being reported to the public includes grants, cooperative agreements, direct and guaranteed loans, direct payments, insurance and contracts.

USDA has a comprehensive information technology modernization strategy that encompasses the improvement of this data collection and the sharing of that with our citizens. I look forward to your questions and discussion, sir.

[The prepared statement of Mr. Smith follows:]

**For release only by the House Committee on
Government Oversight and Reform
Subcommittee on Technology, Information Policy,
Intergovernmental Relations and Procurement Reform**

**Statement of
Mr. Christopher L. Smith,
Chief Information Officer
Office of the Chief Information Officer,
U.S. Department of Agriculture
Before the Subcommittee on Technology, Information Policy,
Intergovernmental Relations and Procurement Reform
U.S. House Committee on
Government Oversight and Reform**

March 11, 2011

Chairman Lankford, Ranking Member Connolly, and Members of the Subcommittee, thank you for the opportunity to share with you our progress on the implementation of the open-government initiatives and legislation, including the information technology reporting systems related to the Federal Funding Accountability and Transparency Act (Transparency Act), the American Recovery and Reinvestment Act (ARRA), and the Administration's Open Government directive. I am also joined here today by our Acting Chief Financial Officer, Jon Holladay.

USDA programs touch every American and many others around the world and we are focused on activities that ensure an economically thriving rural America, conserve our national forests and private working lands, promote sustainable agricultural production and biotechnology exports to increase food security, and provide a nutritious diet for all Americans.

Full and easy access to information on government spending promotes accountability by allowing detailed tracking and analysis of the deployment of government resources. This

tracking and analysis allows both the public and public officials to gauge the effectiveness of expenditures and to monitor spending patterns, as necessary, to achieve the best possible results. Transparency also gives the public confidence that we are properly managing its funds.

From the Transparency Act signed on September 26, 2006, to the Open Government Directive issued December 8, 2009, government transparency has become the cornerstone for information access to facilitate participation and collaboration across Federal, State, and Local governments and with the public.

USDA is a strong advocate of Government Transparency and is striving to meet both the letter and intent of the Open Government Directive. In today's testimony, I will address where we are in regards to delivering on government transparency in terms of the Open Government Directive, the Transparency Act, and the American Recovery and Reinvestment Act.

Open Government

On December 8, 2009, the White House issued the Open Government Directive requiring Federal Agencies to take specific steps to promote transparency, collaboration, and participation. The Open Government Directive puts accountability and accessibility at the center of how the Federal Government operates. It instructs agencies to share information with the public through online, open, accessible, machine-readable formats.

USDA fully supports the Administration's Directive for Open Government and is actively engaged in making the Department more accessible and accountable to citizens. To foster accessibility, USDA launched its open government website in 2010 and published an open government plan describing how USDA would improve transparency and integrate public participation and collaboration into its activities.

With the launch of the USDA Open Government website (<http://usda.gov/open>), citizens are able to learn about and comment on USDA information and post their ideas about transparency, collaboration, and participation at the Department. The public can also post ideas to help USDA become more innovative and efficient. Additionally, to improve outreach initiatives, USDA established the Open Government Communication Plan, which describes USDA's interaction and collaboration with the public and specific actions to improve the dissemination of information relating to agency business. The Open Government Communication Plan details consistent methods of responding to public input and feedback, as well as innovative methods to engage and garnish input and ideas from the private sector, not-for-profit organizations, and academia.

USDA's MyPyramid and AppsForHeathyKids are just two examples of the innovative ways USDA is reaching out and encouraging collaboration with the private sector and the public. The Apps for Healthy Kids competition was a collaborative project that challenged the general public to design online or mobile gaming tools that educated people about the importance of healthy eating and physical activity. The Food and Nutrition Service (FNS), Health and Human Services (HHS), First Lady Michelle Obama's "Let's Move!" initiative, and the NFL's Fuel Up to Play 60, played a vital role in this challenge resulting in over 45,000 participants and in 95 submitted games and apps. USDA has published over 5 high-value datasets and 11 tools on the Data.gov website including Census of Agriculture Race, Ethnicity and Gender Profile Data; Feed Grains Database; USDA National Nutrient Database for Standard Reference (Release 22); Your Food Atlas; and National Agricultural Library Thesaurus (English). Through its Open Government Flagship initiatives, USDA will continue to foster an increased public awareness,

access, and utilization of high-value data to enhance public knowledge and collaboration to improve USDA's services.

As a part of the USDA Open Government Flagship initiatives, the Forest Service invited the general public to participate in the development of its land management planning rule in an innovative way. The Agency created a blog (<http://planningrule.blogs.usda.gov/>) that provided the public with updates on the planning rule process and allowed them to provide comments. The Agency also held public meetings or listening sessions all over the country to gain input from American citizens. Over 700 people who were not able to attend the national public meetings were able to participate in the meetings through a webcast on the planning rule website.

These new methods for public involvement were created to gain insight from the public before the standard formal comment period began. The development of the proposed rule involved over 26,000 comments on the Notice of Intent, over 40 public meetings with over 3,000 participants, a national science forum, Tribal consultation, and Forest Service employee comments and conference calls. Forest Service will continue to use blogs and webcasts, along with traditional formal comments and public meetings, to further promote participation.

This increased focus on accountability and transparency builds upon our commitment to strong financial stewardship as evidenced by USDA compliance with the Transparency Act.

Federal Funding Accountability and Transparency Act

On September 26, 2006, the Transparency Act was enacted (Public Law Number 109-282). As required by the Act, the Office of Management and Budget (OMB) established the USAspending.gov website to provide transparency of Federal spending by disclosing entities

receiving funds such as corporations, associations, partnerships, limited liability companies, limited liability partnerships, sole proprietorships, and legal business entities by January 1, 2008. As of October 1, 2010, subcontractor and sub-grantee information is also being reported to USASpending.gov via the Federal Subaward Reporting System (FSRS.gov). USDA sends a bi-monthly transmission of Federal Financial Assistance (FFA) transactions over \$25,000. Individual and Federal employee recipients of program awards are excluded from the Transparency Act requirements as are awards under \$25,000.

USDA provides key data elements, as outlined in OMB's March 30, 2007, memorandum "Reporting of Data Elements Required by the Federal Funding Accountability and Transparency Act," regarding each Federal award within 30 days after the date of award. USDA's data being reported to the public include grants, cooperative agreements, direct and guaranteed loans, direct payments, insurance, and contracts.

USDA has reported billions of dollars in Federal financial assistance to USASpending.gov: \$17 billion in FY 2007, over \$21 billion in FY 2008, over \$28 billion in FY 2009, over \$41 billion in FY 2010, and \$30 billion to-date in FY 2011. The last three years include ARRA funding. Initial information was provided via manual extract processes with error rates in the range of 3.4%. Today we have implemented automated reporting processes and reduced our error rate to less than 1/10th of a percent. We continue to pursue correction for these remaining errors.

American Recovery and Reinvestment Act

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (Recovery Act/ARRA) was enacted (Public Law Number 111-5). Over \$28 billion (3.5%) of the overall Stimulus package was appropriated across nine USDA agencies. To provide opportunities for

improved transparency and oversight of the spending and progress on the projects funded by the Recovery Act, provisions were included in the legislation that required the funding and project information tied to each award be reported by the non-individual recipients. USDA assures that recipients agree to comply with reporting and data disclosure before awarding funds. Recipients submit information quarterly using an online reporting database portal called FederalReporting.gov. The information is then published at Recovery.gov, a website established by the Recovery and Transparency Board. The data provided on Recovery.gov includes financial information, details on the use of the Stimulus funds, and statistics related to job creation.

Federal agencies are responsible for guiding the recipients through the reporting process, reviewing and validating the data submitted, and communicating with recipients who fail to report award information on FederalReporting.gov. Our work force uses data provided through routine automated spending reporting processes to track required submissions. During the first quarter of 2010, 5,917 reports were expected. The number of Recovery Act award recipients not reporting was 28; less than 1%. This is down from the high of 279 non-compliant recipients in the third quarter of 2009. This drop is due to extensive communication of guidance, outreach to recipients, and assisting recipients with adapting to the technological reporting solution or alternative reporting methods.

Conclusion

Transparency is about information access with the proper controls. USDA has embarked on a number of initiatives that support information access to enable employees to become more productive, improve overall efficiency of operations, and promote accountability and accessibility at the center of how USDA operates.

While USDA has made great strides in leveraging IT to increase transparency, we also face real constraints due to a number of factors such as aged technology and fragmented systems. As we have worked to overcome these challenges, my office has laid out a clear vision and comprehensive approach to successfully modernize Information Technology (IT) within the Department. The overall IT modernization approach utilizes a disciplined, multi-faceted strategy with three key areas of focus:

- **Foundational Elements** – Initiatives in this area center on enterprise business services and infrastructure and include the Financial Management Modernization Initiative (FMMI), Agriculture Security Operations Center (ASOC), modernization of the Computing Environment, and Enterprise Data Centers (EDC).
- **Communications/Collaboration/Productivity** – Initiatives in this area focus on enterprise communications services to improve collaboration and increase productivity, and include Next Generation Network (NGN) and Unified Communications (UC).
- **Mission Systems** – Initiatives in this area center on critical and often related program delivery services and include Modernize and Innovate the Delivery of Agricultural Services (MIDAS), Web-based Supply Chain Management (WBSCM), Public Health Information System (PHIS), and geospatial services.

During my Testimony before the House Committee on Agriculture, Subcommittee on Department Operations, Oversight, Nutrition and Forestry on March 10, 2010, I provided more detail on these initiatives. Should the Subcommittee require the testimony from March 10, 2010, we can provide it.

In some instances, the Office of the Chief Information Officer (OCIO) is leading an initiative, while in others OCIO is collaborating with the lead Agency or Staff Office to ensure

appropriate leadership, governance, enterprise architecture, capital planning, and investment control.

Working with the Secretary, we have prioritized the necessary investments to enable the most effective delivery of these initiatives and have developed a thoughtful and deliberate approach to implement these improvements. We have identified the key initiatives upon which USDA will modernize its service offerings to ensure open, transparent, and collaborative avenues through which USDA employees, farmers, ranchers, and all citizens can easily access USDA information from wherever they may be: the field, the forest, the farm, and their homes. Investments in these foundational elements, communications and collaboration tools, and mission systems will ensure the security, protection, and privacy of information collected and the most efficient and effective delivery of services to our citizens, producers, and industry. While we have charted a clear path for modernizing USDA, there are challenges that must be met and be turned into opportunities to excel.

USDA will continue implementation of the Federal Transparency initiatives to provide to the public an open, responsive, and accountable environment. These initiatives put us on the right path to provide more efficient and effective services and successfully deliver on our mission.

Chairman Lankford, Ranking Member Connolly, members of the Subcommittee, this concludes my statement. We will be happy to answer your questions.

Mr. LANKFORD. Thank you. You could not have been closer on time as well. Thank you, Mr. Smith.

Mr. Brito, pleased to get your oral testimony in 5 minutes.

STATEMENT OF JERRY BRITO

Mr. BRITO. Thank you, Mr. Chairman, members of the committee.

Thank you for inviting me to testify on transparency through technology.

As someone who believes that Internet-enabled transparency can lead to better and more accountable government, I am gratified by Government's efforts in this base for the past 5 years. Transparency is an issue that has been genuinely embraced by both sides of the political aisle. What was once an esoteric concept, that meaningful transparency requires disclosures to be online and open, searchable in machine readable format has become a generally accepted ideal. Those are great strides.

However, despite the Obama administration's technological efforts and congressional legislation like the Federal Funding Accountability and Transparency Act, whether government is performing effectively is still not completely transparent. That is because the vast majority of newly available data is not about government, and disclosures that are about government tend to report its activities, not data on program outcomes. When program outcomes are reported, they tend to be suspect because they are self-measured and self-reported by program managers.

On Data.gov, the government has compiled wonderful, never before available data sets about regulated industries but little about its own performance. Excluding the 305,000 datasets that pertain to geodata, the Data.gov data catalog makes available just over 3,000 "raw" datasets. Of these, about half are related to the Toxic Release Inventory compiled by the EPA. These are disclosures about regulated entities that, while very valuable to individuals and researchers, tell us little about the performance of government.

A quick scan of the remaining 1,500 datasets reveals that only 200 to 300 report on the activities or performance of government. There is plenty of smoke, but little fire.

One of the better datasets available is Research.gov. This National Science Foundation data base of federally funded science and engineering research allows users to search for grants by keyword, location, or grantee; see which grants were awarded and for how much; and learn about the results of each specific, federally funded research project. This information is useful in holding Government accountable for its performance.

Less useful, although no doubt valuable to some researchers, are datasets like one from the U.S. Geological Survey on the effects of fire on Rocky Mountain Olive-Side Fly Catcher Bird nests. Spending-transparency sites like USAspending.org and the Recovery.gov site are also useful because they disclose government's actions. They allow citizens, watchdogs, bloggers and reporters access to the raw data of the business of government. It allows them to make creative uses of the data, including making interesting mashups and allowing them to crowd-source accountability.

However, these types of sites are not perfect. As the Sunlight Foundation and others have pointed out, the quality of the data available can be sorely lacking. Also, until recently, only information about the primary recipient of a contract or grant award was available on USASpending.org, thus limiting the usefulness of the site.

More broadly, while spending sites can help uncover instances of fraud, waste, and abuse, which is very important, they are less helpful in measuring performance because they simply disclose outputs, amounts of money disbursed to recipients and simple descriptions of contracts or grants. To determine whether a program is performing as intended the public needs information not only about outputs, but also about outcomes.

With a Federal spending crisis on our hands, Congress must soon decide which programs to cut and which to keep. Voters will have to decide if they support Congress' choices. The whole process would be much easier if information existed about the relative performance of Government programs.

In the private sector, a corporation must disclose its earnings as well as its expenditures and assets on a quarterly basis. Such an objective measure of performance not only allows the market to set a stock price, but it also allows shareholders to hold management accountable.

Now, think of Government transparency. All agencies and programs disclose their expenditures in an annual budget and through sites like USASpending.gov. What Government does not report are earnings figures, for the simple reason that there are none. Therefore, a Government program may be transparent, and yet the public sees only half of the balance sheet.

Congress tried to solve this problem with the Government Performance and Results Act. The problem with GPRA performance reporting, however, is that the very managers of the programs are charged with developing performance measures, measuring their own programs and writing self-evaluating performance reports. Even in the NSF's Research.gov site, which I mentioned, it is the award recipients who write the performance reports.

In the private sector, Congress has recognized that this doesn't work. Congress has required that publicly traded companies must hire independent third party auditors to help prepare and certify reports. Under the Sarbanes-Oxley Act, corporate managers are personally liable for the veracity of those reports. Congress might want to consider similar, independent audits of agency performance reporting.

I am looking forward to the launch of the new Performance.gov initiative by OMB, which promises to provide data-driven reviews of progress toward clearly defined goals at Federal agencies. Those reviews, however, won't be very meaningful if they are self-reported or based on shaky data.

The progress Congress and the Obama administration have made in making transparency, and especially online transparency, a key objective for Government cannot be overstated. The culture of secrecy that has long pervaded Federal agencies is beginning to change. However, we must make sure that Open Government is first and foremost about transparency. And that transparency is

clearly understood as disclosure of Government performance in the service of greater accountability.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Brito follows:]



**TRANSPARENCY THROUGH TECHNOLOGY:
EVALUATING FEDERAL OPEN GOVERNMENT EFFORTS**

MARCH 9, 2011

Jerry Brito
Senior Research Fellow

House Committee on Oversight and Government Reform
Subcommittee on Technology, Information Policy,
Intergovernmental Relations, and Procurement Reform

Mr. Chairman and Members of the Committee:

Thank you for inviting me to testify on “Transparency through Technology: Evaluating Federal Open Government Efforts.” As a senior research fellow at the Mercatus Center at George Mason University, my research over the last few years has focused on how governments and citizens can use Internet technologies to increase transparency and thereby ensure accountability. I’m happy to share with you some of the things I have learned.¹

As someone who believes that Internet-enabled transparency can lead to better and more accountable government, I am gratified by government’s efforts in this space over the past five years. Transparency is an issue that has been genuinely embraced by both sides of the political aisle, and what was once an esoteric concept—that meaningful transparency requires disclosures to be online in an open, searchable, and machine-readable format—has become a generally accepted ideal. Those are great strides.

However, despite the Obama Administration’s technological efforts and Congressional legislation like the Federal Funding Accountability and Transparency Act (FFATA), whether government is performing effectively is still not completely transparent. That’s because the vast majority of newly available data is not about government activity, and disclosures that are about government tend to report its activities, not data on program outcomes. When program outcomes are reported, they are suspect because they are self-measured and self-reported by program managers.

With a federal spending crisis on our hands, Congress must soon decide which programs to cut and which to keep. Voters will have to decide if they support Congress’s choices. The whole process would be much easier if information existed about government programs’ relative performances. Fortunately, Congress can take simple actions—such as having the Office of Management and Budget (OMB) play a role in public sector similar to the role of an independent auditor plays in the private sectors—that would increase confidence about the relative effectiveness of federal agencies.

WHY CARE ABOUT TRANSPARENCY?

Your invitation to testify at this hearing said the hearing’s purpose is to “examine the results of open-

¹ This testimony reflects only the views of its author and does not represent an official position of George Mason University.

government initiatives and legislation.² One thing I have learned in my research is that in order to judge a program's results, you need to understand what it is trying to accomplish. Only then will you be able to measure whether the program has achieved those aims.

The Obama administration has defined open government as encompassing transparency, collaboration, and participation. Collaboration within and without government is important, and so is public participation, especially in the regulatory process where unelected officials make decisions. However, improving participation and collaboration are secondary to increasing transparency. You need transparency before you can have meaningful participation or collaboration.

The concept of transparency is often posited as an unalloyed good and a hallmark of democratic government. Rarely is it explained in any detail why this is the case or why increased government transparency is a desired result. The reason seems obvious: in a democratic society, the people should know how their representatives govern. For today's discussion however, I want to make explicit the case for transparency.

An economist might view transparency as a way to eliminate a type of market failure known as an "information asymmetry." Described in detail by Nobel Prize-winner Joseph Stiglitz, information asymmetry occurs when one party to a transaction has much more relevant information than the other, which can potentially create suboptimal market conditions.³ In classical economic theory, mutual gains from trade are based on the idea that each party knows exactly what he is getting and values it more highly than what he gives up, enabling both sides to benefit. But this is not always the case in the real world. Sometimes one party has access to important information that the other lacks. Transparency, at bottom, eliminates that information asymmetry, ensuring that mutually beneficial trades can take place.

One particular type of information asymmetry relevant to government transparency is known as the "principal-agent" problem. It refers to situations in which it is difficult to monitor the behavior of one's agents so that it becomes impossible to appropriately compensate them for their efforts.⁴ The incentives of agents and those of principals rarely align perfectly—if they did, principals would not have to compensate agents to complete their tasks. Steven Levitt and Stephen Dubner, the authors of *Freakonomics*, explain this concept with reference to real-estate agents.⁵ While a home seller would like her agent to secure the highest possible bids for her property, she cannot monitor the agent's every action. The agent, on the other hand, would like to spend as little time and effort as possible selling a particular house so she can move on to the next client. Not surprisingly, studies show that when real estate agents sell their own homes, they command significantly higher prices than comparable units.⁶

Another familiar example of a principal-agent problem is the difficulty of finding a good mechanic. Because the mechanic knows much more about cars than her customers do, there is a temptation for the mechanic to "fix" things that aren't really broken. Of course, paying for unnecessary repairs is not mutually beneficial, but the customer is unlikely to know the difference.

Therefore, transparency is not an end in itself, but simply a means to an end, and that end is accountability. Accountability happens when one party holds another party responsible for its actions. One party may hold another responsible for its actions when there is a principal-agent relationship. For example, if you stopped a

² Letter from Chairman Lankford sent 2/28/2011.

³ Joseph E. Stiglitz, "Information and the Change Paradigm in Economics," *The American Economic Review* 92 (2002): 460, 470.

⁴ David E. M. Sappington, "Incentives in Principal-Agent Relationships," *Journal of Economic Perspectives* 5 (1991): 45–49.

⁵ Steven D. Levitt & Stephen J. Dubner, *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*, 66–67 (Harper Collins Publishers, 2005).

⁶ Steven D. Levitt and Chad Syverson, "Market Distortions When Agents Are Better Informed: The Value of Information in Real Estate Transactions," *The Review of Economics and Statistics* 90 (2008): 599, 609.

stranger on the street and demanded to know what she was doing there, you would not be surprised by a surly response. Absent an understanding to the contrary, no one—stranger or friend—owes you an explanation for his or her actions. However, if the person you stop were the babysitter who should have been watching your children at that moment, you would expect a very good explanation. What allows you to hold her accountable for her presence on the street is your principal-agent relationship with her.

As discussed, a principal-agent relationship is one in which one party—the principal—contracts with another—the agent—to act on the principal's behalf. A principal, therefore, is entitled to monitor the performance of the agent and hold the agent accountable for her actions. For example, if a principal hires an agent to paint a house, the principal will hold the agent accountable by checking to see whether in fact the house has been painted. Accountability then takes the form of either reward or punishment. If the agent has done a good job of painting the house, the principal rewards the agent by paying her and perhaps also by paying a bonus and by recommending the agent's services to friends. On the other hand, if the agent has not painted the house or has done a poor job, the principal may punish her by withholding payment and dissuading friends from hiring the agent.

In some instances, it's easy to observe an agent's performance. Whether a house is painted for example, will be obvious to the naked eye, and it will be easy for a principal to hold the agent accountable. There are other instances, however, when a principal cannot easily monitor an agent's performance. For example, if you hire a babysitter to watch your toddler while you are away on an overseas trip, you cannot directly monitor the babysitter's performance. Indeed, in this case you are contracting with an agent to act on your behalf precisely because you cannot be present.

In such a case there is an asymmetry of information. The agent knows more about her performance than the principal does so that it is difficult or impossible for the principal to hold the agent accountable. Was the babysitter with your toddler at all times? Did the babysitter feed your toddler healthy meals or junk food? Such an information asymmetry changes the agent's incentives. That is, because the agent knows that the principal cannot adequately monitor the agent's actions, the agent may feel she can behave differently than she would if the principal could monitor her.

Why would the agent behave differently than how she contracted with the principal to behave? If you can monitor the babysitter, you can hold her accountable and penalize her for not feeding your child a healthy meal. The babysitter's incentive is now to do as she has promised you so that you will reward her for her actions. The interests of the principal and agent are therefore aligned. However, if there is an information asymmetry, and the babysitter knows that you cannot monitor her performance, then the babysitter's interest will no longer align with yours. It is much easier, and perhaps even less expensive, for the babysitter to feed the toddler junk food instead of healthy food. She could pocket the cost difference and spend the time saved from cooking watching TV. The information asymmetry—the fact that you cannot monitor the babysitter-agent—changes her incentives.

Thus, transparency is not an end in itself, but a means to accountability by removing information asymmetries, thereby aligning the interests of principals and agents. To see how, let me define what I mean by transparency. Transparency is a process that: (1) requires one to disclose (2) substantively and truthfully (3) one's performance (4) to those who are entitled to know.⁷

First, in order for transparency to be effective, disclosure must be mandatory. Otherwise, the agent's incentive would be to disclose her performance when it is convenient to her and to withhold information when it is not. To avoid an information asymmetry, a policy of transparency must compel an agent to disclose her performance 100 percent of the time. Similarly, disclosures must be full and truthful. Partial disclosure does not eliminate the potential for information asymmetries if inconvenient parts of one's performance can be withheld.⁸ That disclosures must be truthful should go without saying; agents cannot be

⁷ My friend and Mercatus Center colleague Maurice McTigue, who led New Zealand's transparency and accountability reforms in the 1990s when he served in parliament and cabinet, developed this definition of transparency.

⁸ Mark C. Penno, "Information Quality and Voluntary Disclosure," *The Accounting Review* 72 (1997): 275, 277.

held accountable unless the information available to principal about the agent's performance is accurate.

Therefore, what transparency properly understood requires for disclosure is not just actions, but *performance*. Performance is the result of actions. In some cases, actions and performance are practically one in the same. If you paint a house, the house will be painted. In most instances, however, evidence of actions or activity is not evidence of good performance. If a parent hires a teacher to educate her child, the teacher may teach diligently, but that is not evidence that the child has learned anything. How much the child has learned should be the measure of the teacher's performance. Only if the principal can measure the agent's performance—and not simply monitor his activity—can a principal hold an agent accountable.

Finally, transparency requires substantive and truthful disclosures of performance to those entitled to the information. As an employee, you may have an obligation to disclose your performance to your employer, but not to your doctor or your mailman. There is a principal-agent relationship in the first case, but not in the latter cases. A *potential* principal-agent relationship might also trigger an obligation to disclose. For example, a company's management must disclose the corporation's performance not only to its board of directors and shareholders, but to potential shareholders as well.

In a democracy, there is a principal-agent relationship between the people and the government. The people hire elected leaders, and by extension all civil servants, to manage the government and thus are entitled to hold those leaders accountable for their performances. To the extent that the people can hold elected officials accountable at the ballot box (and elected officials can hold civil servants accountable in turn), the interests of the people and their representatives should align. That is, the people want effective government, and those in government will have an incentive to perform well because they want to be rewarded, not punished, at the ballot box or in the court of public opinion.

Unfortunately, there are often information asymmetries because it is difficult for the people to monitor the actions of government. Politicians and civil servants are human. When they know that the citizens are not monitoring their actions—and therefore cannot hold them accountable easily—their incentives will change. Like the errant babysitter, an unobserved public servant is subject to shifting incentives and may be tempted to indulge her personal interests at the expense of the public interest.

Many of these information asymmetries arise out of the costs and benefits of monitoring public officials. Voters have a weak incentive to monitor the behavior and actions of policy makers; the costs of actual delving into the minutiae of government are fairly high because of the sheer volume of policy options and considerations.⁹ The actual benefit that voters will receive from many of these policy questions, however, are low compared to the costs of informing themselves of the detailed positions of policy makers.

Transparency initiatives, especially those that provide easily accessible information through sources such as the Internet, help this problem by lowering the monitoring costs of voters. Furthermore, instead of relying on filters such as the media for information on public figures, the public has a greater ability to directly observe the actions of government. Therefore, by lowering the cost of finding information, transparency allows voters to monitor policy makers more closely, and this can potentially lead to better outcomes.

OPEN-GOVERNMENT EFFORTS AND TRANSPARENCY

With this in mind, Congress can begin to measure the results of the recent open-government initiatives based on how well they are disclosing government performance. With a federal spending crisis on our hands, Congress will soon have to decide which programs to cut, and citizens will have to decide if they support Congress's choices. The whole process would be much easier if information existed about the programs' relative performances. Unfortunately, the utility of the available information varies widely.

One year ago this week, I attended a talk at the Brookings Institution by OIRA Administrator Cass Sunstein

⁹ Viktor Vanberg and James Buchanan, "Constitutional Choice, Rational Ignorance, and the Limits of Reason," in *The Constitution of Good Societies*, Karol Soltan & Stephen Elkin eds. (1996), 39, 43–44.

on “the power of open government.” I was excited because it was an opportunity to hear an administration official talk about transparency shortly before the initial release of the open government plans mandated by the Open Government Directive.

He said the administration was making huge strides on open government, and he cited the new product-recall database from the Consumer Product Safety Commission as a great example of open government. I was a little perplexed by that. He then mentioned a tire safety ratings database from the Department of Transportation, the toxic-release inventory from EPA, nutrition labeling, newly released FAA flight-delay information, and OSHA workplace-death tallies. It is wonderful that these data are public, but these datasets are not really about open government, and they are certainly not about transparency.

As Sunstein said, disclosure is a “high-impact, low-cost” form of industry regulation. It keeps actors accountable for their performances, and this nudges them to behave well. But if disclosure works for regulated industries, it should work for government, too. To me that is what open government is about—government disclosing its own actions, not simply the actions of those it regulates. Therefore, I find it dangerous to be satisfied with the current type of open government.

On Data.gov the government has compiled wonderful, never-before available datasets about regulated industries but little about its own performance. Excluding the 305,000 datasets that pertain to geodata, the Data.gov data catalog makes available just over 3,000 “raw” datasets.¹⁰ Of these, about half are related to the Toxic Release Inventory compiled by the EPA. These are disclosures about regulated entities that, while very valuable to individuals and researchers, tell us little about the performance of government. A quick scan of the remaining 1,500 datasets reveals that only 200 to 300 report on the activities or performance of government, not the activities of some other entity. There is plenty of smoke, but little fire.

Contrast that to datasets like Research.gov. This National Science Foundation database of federally funded science and engineering research allows users to search for grants by keyword, location, or grantee; see which grants were awarded and for how much; and learn about the results of specific, federally funded research projects.¹¹ This information is useful in holding government accountable for its performance to some extent. Less useful (although no doubt valuable to some researchers) are datasets like “Effects of Fire on Avian Communities of Rocky Mountain Forested Ecosystems—Olive-sided flycatcher Nest Data” from the U. S. Geological Survey.¹²

Spending-transparency sites like USASpending.org and the Recovery.gov site are also useful because they disclose government’s actions. They allow citizens, watchdogs, bloggers, and reporters to access the raw data of the business of government; make creative uses of that data, including making interesting mashups; and crowdsource accountability.¹³ However, these types of sites are not perfect. As the Sunlight Foundation and others have pointed out, the quality of the data available can be sorely lacking.¹⁴ Also, until recently, only information about the primary recipient of a contract or grant awards was available on USASpending.org, limiting the usefulness of the site.

More broadly, while spending sites can help uncover instances of fraud, waste, and abuse, they are less helpful in measuring performance because the simple disclosure of inputs or outputs is insufficient to address performance-related principal-agent problems. That is, transparency about the amounts of money disbursed, the recipients, and simple descriptions of contracts or grants provide little help in evaluating a program’s effectiveness. “Output data” are mere measures of actions taken and stand in contrast to “outcome data,” the

¹⁰ Data.gov, Raw Data Catalog, <http://www.data.gov/catalog/raw> (accessed Mar. 9, 2011).

¹¹ Research Spending and Results, <http://www.data.gov/tools/309/> (accessed Mar. 9, 2011).

¹² Effects of Fire on Avian Communities of Rocky Mountain Forested Ecosystems—Olive-sided flycatcher Nest Data, <http://www.data.gov/geodata/g601347/> (accessed Mar. 9, 2011).

¹³ Jerry Brito, “Hack, Mash & Peer: Crowdsourcing Government Transparency,” *Columbia Science & Tech. L.R.* 9 (2008): 119, <http://www.stlr.org/html/volume9/brito.pdf>.

¹⁴ Clearspending.org—Results, <http://sunlightfoundation.com/clearspending/results/> (accessed Mar. 9, 2011).

measurements of progress toward a defined public benefit. To determine whether a program is performing as intended, the public needs information not only about outputs, but also about outcomes.¹⁵

Sites like the National Science Foundation's Research.gov attempt to provide outcome data. In addition to information about grants, recipients, and amounts, it also includes summaries of the results of the funded research. This is a step in the right direction. Unfortunately, the principal investigator funded by the research grant prepares the outcomes reports available to the public.¹⁶ This preserves a principal-agent problem inherent in performance reporting that technology alone cannot solve.

BEYOND TECHNOLOGY IN ENSURING TRANSPARENCY

Information technology is very good at facilitating quantitative disclosures, but not qualitative ones. For example, if the Department of Education funds several reading programs, it's easy for it to disclose how many programs exist, how much money is going to each, how many children are going through the programs, and other similar data. What is harder for it to capture is whether children are learning to read.

Capturing and disclosing this type of performance data is important because as Columbia Professor Louis Lowenstein showed, "quite apart from [the reduction of corruption], good disclosure has been a most efficient and effective mechanism for inducing managers to manage better."¹⁷ The calculus is simple: as an agent, if you must disclose your performance, you will have an incentive not to self-deal against the interests of the principal. Additionally, however, if your compensation is tied to your performance, you will have an incentive to perform well.¹⁸ At the very least you will have an incentive to try to improve those figures that will be disclosed and on which you will be judged.¹⁹ In short, "you manage what you measure."²⁰

In the case of corporate managers, what is managed is straightforward. A publicly traded corporation must disclose its earnings, as well as its expenditures, assets, and capital depreciation on a quarterly basis. It must do so in granular form, breaking down results by line of business and by geographic region. Such an objective measure of performance not only allows the market to set the stock price, but it also allows shareholders to hold management accountable. Now think of government transparency. All agencies and programs disclose their expenditures in their annual budgets. Agencies report capital assets and depreciation in their annual financial reports. What government does not report are earnings figures, for the simple reason that there are none. Therefore, a government program may be transparent, and yet the public sees only half of the balance sheet.

In business, a firm's profit or net income, which describes the return on investment, is an excellent measure of overall performance. How much a firm earned with what it spent describes results investors can judge easily. If a company consistently spends more money than it earns, or if investors believe the company can earn more given how much it spends, investors will demand changes from management. In contrast, the public cannot adequately judge the results of a government program or agency. In general, there is little disclosure of whether the expenditures produced any returns at all, much less returns that justify the

¹⁵ Harry P. Hatry, *Performance Measurement* (Urban Institute Press, 1999), 35–41, 174.

¹⁶ Research.gov—Project Outcomes Report, http://www.research.gov/research-portals/appmanager/base/desktop?_nfpb=true&_pageLabel=research_page_n_about_por (accessed Mar. 9, 2011).

¹⁷ Louis Lowenstein, "A Governance Tool That Really Works," *Directors & Boards* (1997), http://findarticles.com/p/articles/mi_go2446/is_n1_v22/ai_n28695337/.

¹⁸ John M. Abowd, "Does Performance-Based Managerial Compensation Affect Corporate Performance?" *Industrial and Labor Relations Rev.* 43 (1990): 52-S, 53-S.

¹⁹ One would hope that a disclosed figure improved because the program performance results it reflects have improved. But it should be noted that agents may be able to prevaricate so that reports look acceptable at first glance.

²⁰ Lowenstein, "A Governance Tool That Really Works."

investment.²¹

Congress tried to solve this dynamic with the GPRA, which requires agencies to express program goals in terms of measurable results and to publish plans for how it will attain those results. GPRA then requires agencies to measure the actual results and disclose these in performance reports.²² Doing so should help agencies tweak their plans for better results and help federal managers and Congress make better decisions about allocating scarce resources.

The problem, however, is that Congress charged the very agency management that runs the programs with developing what success looks like. The agency develops the measures, measures itself, and writes a self-evaluating performance report.

Compare an agency's method of disclosure to corporate performance disclosures. A company's management—as agents—makes financial statements that outline the company's performance available to their principals—the board and stockholders—so that the board and stockholders can decide whether to keep the management or fire them or sell the stock. So far this is very similar to the performance measurement we see from GPRA. But there is one key difference: Congress has required that a publicly traded company must hire independent third-party auditors to help prepare and certify its reports.²³

Congress requires independent auditors in the corporate world, and those independent auditors solve the principal-agent problem. Remember an agent will have the upper hand if she can control the information available to the principal. Conversely, a principal can make an agent's incentives align with the principal's own interests if she can credibly monitor the agent's activities and performance. Independent auditors are therefore at the heart of solving the principal-agent problem. They are the disinterested monitors that certify to the principal the accuracy of what the agent reports is its performance.

Because agencies write GPRA-mandated performance reports themselves, it is unrealistic to expect a tough, neutral, and dispassionate evaluation. Put simply, GPRA tries to measure results by asking agencies to 1) state a goal, 2) to state objective measures to determine progress toward that goal, and 3) measure and report their progress. If agents have an incentive to present results in the best possible light—and they do—then they will write the goal statements in such a way that their meaning and what counts as “success” is at the very least open to interpretation. The metrics selected by agencies will be similarly ambiguous.

The recently enacted GPRA Modernization Act of 2010 requires OMB to “determine whether agency programs or activities meet performance goals and objectives outlined in the agency performance plans” on an annual basis.²⁴ Consequences for not meeting goals include requiring the agency to submit plans for improvement and eventually requiring OMB to recommend a course of action to Congress to address continued under-performance. Unfortunately, while OMB will now make a determination of whether agencies have met their goals, agency managers still determine the goals and the measurements of success.

This system needs more accountability. Here are some checks that Congress could institute to increase agency accountability.

²¹ As early as 1940, scholars understood that governments had no “bottom line” to serve a metric of success. V.O. Key, “The Lack of a Budgetary Theory,” *Am. Pol. Sci. Rev.* 34 (1940): 1137 (reviewing the public administration literature and concluding that there is no coherent theory to suggest how government should allocate resources). More recently, it has been suggested that attempts to formulate any such normative theory for resource allocation is “utopian.” Aaron Wildavsky, “Political Implications of Budget Reform: A Retrospective,” *Pub. Admin. Rev.* 52 (1992): 594, 595.

²² Government Performance and Results Act of 1993, Pub. L. No. 62-107 Stat. 285 (codified as amended in scattered sections of 31 U.S.C. and 39 U.S.C.).

²³ 15 U.S.C. § 78j-1 (2007).

²⁴ 31 U.S.C. §1116(f).

- Before OMB determines whether agencies have met their goals, it should help determine whether the goals and the measures developed by the agency are valid. Congress could require OMB to check that strategic plans use outcome measures and that those measures can be empirically verified. If goals or measures do not meet a qualitative standard, OMB could return them to the agency for revision. Congress could place this function, similar to that of the Office of Information and Regulatory Affairs' role reviewing significant proposed regulations, in the Office of the Deputy Director for Management.
- Congress could require that inspectors general audit performance reports to make sure that agencies are using OMB approved measures. Congress could also task OMB with determining the quality of the data the agencies are using for the measurements.
- Under GPRA, the agency head must certify the quality of the data reported, a practice similar to that applicable to CEOs in the private sector who must certify the quality of their financial reports. In Sarbanes-Oxley, Congress spelled out concrete penalties for CEOs that misrepresent the data. It could do the same for agency heads in the public sector.

The progress Congress and the Obama Administration have made in making transparency—and especially online transparency—a key objective for government cannot be overstated. The culture of secrecy that has long pervaded federal agencies is beginning to change. Citizens, reformers, and civically minded hackers are realizing the possibilities presented by programmatic access to government disclosures. To really leverage this opportunity, however, we must make sure that open government is first and foremost about transparency and that transparency is clearly understood as the disclosure of government performance in the service of greater accountability.

Thank you for the opportunity to share my views with you.

Mr. LANKFORD. Thank you very much. I thank all of you for preparing a statement.

I would like to begin, I have 5 minutes allotted, I am going to yield those 5 minutes to my vice chairman, Mr. Kelly, for him to start our opening questions.

Mr. KELLY. Thank you, Mr. Chairman. Thank you all for being here today.

I come from the private sector, so I have a little bit of an idea about having skin in the game. And Mr. Brito, I am really interested, when you talked about the principal and the agent reporting program, because I have always thought, in my business, you don't want the fox watching the hen house.

So could you expand a little bit more on where we should go with this? Because I am having an awful tough time following some, we talk the talk but we don't walk the walk in Government? And we tell you how you should do it, but we never do it ourselves? So if you could just expand a little bit on what the purpose would be in having an outside agency looked at. Because in my business, I always bring in outside auditors. I would never, ever do it internally. It gives you a false picture. It gives you a completely unrealistic idea of what is going on with your business.

And I will tell you, the No. 1 thing that I find out when we hire a new person, they come in after their first pay and they say, I thought I was getting paid more. I say, well, this is what we paid you. Now, look through all the deductions and this is what you are taking home.

So there is a huge difference between what we pay and what they take home. And they ask me, where did it go? And I say, well, take a look and you can find out, it went to the Government. And they say, well, what the heck are they doing with my money? I say, you know what, that is anybody's guess, isn't it?

So if you could just tell me a little bit about what you would suggest as far as outside auditors.

Mr. BRITO. Sure. Economists will talk about a concept called principal agent problem, which is very simple. Let's say you have a corporation which is owned by shareholders, thousands of shareholders. They hire a board of directors to manage a corporation and the board hires a CEO and the management.

Now, the board can't be behind watching the CEO all the time. And so for that reason, that is the very reason they hire managers, to manage corporations. Quarterly, yearly, the board meets to review the performance of management. What sort of data do they look at? Well, they look at profit and loss. And it is very clear.

With Government, we don't have profit and loss. So we need to develop performance measurement. And the way that works is very simple, this is what Congress did in the Government Performance and Results Act, which is that, for a program, the agency, before it begins a program, needs to say, these are the results we expect to achieve. These are the data-driven measurements that we will use to determine whether we met those results. And then at the end of the period, whether it is a year or quarterly, you measure and you see whether you met those results.

If you didn't meet those results, well, then, Congress can go look at that program, see how it can be fixed, see if it needs to be elimi-

nated. Unfortunately, the responsibility of creating the measurements, of measuring and of reporting is all on the very same agency that runs the program. And so that creates, again, this principal agent problem.

In the private sector, you wouldn't expect simply to take management's word about the performance of the company. You bring in a third party auditor. That is required by Congress.

But even if it wasn't required by Congress, I would suspect that shareholders and board members would want to audit the information presented to them by management. So that is what I am suggesting, that we take a lesson from that, in the private sector, and bring it into Government.

Mr. KELLY. And I respect your statement that we don't have profit. I would say we do have loss. And I have never seen any business that could run this way consistently, a trillion dollars in the red for three straight years, and feel that, hey, we are doing all right.

Ms. MILLER, one of the things I found interesting is in your written testimony it says that one of the goals of the mission statement, "Sunlight is said to be the best of disinfectants." I would ask you, and also Mr. Brito, USAspending.gov and Recovery.gov have been criticized for not containing the information that citizens are most interested in. What information do you think is most important, what should be made more public?

Ms. MILLER. I will be glad to answer that. I think our criticism with respect to the availability of data really applies to Data.gov. We certainly agree with Mr. Brito's assessment in terms of the amount of data that is actually on that site.

Sunlight advocated, with the administration, that all the data that is made available by Government be made available in machine readable formats. As you heard from our Government colleagues here, the administration has done that. But there is just very little information that is made available. It is hard for me to sit here, as a resident of Washington, DC, and say what someone in your city would be most interested in. But Sunlight has been exploring some of this, and we know people are interested, desperately, in health care issues, they are interested in education issues, they are interested in consumer-related banking issues. So we are beginning, actually, to develop apps from the publicly made available, the data that has been made available either on their own Web sites or on Data.gov, to move into this sort of consumer facing information that our best instincts tell us need to be there.

It has not been easy to find this kind of data immediately accessible. We need more of what citizens need. I think the administration and the various agencies have been asking citizens, what do they need. Again, to their credit, we have to sort of pull back and maybe in another 6 months try to assess that as Government.

Mr. KELLY. Thanks very much. My time is expired. Thank you, Mr. Chairman.

Mr. LANKFORD. Thank you.

I recognize Mr. Lynch for 5 minutes.

Mr. LYNCH. Thank you, Mr. Chairman.

I want to thank the members of the panel for helping the committee with its work.

I listened closely to your testimony. I just want to ask, Ms. Miller, you reported that from the USDA Web site they had listed the school lunch program, the cost of the school breakfast and lunch program here in the United States was \$12.7 billion. However, according to the USDA, their Web site lists the cost at about \$250,000. Actually, I think it was USAspending.gov that actually listed it that way.

And then we have Mr. Smith, God bless him, and it sounds like everything is just going great over there. I am just wondering if, is that how you have assessed the accuracy of the USDA reporting? How would you grade them, I guess?

Ms. MILLER. Well, we don't grade the agencies. Because I think all of them are struggling. So if we had to say which was better than the others, as I mentioned in my testimony, I don't think there is a single agency that would get an A. So there are failures of different kinds and substance throughout the agencies.

Why those spending amounts are recorded so differently I honestly cannot answer. But I suggest Mr. Smith might be able to answer why we see such discrepancies.

Mr. LYNCH. Well, let me ask you then, you say that across the board, that agencies are keeping two sets of books. And this might be one example of that.

Ms. MILLER. It may be.

Mr. LYNCH. They keep a set of books for operational purposes, but then when they report to the taxpayer, to the public, it is in a different format, and it is difficult to reconcile. How do we require that the agencies reconcile that difference and give us usable information? Because I do agree with my colleagues that sunlight is the best disinfectant. And that is the responsibility of this Oversight Committee, to find out how much is being spent, where it is being spent, is it being spent wisely.

We had the Director of the Office of Personnel Management here earlier this week. He could not tell me the number of contractors that we have for the U.S. Government. He thinks it is around 10 million. But I can't even find out how many folks we actually have out there working for the Government. There is a lot of pressure on Federal employees, but here we have these 10 million contractors, at least, I guess, working for different aspects of our Government. It just doesn't seem like we have a handle on this at all.

I applaud your efforts, and I don't mean to single anybody out. But we need a lot more work done on this.

Ms. MILLER. Yes, absolutely. And I think the first step to that is oversight. Well, perhaps the first step was the analysis which the Sunlight Foundation has done in expanding that analysis. Sunlight only looked at grants. We have not looked at any of the contract information that has been reported. So we have no idea of how much that would be.

Mr. LYNCH. Well, get on that, will you? [Laughter.]
I am kidding.

Mr. MILLER. We have actually requested of the administration the necessary documents that we need to do that, and they have told us that we could not have that information. So we FOIA'd it 6 months ago and we are still waiting. Because we would very

much like to move into examining the grants, the quality of the grants.

Mr. LYNCH. Thanks, Ms. Miller. I do want to give Mr. Smith, in fairness, an opportunity to respond. Because I used his agency as an example of the filing there, as a glaring example of mis-reporting. So Mr. Smith, have a whack at me.

Mr. SMITH. Thank you, Congressman Lynch.

Let me first say, with transparency comes another set of eyes, always another set of eyes. I think it is exceedingly important that as people identify those things, if we have an anomaly, we identify them, we work through them. I think that is the value of transparency. So I think we appreciate the outside view and the particular question that you asked and that Ms. Miller brought up in her statement on child nutrition programs in particular.

When looking at the legislative intent of the FFATA Act, and that individuals would not be reported for awards, the school lunch program, and also being below \$25,000 for the first 3 years of that act, we did not report individual awards. We have reassessed that as we have gone along, as questions were raised, and at the beginning of this fiscal year, child nutrition programs will be reported in there.

So again, I think it is a matter of, what is being asked, how we are reporting it and then how do you track that back to the authoritative records. And to the point on audits, we are strong believers in audits. Every year we go through a financial audit. We also do audits on our financial systems, SAS-70, to account for that.

Mr. LYNCH. Thank you. I yield back, Mr. Chairman.

Mr. LANKFORD. Thank you very much.

I recognize the gentleman from Texas, Mr. Farenthold, for 5 minutes.

Mr. FARENTHOLD. Good morning, and thank you all for coming to visit with us.

I just have a broad overview question. Do you think part of the data problems, and I guess I will direct that to Mr. Smith or Dr. Harris, because you work within the agencies, is there some level of accountability for the data that you report? What procedures do you have in place to check that the stuff you are publishing, both on your Web site, and sending to some of these collector Web sites, is accurate?

Mr. HARRIS. Thank you, Congressman, for the question. At the Department of Education, we are actually very proud of the quality of the data. I say that because we have a four-way match. We do an extract before we submit data to USAspending.gov. And we match that against our financial system, we match it against the data stream that we send, and then we match it against what is actually in USAspending.gov.

Now, it does go through a treatment when it hits USAspending.gov, and that is when we get the opportunity to actually make those changes. But I do think at the core, and someone spoke about it earlier, I think at the core of data quality is having integrated systems such that human beings do not touch that data between source and reporting. I think a large part of the reporting problem lies there.

Mr. SMITH. Thank you, Mr. Congressman. I would just echo my colleague, Dr. Harris' statement, we want to go to the authoritative data source. We don't want to reconcile it multiple times along the way. So put it in once, read it many times and do the reporting. I think the issue we face is there are sometimes subsets that we are looking at, when you don't have the whole picture, and we are trying to recreate that, is where we start to get differences, and when one group is looking at one thing and the other.

But we put a very repeatable, rigorous process in. Any time there is a new requirement, we try to go back to that authoritative source so we are not reworking it. We check from the agency's sub-feeder systems into the core financial system, do the edit check there, then we check it at OMB before it goes into USAspending.gov. So there are multiple checks in place, and then certainly our first standard is high data quality and no rework.

Mr. FARENTHOLD. And I guess Mr. Brito may be the one to ask this next question, but if anybody else wants to jump in, feel free. When we look at these, and maybe Ms. Miller might kick in here, too, when we look at these aggregationsites, are we comparing apples to apples? Is there equivalent of generally accepted accounting practices for the Government? Or are we just getting thrown data as each individual agency sees it, and there is no real standard or accountability where we know we are looking at accurate data and able to do comparisons that are reasonable?

Mr. BRITO. Well, I would defer to the Sunlight Foundation. But it is obvious they had to FOIA information to do the reconciling.

Ms. MILLER. The answer is, the data is widely dissimilar. And so whether the GAO's initial study that they did, or the more complete analysis that we did, we are finding all kinds of inconsistencies, whether it is consistency of how the data is entered, whether it is completeness of the data or the timeliness of it, there are lots of problems.

I have been thinking that USAspending.gov is a relatively new phenomenon. It was passed in 2006, I think it was available in 2007. So I think the agencies are having trouble adjusting to these aggregationsites. But we have to figure this out further downstream. I would certainly agree with the notion of the less human hands involved in this, the better and the more consistent reporting we will have across agencies.

Mr. FARENTHOLD. And Ms. Miller, let me ask you this. You had to Freedom of Information Act these agencies for information. Do you have an overall sense that the agencies are friendly to publishing this information? Or are you running into noes, and agencies saying, we don't really want this information out?

Ms. MILLER. Let me clarify. We did not have to do a FOIA for any information for the original analysis that we did that focused on the quality of the grants reporting to USAspending.gov. We have had to create a FOIA to get the FPDS data for, in order to do the contract analysis that we wish to do.

Mr. FARENTHOLD. Are the agencies being cooperative, or are you running into stonewalls?

Ms. MILLER. We actually don't receive the data from the agencies directly. We have not had that kind of interaction. We are taking

the data from USAspending.gov and comparing it to other sources of Government information.

Mr. FARENTHOLD. Thank you very much. I am out of time.

Mr. LANKFORD. Mr. Murphy, 5 minutes.

Mr. MURPHY. Thank you very much, Mr. Chairman.

Just a few quick questions. Ms. Miller, I am interested in your experience with the Department of Defense data in particular. This is the one agency that still cannot get a clean audit at the Federal Government level. It is obviously the largest procurement agency at the Federal level. There is an enormous amount of very important data there that I think even as Members of Congress, we don't always know whether we have proper access to.

And maybe you don't have an answer to this question, but I wanted to know about your experiences with the quality of data and the amount of data that comes out of the Department of Defense and how relevant that is to individuals that are trying to understand the decisions that are being made there, and how that money is being spent.

Ms. MILLER. Let me consult with my colleagues just briefly to see what their experience has been with respect to DOD data on USAspending.gov.

My colleague, Kaitlin Lee, reports that most of what happens at DOD is done through contracting. They do very little direct grants. We have only looked at the grants. But if we receive this FOIA information that we have requested, we will be able to report on that in about 6 months. So I am sorry, we don't have that information.

Mr. MURPHY. I bring that up, because as we try to grapple with a lot of complex spending questions, I think what Members find is that even we don't have access to important data. Certainly the public doesn't, and Mr. Brito is nodding his head. So I am happy to give you a chance at this question as well.

But as a for instance, when it comes to contracting decisions, what we have found is that over the last several years there has been a massive outflow of contracts to overseas companies. And we get just a shadow of data regarding those contracts. We know, for instance, from year to year how many waivers to the requirement to purchase here in America are granted, but we don't know anything more. We get a report on the number of waivers, but we don't know what type of waivers they were, why the waivers were granted.

And so there is a larger conversation from a statutory perspective that has to happen about what kind of data the public receives from the Department of Defense. But I will be very interested to hear the results of your contracting audit going forward. Because I think there is a frustration in the public, especially with regard to DOD data. And Mr. Brito, you are nodding your head, so I am happy to give you a chance at that as well.

Mr. BRITO. The only point I would like to make, bringing it back to performance data, is that DOD is one of the least successful when it comes to performance data. One reason perhaps is that they have a quadrennial review process. They sort of feel that is the place to do it.

When we talk about having requirements that an agency head certify performance data, the Secretary of Defense for, let's see,

during the Bush administration, never signed the certification. Never did. So that is something that we need to focus on.

Mr. MURPHY. And just to switch topics, back to you, Dr. Harris, on this issue that was brought up earlier on student loans, the total amount in student loans on USAspending.gov is somewhere just south of \$7 trillion, it is clearly not the right number. And I wanted to just before the panel was up, to give you a chance to maybe explain why that number appears on the Web site, and what happened there.

Mr. HARRIS. Thank you, Congressman Murphy, for that question. In fact, I was going to jump in when Congressman Farenthold raised the issue of aggregation.

In my investigation, while I certainly agree with the assessment by the Sunlight Foundation that there is a tremendous amount of work we need to do in improving the timeliness and especially the quality of the data, in the instance of the \$6 trillion loan anomaly, in my investigation, I have found that it is more an issue of aggregation. Here is what my investigation led to.

When we report the loan amount to USAspending.gov, the instructions tell us to report it at the face value. And in fact, every single time we report for that specific loan, we report it at the face value. Sometimes it goes up, and sometimes it goes down, based on activity against that loan.

But if you aggregate that, unlike other data elements that you can aggregate and they give you an accurate amount, if you aggregate that amount over time, you are going to come up with a ridiculous number. But this is where context becomes the biggest issue we have with Open Government reporting. We have to do a significantly better job at informing the public on not what just the dataset means, what the data attribute means.

So we believe it is the aggregation that was incorrect. When I look at the data on USAspending.gov, it is accurate for the Department of Education.

Mr. LANKFORD. Thank you.

Mr. Walberg, 5 minutes, please.

Mr. WALBERG. Thank you, Mr. Chairman. And thank you to the panel for being here.

I want to followup on Mr. Farenthold's questioning of Ms. Miller. I listened to that question, but I want to move to Dr. Harris and Mr. Smith with this question. Has the Obama administration been helpful in assisting your Department in creating your Open Government plan, and your efforts to meet the Open Government directive? And I would ask you both, maybe we can start with Dr. Harris.

Mr. HARRIS. Absolutely. I think the No. 1 help, if you will, would be in the way of a challenge. And we look at the Department of Education, we look at Open Government in two ways. Probably a slightly unconventional way. One is certainly providing data to the general public in a way where they can take the data and do what they need to do with it.

But the other piece that we push hard on is collaboration. And when you initially hear the word collaboration, you are thinking of the public collaborating with the Government. But when you look at our Race to the Top program, and you look at our innovation

program, we are actually providing data to the public that they can collaborate with each other. This is where we feel true innovation in education comes from, not just interacting with the Federal Government.

So the Obama administration has helped us with that kind of out of the box thinking.

Mr. WALBERG. Mr. Smith.

Mr. SMITH. Thank you, Mr. Congressman. Yes, I think it was a very collaborative effort, as Dr. Harris has said. The Secretary asked me to serve on a working group that the White House convened, and I think every agency was asked to do that. And we worked through, and I think a testament to that is Ms. Miller and other groups, such as OMB Watch, being invited also to comment as we developed these plans, to make sure that we had a full and open conversation as each agency developed their plans and we shared those plans across the Federal Government and sought to put out the best product. Then we iterated those as we went forward.

I think one of the most important things is that as we are looking at transparency, collaboration and participation, how does that drive the mission forward? What is the economic impact? If we are putting data out there, what is the ability for citizens to take that and have an economic impact for us in those rural areas? Or if it is food safety, how do we push the Nation forward by being more open, transparent and accountable?

Mr. WALBERG. Very important, with both entities, to have that transparency. And the administration as well.

Let me continue the questioning with the two gentlemen. Under OMB's directive, each agency selected a "high level" official to oversee the Open Government initiatives. How did your agency select its high level official, and what considerations did you undergo in the selection process?

Mr. HARRIS. At the Department of Education, we certainly did not see the issue as a technology issue. It was more of a business processing issue. I am currently the senior accountable official for data quality at the Department of Education. I wore, for many years at the Department of Education, the chief financial officer hat. But I am a technologist.

But what is more important is, as the official, I bring together individuals, subject matter experts from the program offices, subject matter experts from finance, and subject matter experts from technology to make sure that we get it right. So that is kind of how we did it.

Mr. WALBERG. Mr. Smith.

Mr. SMITH. Sir, the Secretary asked me to take the lead. But it was very clear that I myself was not going to get this done. So we had a team-based approach. We built a rigorous governance structure around it. It was myself and the Deputy Under Secretary for Natural Resources and Environment. And we actually have a meeting standing, executive steering committee made up of under secretaries, deputy under secretaries, across all the mission areas, to ensure that we continue on this effort and make steady progress.

Mr. WALBERG. Thank you. I yield back my time.

Mr. LANKFORD. Thank you.

I am yielding myself 5 minutes here. And I think we are approaching a time for a vote, just to give you a heads-up. It should hit about the time we hit the break in between. But I have several questions I want to be able to talk through with Dr. Harris and Mr. Smith, especially. How do you choose the datasets? From what I am seeing, what is coming out, there was a requirement to get at least three high value data sets. How are those chosen? What was the process you went through? If you could be brief, I have a ton of questions.

Mr. HARRIS. Sure. As you are well aware, Mr. Chairman, we have a very, very visible Secretary in Arnie Duncan. Mr. Duncan spends a tremendous amount of time on the road, and he is constantly asking the citizens what information do you want. Much of our information flows down from senior leadership in that way. And that is kind of how we decided.

Mr. LANKFORD. I will come right back to that. Go ahead, Mr. Smith.

Mr. SMITH. I think I just alluded to it, we try to apply a lens to all our datasets that said how are we pushing the economy forward, what is the value of these datasets from safety and security of the food supply, and every mission area increasing exports. How can we put information out there that furthers the goals of the Nation as we move forward.

Mr. LANKFORD. Would that be for Data.gov or USAspending.gov, or would that be the same for both of those?

Mr. SMITH. We applied this to any data, any information asset within our mission areas.

Mr. LANKFORD. When you are choosing, as far as priority of where to put things, obviously your agency has a very good Web site, for both your agencies, and the information that is out there. When you are choosing information, where does it land? The agency Web site, Data.gov, USAspending.gov, all of the above? There are multiple other portals that are out there as well.

Mr. HARRIS. Actually, all of the above. In fact, prior to USAspending.gov, Data.gov provided 20 toolsets and datasets out there for our customers and clients to use. We actually looked at how that data was being used and asked the question, what part of this data do you like, what don't you like.

Mr. SMITH. Yes, we apply it, again, to the whole portfolio. Let me give you a quick example, the farmer's markets. We expose the information on where all the farmer's markets are in the Nation. We have seen maps produced, so we are having an impact on small business and farmers to sell fresh produce throughout the country, and hope that increases traffic to those markets.

Mr. LANKFORD. I spend time, obviously, going through a lot of the things that are out there as far as information and try to get a good handle on it. But one of the interesting things, I am sure you have done the same thing on it, when I go to Data.gov and I input agriculture, or I go through the search features, and there are multiple different vehicles for that, or education, on that, when I go to Data.gov and ask for just raw data on it for education, it comes up with nine datasets that come up for education. And for agriculture, it comes up with 20 total. And the 20 that are out

there, the farmer's market one you just illustrated, all of them are from previous years. They are older data on that.

So just trying to process through, obviously there are multiple places I think it is located. It is just having Data.gov, the goal of it was to have a place where you type it in, it all comes up there. And it is actually not coming up there when you start doing a search on it.

Mr. SMITH. I will certainly go back and take a look at that. The point is to have a kind of a one stop shop for information portals. So we will certainly look at that.

Some of the datasets were existing, but there were others that had not been exposed through that manner. One is USDA nutritional data base, and that is one I talked about, in which people are now making mobile applications in order to reduce obesity and increase the health of our constituents.

Mr. LANKFORD. Sure.

Mr. HARRIS. Mr. Chairman, I think you are actually highlighting the very important issue of context. For example, when you look at the CFDA data base, and you look at USAspending.gov, the average citizen would expect to see the exact same number in both places.

Mr. LANKFORD. Correct.

Mr. HARRIS. But in fact, the reporting is done at different periods of time. Are we doing a good enough job in explaining to the average citizen the period of time, the context of the data, the answer is no, we need to do a better job.

Mr. LANKFORD. I think what we have created, it is the energy that the Obama administration has put out, saying, let's get this out there. But now we have created so many different sites, dot gov, that are out there, no one really knows where to go to get it. And we don't have a single portal to say, go here, and it will link to everything else. We are missing that. So that is a big piece I think we have to be able to resolve on this, just getting the basics of where it goes from there.

As far as searchable pieces, and this is another thing from USAspending.gov, one of the things I found often when I go through it, USDA had a piece of it, there is an Excel file that would come up, multiple different versions of it, but it would have the address, for instance, all in one file. So when I wanted to search for Oklahoma, and say, what are all the different grants that are out there for Oklahoma, it is not possible to do. Because if I just type in OK as a search, I get every look, crook and hook coming up as well in my search. And so just the basics of breaking up the fields becomes very important.

What data standards do you put out there to say, this is how every single data base is going to be put out to make it consistent and searchable?

Mr. SMITH. I think you are pointing to one of the challenges many of us face in large Cabinet level agencies, or any large organization, corporate or public. There are multiple systems brought up over time, and many of them in non-standard manner. So it is a very large lift to go back and standardize in each and every area. So we are very focused on that, in particular, the areas we are focused on right now are transparency and the reporting areas you

have talked about. We have been able to take the existing data, put it into a readable format and get it out there.

When you throw that net even more largely, there are challenges out there, and we consistently strive to work on those. A good example of what we are doing in the Department of Agriculture is farmers report acreage, are reporting multiple different ways across multiple programs. So we have set out to use the national information exchange model as the standard, not only that the farmer uses, but agribusiness and Government, so that everybody can report and share information in the same manner.

Mr. LANKFORD. Right. I would assume every different one of those groups, as well as every grant that is out there, has a unique i.d. that it is using. It is difficult to even track, is this the same vendor as this, they might have a similar name and they might have a little difference on it. Is there a way to be able to set it up and say, this is the unique i.d., so if we are searching, no matter if they have a subset underneath that general agency, we can still track it and say, all of those that have this name, they are all here and we can search all of them? Is that possible to be able to do?

Mr. SMITH. The CCR, and Don's effort, looked to get one master vendor data file in which that solves the issue of contractors and who we are working with. And I think we have made great strides on that front. But it remains an issue that we are working on constantly, to keep that data clean.

Mr. HARRIS. Certainly this is pointed out, I believe, in the Sunlight Foundation's report, something that we have known for many years, that an entity could have multiple DUNS numbers. And oftentimes, if they are not linked properly, and you are making decisions based on aggregate data, you are not making good decisions. So a lot of work needs to be done in a unique identifier.

Mr. LANKFORD. Give me your timing on that. Give me your thinking as far as work to be done. I know this has been going on for a while. How does that get resolved, and what kind of time period is needed to resolve that? I hate to say it this way, is that up the food chain from you? Someone from OMB is going to have to be able to handle some of those things, or is that something that is within the agency?

Mr. HARRIS. I believe it is up the food chain, but I believe it is also a partnership with the public. Because they are the ones who have to do business with the Federal Government, they are the ones who actually have to get these identifiers. And they have to concur that one identifier for the entity makes sense, and that they are willing to do it.

But to answer your question, how far away is that, I don't believe we have even started in really aggressively attacking that issue.

Mr. LANKFORD. Thankfully, we have someone from OMB who is going to be hanging out in the next panel, and we will get a chance to ask that question in a moment.

Let me just see if there are other Members. My time has expired, but I want to thank you very much for coming. We will have a panel that will be following. If you would like to stay around, we have votes that are going to be happening momentarily. You would be able to hear Mr. Werfel's comments, or you may leave, as well.

Thank you very much for being here. If we have additional follow-up questions, we will try to contact you directly.

With that, this panel is concluded.

Mr. Werfel, if you could come to the dais here, and we could have a quick chat.

[Pause.]

Mr. LANKFORD. In the interest of time, I am going to go ahead and swear Mr. Werfel in in just a moment, and restart this second panel, and allow him to do his opening statement. We will watch time on votes and see what happens. You are welcome to sit in and be a part of this as well. We will get started in just a moment.

[Recess.]

Mr. LANKFORD. The second panel for this subcommittee will begin again now. We are going to recognize this panel. Mr. Danny Werfel, he is the Controller of the Office of Federal Financial Management, OFFM, within the Office of Management and Budget. He is responsible for coordinating OMB's efforts to initiate Government-wide improvements in all areas of financial management, which I would assume would be a very large, complicated task.

So thank you for being here. Pursuant to all committee rules, all witnesses are sworn in before they testify. If you would please rise and raise your right hand.

[Witness sworn.]

Mr. LANKFORD. Thank you very much. You may be seated. Let the record reflect the witness answered in the affirmative.

Mr. Werfel, I am going to allow you to do your opening statement as well, then we will watch carefully for the vote time. Hopefully we will be able to get questions and your statement in all at once, and we will just see how time moves from there. Thank you.

**STATEMENT OF DANIEL I. WERFEL, CONTROLLER, OFFICE OF
MANAGEMENT AND BUDGET**

Mr. WERFEL. Thank you, Chairman Lankford, Ranking Member Connolly and members of the subcommittee, for the invitation to discuss our progress in creating a more open Government.

On his first day in office, President Obama signed a memorandum on transparency and open Government that set forth a new paradigm for an open and accountable government. Since then, the administration has been unwavering in its commitment to increase transparency, participation and collaboration to make our Government more open, accountable, and efficient.

A lot has happened over the last 2 years. The administration launched the Accountable Government initiative, which outlines a performance management approach that drives agencies' top priorities, cuts waste, reforms contracting, closes the information technology gap, promotes accountability and innovation through open government, and continues our efforts to attract and motivate top talent to the Federal Government.

Federal agencies are becoming more open, publishing detailed Open Government plans and road maps in compliance with our Open Government directive. Final agency plans feature key openness initiatives, the identification of data the public would consider highly valuable, and new agency Open Government Web pages to facilitate greater transparency.

The Federal Government's data has become the public's data. Data.gov is a Federal one stop data sharing platform designed to democratize access to data with hundreds of thousands of datasets in a common format housed in a central location. Federal spending clearly is becoming more transparent.

We launched paymentaccuracy.gov in June 2010. This contains information about current and historical rates and amounts of improper payments, information on why improper payments occur, and information about what agencies are doing to reduce and recover improper payments.

Recovery.gov presents unprecedented levels of transparency and accountability, so that citizens can monitor the progress of the Recovery Act, to track Federal contracts, grants and loans, to an unprecedented degree, and to provide feedback on the status and results of those investments at the community level.

USAspending.gov is a one stop site that provides the public with an understanding of how Federal dollars are spent, accounting for billions of dollars spent across the executive branch agency. The site not only contains valuable information on Federal spending, but has been recently expanded to include data on sub-awards. The public can now see where Federal grant and contract dollars go down to the sub-grantee and sub-contractor levels.

Providing easy access to information is critical to ensure that the Government is held accountable for how it uses taxpayer dollars. While much progress has been made, going forward we need to continue our efforts to fulfill the President's State of the Union promise, to build people's faith in the institution of government. We need to continue to refine the collection of data, provide easy access to information, collaborate with our stakeholders and encourage participation in how we conduct business.

The administration's commitment to open government is firm. The mechanisms that have been and continue to be implemented constitute a new way of doing business that will persist for decades to come.

While we have accomplished many things, there is still much work, as I have mentioned. The public cannot realize the full utility of transparent Federal information if the data across our agencies are incompatible. Demonstrating our commitment to quality assurance, we have already identified potential methods for data standardization, particularly within Federal spending information. Data standardization will not only increase the usability of the information for the public, but will also achieve long-term benefits across Federal agencies.

Current efforts to provide quality and real-time data to the public can consume many resources, and at times, manual process to ensure the data from multiple systems and sources reconcile. To sustain and improve upon these efforts, inter-agency work groups have been launched, with the commitment to drive high quality Federal spending information and reevaluate and realign the underlying data standards.

As we continue to build upon the solid foundations of an open government, we must constantly gauge our progress against the guiding principles of transparency, participation and collaboration.

We embrace the opportunities to work with all of our stakeholders to reach the shared end goal of an open government.

Thank you for the opportunity to testify today, and I look forward to answering your questions.

[The prepared statement of Mr. Werfel follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
www.whitehouse.gov/omb

Testimony of Daniel I. Werfel
Controller, Office of Management and Budget
before the
Subcommittee on Technology, Information Policy,
Intergovernmental Relations and Procurement Reform
House Committee on Oversight and Government Reform

March 11, 2011

Thank you, Chairman Lankford, Ranking Member Connolly, and members of the Subcommittee, for the invitation to discuss our progress in creating a more open government.

On his first day in office, President Obama signed the Memorandum on Transparency and Open Government that set forth a new paradigm for an open and accountable government.¹ Since then, the Administration has been unwavering in its commitment, through increased transparency, participation, and collaboration, to make our government more open, accountable and efficient. In just over two years:

- **The Administration Launched The Accountable Government Initiative.** To make government work better, faster, and more efficiently, the Accountable Government Initiative outlines a performance management approach that drives agencies' top priorities, cuts waste, reforms contracting, closes the IT gap, promotes accountability and innovation through open government, and continues to attract and motivate top talent.
- **Federal Agencies Have Become More Open.** Federal agencies have published detailed open government plans and roadmaps in compliance with the Open Government Directive.² Final agency plans feature key openness initiatives, the identification of data the public would consider highly valuable, and new agency Open Government web pages to facilitate greater transparency. Each agency's plan is tailored to its own structure and mission, however several agencies have crossed the typical stovepipes of providing only agency-specific data and partnered together to provide more comprehensive information to the public on key topical areas that span multiple agencies. An example of this partnership is the creation of *Recalls.gov*, which alerts the public to unsafe, hazardous, or defective products and provides up-to-date consumer safety information.³ Six agencies partnered together to provide this highly valuable information to the public in one central location: the Consumer Product Safety Commission, the National Highway Traffic Safety Administration, the U.S. Coast Guard, the Food and Drug Administration, the U.S. Department of Agriculture, and the Environmental Protection Agency.

¹ Memorandum on Transparency and Open Government, *available at* http://www.whitehouse.gov/the_press_office/TransparencyandOpenGovernment.

² Open Government Directive, *available at* <http://www.whitehouse.gov/open/documents/open-government-directive>.

³ Additional examples of agency initiatives are available at: <http://www.whitehouse.gov/open/innovations>; <http://www.whitehouse.gov/open/highlights>.

- **Federal Government Data Has Become the Public's Data.** *Data.gov* is a federal one-stop data sharing platform designed to democratize access to data, with hundreds of thousands of datasets in a common format housed in a central location. By the close of 2010, over 300,000 datasets and applications (apps) were posted, providing the public with new information about such diverse matters as automobile safety, air travel, air quality, workplace safety, drug safety, nutrition, crime, obesity, the employment market, and health care. Over the past year, *Data.gov* received over 100 million hits. *Data.gov* has also launched communities that bring the American people together to share ideas and take action around a variety of topics. These communities, such as *health.data.gov*, are partnerships between *Data.gov* and Federal agencies. As crossroads for participants from across academia, business, government and the general public, *Data.gov* communities are positioned to make a difference in the lives of Americans by facilitating ongoing conversations and activities, both virtual and face-to-face, and spurring innovation through the development of applications that advance the public's ability to utilize data.
- **The Administration Is Committed to Lowering Costs of Government Operations.** The Administration launched *Apps.gov*, to help continue the President's initiative to lower the cost of government operations while driving innovation within government. This site is an online storefront for Federal agencies to quickly browse and purchase cloud-based IT services, for productivity, collaboration, and efficiency.
- **The Federal Reporting Model Realigns with Public Interest.** OMB, working with the CFO Council, developed a new statement of spending that focuses on how and where Federal dollars are being spent. Federal agencies spend a great deal of time and energy surrounding audited financial statements. Given the wide interest in public websites such as *Recovery.gov* and *USAspending.gov*, OMB and the CFO Council developed a new financial statement that will blend Federal spending information with the same disciplined internal control foundation as the other financial statements. This year, several Federal agencies will pilot this new statement, with the goal of incorporating spending transparency into agencies' financial management practices.
- **Federal Spending Has Become More Transparent.** The new improper payments dashboard, *PaymentAccuracy.gov*, was launched in 2010 in response to Executive Order 13520—*Reducing Improper Payments and Eliminating Waste in Federal Programs*.⁴ The dashboard contains information about: (1) current and historical rates and amounts of improper payments; (2) information on why improper payments occur; and (3) information about what agencies are doing to reduce and recover improper payments.

Recovery.gov presents unprecedented levels of transparency and accountability so that citizens can monitor the progress of the American Recovery and Reinvestment Act of 2009 (Recovery Act), to track Federal contracts, grants, and loans to an unprecedented degree, and to provide feedback on the status and results of those investments at the community level.

⁴ Executive Order 13520, available at <http://www.whitehouse.gov/the-press-office/executive-order-reducing-improper-payments>.

USAspending.gov is a one-stop site that provides the public with an understanding of how Federal dollars are spent; accounting for billions of dollars spent across Executive agencies. The site builds off of the lessons learned from Recovery Act implementation and the public can now track how Federal dollars are spent at the sub-award level for contracts and grants.

Providing easy access to information is critical to ensure that the Government is held accountable for how it uses taxpayers' dollars. While much progress has been made, going forward, we need to continue our efforts to fulfill the President's State of the Union promise: to rebuild people's faith in the institution of government. We need to continue to refine the collection of data, provide easy access to information, collaborate with our stakeholders, and encourage participation in how we conduct business. The Administration's commitment to an open government is firm. The mechanisms that have been and continue to be implemented constitute a new way of doing business that will persist for decades to come.

Accomplishments in Federal Spending Transparency

Transparency in Federal spending is of the utmost importance in demonstrating how, when, and where taxpayer dollars are being spent. Transparency in this area helps to drive accountability in the government's spending. We have achieved significant accomplishments in this particular area.

PaymentAccuracy.gov Displays the Administration's Efforts to Reduce Improper Payments

In response to the large increase in improper payments between 2008 and 2009, the President signed Executive Order 13520 in November 2009, directing the Administration to reduce improper payments. To accomplish this goal, we have employed the principles of transparency and increased agency accountability. Further, we have explored incentives for State and local government efforts to reduce improper payments in State-administered programs (*e.g.* Unemployment Insurance, the Supplemental Nutrition Assistance Program, and Medicaid).

Since the President's Executive Order, agencies have made great strides. For those high-priority programs that account for the majority of improper payments, agencies have established supplemental measures to provide more frequent and current measurements of improper payments. Agencies have also selected Accountable Officials responsible for coordinating efforts to reduce improper payments. These efforts have not been pursued in a vacuum; rather they have been part of the public discourse on reducing improper payments. In fact, all of this information is now readily available to the public on a recently launched improper payments dashboard at *PaymentAccuracy.gov*. Specifically, the dashboard includes:

- Government-wide and program-by-program data on improper payment rates, amounts and reduction targets;
- Data on the amount of contract payment errors recovered;
- The top 10 highest improper payments for the most recent reporting quarter;
- The identity of the agency senior accountable official; and
- Agency success stories.

We launched *PaymentAccuracy.gov* in June 2010. Already, the site has received almost 450,000 hits, another indication that we are driving transparency by putting more information online that can be

accessed by the public. Our efforts are achieving important early results. In FY 2010, a reduction in the government-wide error rate helped prevent \$3.8 billion in improper payments.

Recovery Act Reporting Provided the Public with Unprecedented Transparency

Consistent with the Administration and Congress' calls for transparency, the Recovery Act has put forth an unprecedented effort to provide timely, transparent, and accountable information about the Act's progress. In pursuit of this commitment, Section 1512 of the Act requires nearly every grant, contract and loan recipient of Recovery Act funds to file quarterly reports providing spending, employment and project status information.⁵ The reports include up to 99 distinct data fields, and provide a level of detail on Recovery Act contracts, grants, and loans that goes beyond any previous Federal reporting model.

Transparency has been critical to accomplishing the goals of the Recovery Act. Currently, over 200,000 prime and sub-recipients file public quarterly reports which are collected and made public quarterly. This is more frequent than other major financial reporting required by the federal government.⁶

After undergoing a rigorous quality assurance process conducted by each agency, recipient reported data is then posted on *Recovery.gov*. Due in large part to the leadership, vision, and tireless efforts of the Recovery Accountability and Transparency Board, Federal agencies and recipients, *Recovery.gov* has set a new standard for web-enabled spending transparency. Taxpayers have been provided the most powerful tool in our nation's history for tracking where their dollars are going – every project, down to the zip code, with relevant financial and employment data, project descriptions, and interactive graphics that guide the user.

We are also committed to ensuring a high rate of compliance with recipient reporting. On April 6, 2010, the President issued a memorandum, "Combating Noncompliance with Recovery Act Reporting Recipients," directing federal agencies to use every means available to identify prime recipients that have failed to file a report on *FederalReporting.gov* and to hold them accountable to the fullest extent permitted by law. The directive requires agencies, when appropriate, to terminate awards, reclaim misused funds, and pursue suspension and debarment proceedings against non-reporters.

Our success in compliance so far has been remarkable. In the most recent quarter ending on December 30, 2010, over 99.6 percent of Recovery Act prime recipients that were required to file reports on their spending did so on a timely basis. Through continued outreach and training for recipients, we have collectively improved compliance and data quality. Taken as a whole, all of these efforts demonstrate that the Administration's implementation of the Recovery Act has been done in a transparent manner.

USAspending.gov Tracks Federal Spending, Using Lessons Learned from Recovery

USAspending.gov was established in 2007, pursuant to the Federal Funding Accountability and Transparency Act (Transparency Act). It has been described as "Google for Government," tracking all

⁵ Section 1512 of the Recovery Act details which recipients are required to report every quarter.

⁶ These include financial reports such as the Non-profit IRS 990, Private Sector Year-End SEC 10K, the Private Sector Quarterly SEC 10Q, and the Federal agency financial statements.

Federal payments greater than \$25,000 and enabling the public to search who is receiving these payments and for what purpose.

Using lessons learned from *Recovery.gov*, we are now on track to enhance the usability and reliability of *USAspending.gov*, providing transparency of spending at the sub-award level, streamlining reporting burden to recipients, and setting the course for improved data quality.

First, we enhanced what *USAspending.gov* can do for the public. In the most recent release of *USAspending.gov*, the public can now compare spending across agencies, view agency spending dashboards, and explore spending trends with interactive motion charts to see how spending trends have changed from year to year. *USAspending.gov* also allows users to see spending by state and to download bulk data for further analysis. Recognizing how important social media has become in our society, you can also share your feeds, exports, and results with friends via social booking and RSS feeds.

Second, the public now can track Federal spending, down to the sub-award level. As of March 1st, the public can find out how almost four billion in taxpayer dollars were spent at the sub-recipient level.⁷ On *USAspending.gov*, not only can the public see who the top recipients of prime Federal awards are, but the public also has visibility on who the top sub-contracting and sub-grantees of the Federal Government are and where they are located.

Third, in requiring the reporting of sub-award data into *USAspending.gov*, we have minimized the reporting burden to Federal assistance recipients. In addressing recipients' concern over excessive recipient reporting burden, we had to balance the need for transparency and accountability in Federal spending. The result was a streamlined reporting model that did not sacrifice information but lowered total reporting burden. We did this by following two principles: the highest quality data is data reported directly by the source and we should collect information from the public once, but use many times.

Fourth, we have identified the key data quality problems and have charted a way forward to narrowing the data quality gaps. Our experiences under the Recovery Act taught us that constant vigilance does make a difference. Following the model used in Recovery Act reporting, Federal agencies have designated a senior accountable official to be responsible for the quality, objectivity of, and internal controls over, publicly disseminated Federal spending information. In addition, Federal agencies have each developed unique data quality plans, each of which outlines the agency's plan to provide timely, accurate, and complete data. These plans are the agencies' strategy to provide high quality spending information to the public.

⁷ Statistics current as of March 4, 2011.

Path Forward

Since issuing the Open Government Directive, the Administration has made great advances in establishing a culture of openness and transparency. In particular, we have reached an unprecedented level of public visibility into how taxpayer dollars are spent. For the first time in history, the public can see who gets Federal dollars and the purpose of that spending.

While we have accomplished many things, there is still much work to be done. The public cannot realize the full utility of transparent Federal information if the data across agencies are incompatible. Demonstrating our commitment to quality assurance, we have already identified potential methods for data standardization, particularly within Federal spending information. Data standardization will not only increase the usability of the information for the public, but will also achieve long-term benefits across Federal agencies. Current efforts to provide quality and real-time data to the public can consume many resources, and at times manual processes, to ensure that data from multiple systems and sources reconcile. To sustain and improve upon these efforts, inter-agency work groups have been launched, with the commitment to drive the high quality of Federal spending information and re-evaluate and realign the underlying data standards.

As we continue to build upon the solid foundations of an open government, we must constantly gauge our progress against the guiding principles of transparency, participation, and collaboration. Moving forward, we embrace the opportunities to work with all of our stakeholders to reach the shared end goal of an open government.

Thank you for the opportunity to testify today and I look forward to answering your questions.

Mr. LANKFORD. Thank you very much.

I am moving to recognizing Mr. Kelly, the vice chairman, to begin our questioning time.

Mr. KELLY. Thanks, Mr. Chairman.

Mr. Werfel, both President Obama and the OMB have stressed the importance of government that is transparent, participatory and collaborative. How is OMB enacting this guidance, and what role does OMB believe public citizens have in the process?

Mr. WERFEL. The public citizens have a central role. I think one of the tenets of open government is that accountability is necessary to push the types of results and improve government performance that citizens demand, and that we have a responsibility to reach.

What we see day in and day out is that the more information is shared publicly about Federal activities, in particular, for example, where our Federal dollars are going, the more not only do citizens participate and engage in helping keep us accountable for those dollars, but the Government agencies themselves feel more accountable. As was mentioned in the previous panel, sunlight is a great disinfectant. We certainly see that happening throughout Government. I think the Recovery Act, in particular, is a great example of that.

Mr. KELLY. OK, and I appreciate that. But my question is, if we are really looking for transparency and we are looking for participation and collaboration, why weren't you willing to go ahead and appear with the rest of the panel today?

Mr. WERFEL. For the record, Congressman, I would state that I am here now, answering your questions and can be—

Mr. KELLY. That wasn't my question, and I understand what you are saying. But we keep talking about, we want transparency, we want people to have access to us. And then when we have an opportunity to appear on a panel with other folks, you decline that. Makes no sense to me.

But I come from the private world. I don't come from this world. I really am trying to understand why we talk one way and we act an entirely different way.

Mr. WERFEL. I think the elements of the administration's policy in terms of witnesses and how they appear is something that I am happy to spend more time with you on, and get more information for you. Again, I will repeat, the bottom line is I am here and ready to answer any questions you have.

Mr. KELLY. And I recognize the fact that you are here. But I really do, in the world I come from, I absolutely hate tap dancing. When I can't get an answer, and you do not have to be diplomatic with me, you can be direct, and I would hope you understand, I am that same type of person.

So whenever we have an administration that says, we want to be open, we want to work with you, we want you to know everything, and then we invite them to sit here with us in the panel, with the public, and they don't show up, and the answer is, I will get back with you, I don't think that is fair to the American people. I think it does a disservice, and it certainly discredits a policy that is supposed to be open and transparent.

I yield back my time, Mr. Chairman. I don't think you can answer that, right? Or we are going to go back on what you did say?

Mr. WERFEL. My direct answer to you is, you have requested is that I am not the correct OMB official to answer the question on the administration's policies with respect to witnesses testifying before Congress. Therefore, I have to go back and get the answer to your question.

Mr. KELLY. Bad policy leads to bad process leads to a bad image of what the people in this country really expect of us, and they really do expect us to say what we mean and mean what we say. That is just a real basic definition of integrity. And I would suggest to you that in this town, we had better start understanding what it is the American people expect from us. And they do not expect to be given the runaround on things.

So I appreciate the fact that you are here, and the fact that you can't answer. But I would appreciate, in writing, the answers to why you could not appear with the other panel.

Thank you, and I yield back my time, Mr. Chairman.

Mr. LANKFORD. Thank you, Mr. Kelly.

I hate to tell everyone this, because it is going to cause a significant delay, but we have votes that have already been called on the floor of the House. We have also been asked by the people that we represent to vote for them. So we are expected to be there as well.

We are going to recess temporarily. This hearing will resume in probably about 40 to 45 minutes. We will resume again with the questioning and then be able to address our questions.

With that, we will stand in recess.

[Recess.]

Chairman ISSA [presiding]. The hearing will come to order.

The subcommittee chairman will be here in a moment. But one of the few great prerogatives of the Chair is I also have the ability to bring it back to order.

Thank you for staying over the voting break. You will see Members straggling back shortly.

I have a short series of questions for you. And they really have to do with the work that the RAT board has been doing. As far as we can tell, and both myself, the former chairman and the current ranking member, have all gone over, reviewed it, seen some of the discoveries. But particularly seen what we see is the first time in which there has been a direct outreach to get reporting, to get it in a format that is consistent and usable, and then use it against other data bases that detect fraud, at the current time, OMB, from what we can tell, has no comprehensive plan to bring a similar recipient reporting system across the Government. Can you comment on that?

Mr. WERFEL. Yes. First of all, I would say that we are completely committed to carrying forward some of the important accomplishments that the Recovery Board has had. One of the major areas where they have been successful, as you have noted, is the deployment of a forensic data tool and a fraud detection tool. It is for that reason that the President's budget includes a proposal to move into the Department of Treasury—

Chairman ISSA. You are talking about the \$10 million?

Mr. WERFEL. The \$10 million for the do not pay solution, which would adopt very similar approaches that the Recovery Board has adopted in terms of having a central place where the Treasury De-

partment, in this case, would be assisting agencies and looking across all data sources where we can get access to, both public and—

Chairman ISSA. That is where I want to stop you.

Mr. WERFEL. Please.

Chairman ISSA. The President, by executive order, could require all the agencies, I have been told, at least, to cooperate in a way in which the reporting would be assumed, and thus that \$10 million investment would be able to guarantee that it would have access subject to data integrity and ability to transmit it to do the kind of work the RAT board has done. As you know, the RAT board leveraged basically Katrina-Rita data. They leveraged existing one-time events in order to get more access.

They have been unable, except anecdotally, by transfers that they have been able to get, they have been unable to get the real access that would allow cross-platform. And Treasury certainly would have the authority and the confidence.

Are you prepared to, either legislatively or through executive action, get that kind of buy-in? Or will it be, with all due respect, the old mealy mouthed, we are OMB, we do things collegially, we get buy-in, which is crap, it never works. And if you say it does, I will have Mitch Daniels sitting in your seat, explaining that it doesn't work by Sunday morning.

That is my question to you, because your teeth are not sharp enough to cut through the bureaucracy. Are you asking for something that would give either you and/or in this case Treasury the teeth to make this a reality?

Mr. WERFEL. I think the answer to that is yes. We have to balance, as we break down data silos that exist in Government today, and create the, enable us to do the type of analytics that are going to drive more powerful assessments around finding anomalies, fraud and error, there will be other public policy balances that need to come into place, including, for example, privacy and other implications and data security. It is my position that we can achieve a far greater efficiency and streamlining of data share and date interoperability across Federal agencies, while still meeting important privacy and security objectives.

Chairman ISSA. What data does the Federal Government have which you are prohibited from accessing for purposes of analysis?

Mr. WERFEL. For purposes of, well, there are, for example, one of the more protected data bases is the IRS data base, as an example. And to the extent there is personally identifiable information or tax information, Section 6103 of the Code would prevent that type of movement of data.

Another great example is the National Directory of New Hires.

Chairman ISSA. Right, but let's go through, because the IRS is the best known by the American people. The IRS routinely takes information in, digests it and responds to State laws, Federal and State laws. If you have a deadbeat dad in Minnesota who leaves and goes to Florida, or any other State, the Minnesota input data leads to an output data that confirms the availability of the dollars, allows for the grabbing of the tax return and thus the movement of it, either to public entities that have taken care of the mother

and child, or directly to the individual, or for that matter, even to a State coffer on a State tax.

So if you have that authority within the Code, can't you, without looking at it, create a leverage where you send the data in a format the IRS can absorb, with your request, and you get back only the limited response? Isn't it true that you can't even pierce the IRS, as long as you don't extract the data?

Mr. WERFEL. Yes. There are, I am personally aware of situations in which IRS data transfers can occur in a different format, in order to protect certain 6103 restrictions. So you are right about that.

Chairman ISSA. OK, my time is expired. When you said yes, you are prepared to do it—

Mr. LANKFORD [presiding]. I can yield to the gentleman an additional 2 minutes.

Chairman ISSA. I thank the gentleman, but I will hopefully not use it all. You didn't say that you would ask the President by executive order. You apparently historically do not have the legislative authority. Are you going to come to us for legislative authority, and if so, when?

Mr. WERFEL. I think, let me step back and say that there are different avenues we can dig to break down these data silos. In some case administrative, and in some case, we would need legislation. I believe we are in a, as we move forward on our efforts to detect fraud and understand more what we need to do to knock down these data silos, I think we will be back and asking you for help, legislative help to create these types of data transfers.

I don't have a date certain by which I know we will come back. But it is our commitment to work with this committee in particular on these issues.

Chairman ISSA. OK. My closing question, which I would appreciate just answered for the record, or briefly respond and then expand, forensics clearly are not going to be enough alone. If I were Visa, MasterCard or any of the other, if you will, world class organizations, real-time, online assessment is how you prevent the loss, not how you simply see if the courts are too backed up to go after the person once you find them. Ten million is obviously not for that.

Do you have a plan to make any portion of the Government as proactive as Visa, MasterCard?

Mr. WERFEL. I don't know that I could articulate for you an overarching plan. I will say that I agree with the principle that prevention comes first versus paying and chasing errors after they occur. Absolutely. There are situations that are emerging today where agencies are taking more aggressive steps to pause, to review, to place moratoriums on certain payments before they go out the door. That is part of the prevention.

But a global, cross-Government plan that initiates the type of neural networks that you are talking about, we don't have that in place yet. I think if we get to a point where we start to knock down some of these data silos, that will open the door. We need to bring some smart people around the table to figure out how to enable such, leveraging such a new data environment.

Chairman ISSA. Thank you.

Thank you, Chairman. I yield back.

Mr. LANKFORD. Thank you. I would like to recognize the ranking member, Mr. Cummings, for 5 minutes.

Mr. CUMMINGS. Thank you very much.

Mr. Werfel, let me ask you this. In the other panel, Ellen Miller talked about some agencies that were not reporting. Were you here?

Mr. WERFEL. I was.

Mr. CUMMINGS. Can you talk about that for a moment? And I was just wondering what we are doing to try to make sure that they do report.

Mr. WERFEL. Thank you for the opportunity to respond to those issues.

First of all, I think it is a very important thing that the Sunlight Foundation is doing by raising these issues to our attention. It is part of transparency at work. We don't just self-identify errors, we rely on the public to be reviewing our reports and finding those issues as well.

I think in some cases, we are going to find that the public is going to report, like a group like Sunlight Foundation, an error, and it is going to have a real, immediate impact and be a legitimate issue for us to address. And sometimes, the error has an easy explanation and it is not really an error at all. I think there was an example that was provided around the school lunch program, where USAspending.gov doesn't require us to report payments under \$25,000, which is the bulk of the school lunch payments. That is why there is an absence of information.

All that said, there are criticisms that were discussed in the first panel that are valid. And we are not where we need to be in terms of the full completeness of the data. We have issued a policy at OMB that we think is having an impact on this, that requires Federal agencies to initiate more robust quality assurance programs around the completeness, accuracy and timeliness of their data, starting with the senior accountable official and moving forward to the types of frameworks we see in our traditional financial statement reporting process: risk management, internal control review, reconciliation of information in our accounting systems to what is being reported on USAspending.gov.

All of that is underway. But Congressman, it is an evolving process. As we move forward, there will continue to be points in time which we expect there will be some errors. And we will get better and better at this as we go.

Mr. CUMMINGS. I often say that there are certain things that are a project and not a product. Certain things are ever-evolving.

The question is, are we doing, are we moving fast enough? We just heard from the Commissioner of the SEC yesterday, and in one of her reports she talked about how folks on Wall Street were moving so fast and coming up with all kinds of new products. In some instances, so fast it was hard for SEC to keep up with them.

I am just wondering, do we have, first of all, the technology that we need? Is it, from what you can see, problems stemming from folks who are just not doing what they are supposed to do? Is there a bigger hammer that needs to be hammered? I am just wondering.

Mr. WERFEL. I think it is a mixture. I would say that there are moments that I see, in my work, where it is almost astonishing, the progress that is being made. So for example, I look at Recovery.gov today as an example. The information that is there, the level of detail, the functionality of that Web site. And I think that is really a cutting edge tool that is probably far ahead of where I thought we might be 5 years ago, if I was testifying before you then.

And so that is exciting. And that, I think, rallies the rest of the community around what is possible. And really opens the door to even greater efforts.

At the same time, there are agencies that I could probably say I would have thought would have been further along if I was testifying here 5 years ago.

To answer your question, I think a bigger hammer is needed. I think what you have today is a dichotomy that was reported on the first panel that is accurate. We have what I would argue is a very robust financial statement audit process that exists today. Started in 1990, it has been 20 years. We have 20 of the 24 major agencies in Government receiving a clean audit opinion. A lot of effort goes into scrutinizing, to the 10th decimal point, the numbers that go on our balance sheets and our other basic financial statements. And we have developed a very robust process in response that is moving forward and achieving important things in terms of financial reporting reliability.

That robustness does not exist with respect to the information as reported on USAspending.gov. The spend information, as we call it, is not completely wired into the financial statement audit process. We think that we need to look at that audit process and that reporting model to potentially realign some of that audit scrutiny around spending information. I think you would see a difference in results if agencies felt the accountability of an auditor's eye on these issues.

Mr. CUMMINGS. I ask for unanimous consent that I have an additional 3 minutes, as the chairman had.

Mr. LANKFORD. Absolutely.

Mr. CUMMINGS. Thank you very much.

In your testimony, you also talk about the breadth and depth of reporting required by the Recovery Act, 200,000 prime and sub-recipients file public quarterly reports, with up to 99 distinct data fields. As you point out, this is more frequent than other major financial reporting required by the Federal Government. And yet, Recovery.gov seems to be the best example of Federal spending transparency. Indeed, 99.6 percent of prime recipients filed on time last quarter.

So I have to ask you this. Where did Recovery.gov succeed and USAspending.gov struggle, and why?

Mr. WERFEL. That is a very good question. I think for one, the Recovery Act represented a point in time where there was tremendous accountability, both vertically and horizontally, across Government and recipients, about getting the information reported in and getting it correct. There was leadership engagement, congressional oversight, GAO has probably issued 20 reports auditing and looking at our activities to meet these requirements. There was a

real sense, and I am glad of it, a real healthy stress that was placed on the entire Federal environment, and the recipients of the Recovery Act, that this needed to be done transparently. And it became one of the most major priorities that I have ever been involved in in order to make this work, make it successful.

And we had a very talented individual in Earl DeVaney at the board, at the Recovery Board, helping us along the way. And the stars aligned for great success. The USAspending.gov environment, it hasn't been as similar. The law was passed in 2006. We did not see the same type of emphasis, whether it be GAO, congressional or administration leadership, around getting those data requirements up and running.

When this administration came in, it was confronted almost immediately with the economic situation and the Recovery Act. We immediately looked at this as a major opportunity to deploy Recovery Act reporting and Recovery.gov successfully, and have it set the milestone that USAspending.gov would need to follow.

We already see evidence that is following through. Because up until the Recovery act, we never had any sub-award reporting in USAspending.gov and now we do. So we are already starting to see that this arc of, can Recovery Act reporting set a new tone and a new watermark that would move USAspending.gov in the right direction, it is already starting to materialize. But we still have to work at it.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. LANKFORD. Thank you.

I would like to recognize the ranking member of this subcommittee, Mr. Connolly, for his questions in 5 minutes.

Mr. CONNOLLY. I thank the chairman, and welcome Mr. Werfel. Welcome back to the Oversight and Government Reform Committee, your second home lately.

Mr. WERFEL. Yes.

Mr. CONNOLLY. We are glad to have you.

You, I don't think, had joined us yet, but the chairman, Mr. Lankford and I, in our respective opening statements, both praised the administration for the transparency initiative, especially with respect to Recovery.gov. So I think there was public acknowledgment, on a bipartisan basis, that we have made a lot of progress. Now, nothing is perfect.

You in your testimony talked about the OMB and the CFO counsel developing a new statement of spending to focus on how and where Federal dollars are being spent. Would that supplant the current CFS? And how would that work?

Mr. WERFEL. It wouldn't supplant it. It gets back to part of the response to Congressman Cummings' question, how do you, we have confronted ourselves the following question. How do we drive more accountability for Federal agencies' reporting of spending information into USAspending.gov. We feel like we have developed a pretty strong muscle in the area of basic financial statement reporting. The agencies have been doing it for years. They have set up IT systems and processes to do it.

So the question is, how do we walk in that game and talk in that dialog. That is where the concept of the statement of spending came. Because agencies have the ability and the experience, and

auditors have the ability and experience, to audit basic financial statements. We felt that if we can create a financial statement similar to our other statements that has the foundational information that goes into USAspending.gov that you, in order to get a clean audit opinion on that statement of spend, it would automatically mean that the underlying source information is accurate and then the information that flowed into USAspending.gov by definition therefore would be more reliable.

So what we are saying with the statement of spend is, reliability of USAspending.gov information into what we believe has been a successful, yet still emerging initiative to improve basic financial reporting on things like balance sheets.

Mr. CONNOLLY. Are there best practices from USAspending.gov that can be applied to other Federal agencies, and if so, how does OMB disseminate that, or inculcate that?

Mr. WERFEL. Absolutely. One of the things that we did when we started this process of moving forward on a more robust quality assurance program from USAspending.gov is we asked each agency to submit a data quality plan. And you can look across those plans and see some agencies really ahead of the game in terms of the types of reconciliations that they are doing, looking at control totals, doing automated reports right out of their systems. I think Danny Harris, Dr. Harris did a very good job during his testimony of explaining how much they have leveraged their transaction infrastructure in a way to make this make more sense.

But other agencies, not as much. Other agencies are still doing more manual, what we sometimes call cuff reports, putting together the reports separately and therefore, it is not as efficient and it is not as reliable. So one of the basic missions of my office, the CFO Counsel, is to share this information across agencies. We have working groups that are doing that to say, here is what Dr. Harris and the Department of Education are doing. They have it wired into a process that is working for them and minimizing errors. And your agency is not doing as well of a job. So how can we close that gap? So that is part of the mission here.

Mr. CONNOLLY. Let me ask you, because I am going to run out of time, one more question. In the category of transparency, at least speaking to this Member, I don't think we pay enough attention up here to tax expenditures. That is a real, live spending item by any other name. We just don't like to talk about it, but it is a trillion dollars a year.

What is OMB doing to try to make sure that we are shedding more light on tax expenditures and their relationship to the Federal deficit and their relationship to other aspects of Federal spending?

Mr. WERFEL. This is an issue that I think, it is going to be one of those times in the hearing when I ask to come back to you with more information. I would like to consult with my colleagues at IRS. It is not currently one of the required elements, for example, within Recovery Act reporting and USAspending.gov. So sometimes we are so busy dealing with the statutory requirements that are before us and meeting all those deadlines that some of the other elements of transparency don't get on our radar screen as much.

For me, that is true. My days and nights are spent meeting the requirements of the various laws before me. So let me, if I could, consult with IRS and then come back and brief your subcommittee on this issue.

Mr. LANKFORD. I yield to the gentleman an additional 3 minutes of time.

Mr. CONNOLLY. I thank the chairman. And I really welcome that, and Mr. Chairman, I would hope that our subcommittee would welcome that. Because I think if we are going to have transparency and we are going to have data available to the public, tax expenditures, if you look at how they are accounted and how we address them in budget documents and so forth, it is woefully inadequate. And it is a very substantial amount of opportunity cost from a revenue point of view. It may be all good policy, but it deserves the light of day.

So I would welcome your coming back to us in much more detail.

And let me ask, and I would hope that the chairman would join me in this, that we would ask also for your recommendations about how better to capture both the value and the cost of such expenditures moving forward. And Mr. Chairman, I would ask whether you might be able to join me in that request.

Mr. LANKFORD. Yes, that is a difficult one to track, just because the IRS Code is nine times longer than the Bible. You think we have a few exceptions in there? [Laughter.]

Mr. CONNOLLY. Exactly.

Mr. LANKFORD. Gathering all of that and what the values include I am sure would be quite a task. I don't know whether it would be GAO or who that might be to be able to land on and help us determine those types of things.

Mr. CONNOLLY. Thank you so much.

Mr. LANKFORD. You are welcome.

Mr. CONNOLLY. My final point, question, would be, I assume that both the CTO and the CIO, Mr. Chopra and Mr. Kundra, are involved in the deployment of technology with your CFO counsel in trying to aid and disseminate best practices, eliminate duplication and improve transparency?

Mr. WERFEL. Absolutely. It is a partnership. Vivek Kundra, the Government CIO, could have been sitting here today just as I am, with the emphasis of this hearing on reliability of reporting, potentially on issues of audit. It just made more sense for me to be here. But we are attached at the hip on these issues.

We have to solve this with a multidisciplinary approach. If it is just the auditor, just the accountant, not going to get it done. The technologist is critical to this effort as well.

Mr. CONNOLLY. I think that is a really important point, Mr. Chairman. With that, I yield back my time and I thank the Chair for his generosity and consideration.

Mr. LANKFORD. Thank you.

Mr. Werfel, let me just run through a litany of questions here, and just short answers, and try to run through a couple of things on it as we finish this out. Thank you for waiting through the lunch hour to be able to be here as well, as we were finishing up the voting.

You had mentioned earlier that there was a need for some legislation to correct some of the data needs that are out there. I would like for your office to be able to provide to our committee that list that you would say, here are the legislative fixes that we need to be able to help resolve those things. If you could get that back to us, we will make sure that we share that in a bipartisan way. And that would be very helpful to us.

There are a maze of sites that are out there. Recovery.gov was very well done. It got the information out quickly. It was so successful that now we have multiplied the dot gov and now we have Recovery.gov and paymentaccuracy.gov and Itdashboard.gov and all the agencies have it, Research.gov, Data.gov, and it goes on and on. I am missing many that I know.

How does an individual go find their information now? We have moved from, it is out there, go search for it, when originally the design was, let's lock in a Data.gov, USAspending.gov and say, if you are looking for something, go there. Is that still the mission? If so, how is it going?

Mr. WERFEL. You are raising an enormously challenging element of open government and transparency. And there are many challenging elements to it. One of them is getting the data out there. And we are trying, and I think making important progress, in getting more real information and other types of reports public, in particular through the Web.

Another challenge, and there are numerous, but the other challenge is, sometimes the quantity of the data that is out there can be overwhelming, and how are we assisting the citizenry in accessing that information. And right now, I think you have hit on something that is part of a strategy. It might not be the most effective strategy, and it is evolving. But it is the branding of our Web sites in ways that make sense. If you want to learn about grants, go to Grants.gov. If you want to learn about where Federal dollars are going, USAspending.gov. If you are curious about the Recovery Act, Recovery.gov. And you see the theme of trying to make it logical.

And we do a lot of work with citizens and user group around these efforts to say, what works for you. We don't do these Web sites in a vacuum.

Mr. LANKFORD. Correct. But what is the central portal going to be? If I don't know which one to go to, where do I go to say, this is where I start?

Mr. WERFEL. I don't think that we have established a consistent central portal. I know that in the previous administration there was First.gov, there is USA.gov is available. But I don't think that we have championed the starting point portal for the rest of Government.

Mr. LANKFORD. Let me ask you, and obviously I am not going to order you one way or the other on this, but let me ask you to examine that. Because people outside of the Beltway do not know where to go. They do not know if they are looking for food stamp information to go to the Agriculture Department. They are not aware that there are education programs in the Department of Defense. They don't know how to be able to search for those things.

So they need a central portal to go be able to ask the questions, if they are going to get the data, then it can take them to the spot

it is going to go. It doesn't have to be all in one place, it can be these various sites. It does make sense. There are going to be some watchdog groups that are always going to land on Research.gov, that is what they research. That is what they want to go after. Or the Grants.gov.

But there has to be a place for people to be able to go to if the information is out there that they know. Otherwise, many of the things that we talked about earlier, Dr. Harris and others, it is on their agency Web site. It is not on Data.gov, it is not on USAspending.gov, it is over on their agency. So I can't go find it.

Mr. WERFEL. So, yes, let me just recommit to the point that we are working toward that objective. We have, as you mentioned, some success with the branding in terms of certain stakeholders who automatically know where to go, and we develop important partnerships with them. And that efforts are underway to reconcile the various dot gov's. What I would like to do, as you say, come back, we will show you some of our thoughts on a strategic vision for that. Then let's partner together toward the right strategic vision.

Mr. LANKFORD. Let me bounce a couple of other things past you. There is a great need, we heard from Agriculture and Education, that some data standards, if things are going to go up, here is how they need to go up. And I gave the example earlier of an address field that includes the entire address, including State, city, zip code in one field. That is obviously not searchable. A single entity, that is, a contractor, needs to have an i.d. number that someone can search for that contractor and they can chase them down. There is a need for OMB to be able to provide that to the agencies, here are more data standards. Even begging the question, what is a significant piece of data out there.

And the for-instance on that. If someone is going and looking for how many employees does an agency have, what is their budget, what are the programs that they are doing, and what is the mission of those programs, there is no place they can go to get that. They are stuck searching through an agency Web site that may or may not have that. That seems to be fairly usable data that I think most American taxpayers would want to be able to look at a site, like a Data.gov, like something, whatever it may be, and to say, how many people work there, what is the mission of the departments that are there, what are even the names of the departments that are there, and what is the budget for that.

To find an established piece on that, if that is something OMB can begin on, that is something I think we should begin on as well, to say there is a basic transparency piece that needs to get out there. Does that seem reasonable to you?

Mr. WERFEL. It absolutely does. I think if you looked at the landscape of data across Government, you are obviously going to find significant heterogeneity and opportunities for standardization. You will see some pockets of standardization that are promising and that we can build upon. But what you will also find is a lot of work to be done. We need to move out on a strategic set of priorities. We have started.

Mr. LANKFORD. And I will tell you, Ranking Member Connolly and I have both affirmed that. This is the first administration to do this level of it. This is the beginning point, we understand.

The criticism is not that we are starting it. Way to go on starting it and getting it out there. I want to find out, what are the lessons learned, what are we missing, what are people asking for. Let me give you a for instance on it. It would be a help to this committee that when the emails come back as feedback, and there are several of your sites that say, for feedback or contact us for more questions, what data are you looking for, basically, if our committee were to get those things in real time at the same time.

Not that we are going to respond to those things, but hat would allow us in our oversight role to be able to say, you know what, these are the data pieces people are asking for. And if our committee could get that unfiltered, and it could be shared bipartisan, then people could get a chance to say, you know what, a lot of people seem to be asking for this. Why is it that we don't provide that? That would allow us to do our oversight a lot stronger.

And let me make another comment to you. You mentioned Recovery.gov. That is a very successful site, you are right, it was very well done, and the information was unprecedented that was put out. My feeling on it is, one of the successes of it was the recipients were uploading information. It wasn't just a Government entity that was putting it down there, they have lots of other things. But the recipients were saying, yes, we received this, this is what we received and this is the feedback for it.

That is of great benefit. Is that something that is going to continue, and can that be replicated in USAspending.gov and other places?

Mr. WERFEL. Yes, and there are many, many, a lot of the information that the Federal Government reports today, the source is the recipient of the Federal dollars reporting what is going on with the dollars from a financial perspective, a performance perspective.

What was, I think, unique about the Recovery Act was the automated nature of it, the speed of it, all of that.

Mr. LANKFORD. Correct. That is a platform that now exists, though. What I am asking is, is that a platform that will continue to be used? Will it be replicated in other areas to say the recipient can quickly say, yes, we have received this grant, and also be able to come back and say, this is what was done with it? Because one of the primary questions that I get a lot about grants and contracts and other things, was it actually accomplished? Did we do it? What happened with that?

I think there would be people that could look around their own neighborhood and could find, this is what happened in my area, I had no idea that the Federal Government was involved in this area in positive ways. But they don't know, unless there is some reporting back on accountability on that.

So that Recovery.gov platform of recipient reporting, is that something that is going to be multiplied out and used?

Mr. WERFEL. It is, and it is ongoing today. We have more and more modernized and more seamless ways of collecting information from non-Federal stakeholders. And that is going on today.

Mr. LANKFORD. In the USAspending.gov and other places, as has been referenced by several people, when there are gaps in it, and information is not showing up, or it is showing up as a contract is here, or the grant is here, but just zero amount, how are they held to account in the agencies to get that information correctly? Whether it be a data field that is not done, or the dollar amounts are completely left out, is there a chain of command? Is there someone verifying that and saying, hey, we have to get this correct?

It seems that 30 some odd percent accuracy rate is not quite high enough for us.

Mr. WERFEL. A couple of responses there. First, as mentioned earlier in my testimony and mentioned on the first panel, right now the process is a self-assessment. We have asked the agencies to create a senior accountable official, and then an internal process to validate completeness and accuracy. And there are some limitations in the self-assessment. An independent eye, whether it is the Inspector General or an auditor, coming in to review that, is going to drive improvements and more objectivity and the results will improve.

Second, I want to just, on the record, take a different perspective on the 30 percent success rate that was in the testimony of one of the other witnesses from the Sunlight Foundation. We have concerns with the methodology surrounding that. And I don't need to go into great detail. But we do not believe the success rate is as low as the Sunlight Foundation said.

Mr. LANKFORD. It is just the key data coming out. I did a quick search on just for Oklahoma, my home State, and to be able to look at it and see some of the things that are in USAspending.gov, and tracking through the different things that are there. There is just a for instance. Last year there was a helicopter services contract that was put out, but there is no amount that is listed on that one. So we don't know what that one is.

But there is apparently a peanut butter contract for a little over \$2 million. That seems like a large amount of peanut butter. We go through a lot of it at my house. But on this particular report, I could go on and on, there are multiple areas that are zeroed out, page after page, there are about 17 pages listed, a lot of zeroes that are listed here. And I don't know if we bought \$2 million worth of peanut butter in Oklahoma or not, from a Government contract.

But there just seem to be some issues that I can look at, and I can say, OK, somebody needs to be verifying this data and making sure it is complete, and there needs to be a process. It is a very good thing to get the data out there. But to get it out wrong or incomplete raises all sorts of questions.

Mr. WERFEL. Absolutely. And as I think was evidenced during the first panel, some of the criticisms or concerns about the data have rational explanations and some of them, it is just a basic data quality issue that we need to address. I think the more people that are searching this data and using this data the more we move in the direction of better quality. The fact that you can go online and find \$2 million of Federal dollars were spent on something related to peanut butter is something that could not have been done before.

Mr. LANKFORD. That is correct.

Mr. WERFEL. And for that, we want to celebrate that, leverage it, make sure that we do have a more accountable government. But as you point out, there are gaps in the reporting and we are working on closing them.

Mr. LANKFORD. That is the best gift that we can give, is transparency. Watchdog groups, outside citizen groups, the contractors themselves being able to look at the site and say, was it reported correctly, is that accurate, is a tremendous asset to them. We want to continue to multiply that and make sure that does occur.

So with that, Mr. Connolly, did you have additional questions?

Mr. CONNOLLY. If the chairman would yield, I was just going to add to your point that it may be a good thing to celebrate the fact that we can now solve the peanut butter mystery. But on the other hand, we may want more information. And I would, because it is not intuitively obvious to the searcher why we would be spending \$2 million tax dollars on peanut butter.

So while we are celebrating the fact that one can access that piece of data, I would hope that, to the chairman's point, that we try to make these search engines even more useful by way of, here is why we are buying \$2 million worth of peanut butter.

Mr. WERFEL. Right. And as an example, if I could respond to that, a legitimate explanation might be, it might be part of the school lunch program, and therefore, there is an easy explanation.

Mr. LANKFORD. I completely agree. And I would say that the ranking member mentioned in his opening statement that there is not a need to be able to track every paper clip. That is not what I think the American people are looking for on it. But I think it is these broad categories, to know that it is consistent, we know what that is, the information is getting out there, it is trackable, it is traceable.

For instance, if a report is done, people want to know, if there is a report done on wildfires in a certain bird nest, it asks the obvious question, how much did that cost to do that report? Well, we know, there was a grant that was given to be able to do that. We should be attaching that report to the cost of producing that report so everyone could know and evaluate, is that good use of taxpayer dollars, and instruct the conversation. That is a good thing for us as legislators, to be able to look at and be able to see, and for people in our districts to hold us to account on that. That is a good thing for us to hold you to account, to say we need that information to get out there for reports done, how much does it cost, can they find it and be able to track it is a reasonable thing.

If there are no additional questions, Mr. Werfel, thank you very much for being here. We have a great deal to do. We look forward to your followup reports on it, and this hearing is adjourned.

[Whereupon, at 1:15 p.m., the committee was adjourned.]