

**TRANSFORMING FEDERAL SPENDING: IMPLEMENTING THE DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT**

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**HEARING**

BEFORE THE

COMMITTEE ON OVERSIGHT  
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

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## **TRANSFORMING FEDERAL SPENDING: IMPLEMENTING THE DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT**

**Wednesday, December 3, 2014**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,  
WASHINGTON, DC.

The committee met, pursuant to notice, at 9:36 a.m., in room 2154, Rayburn House Office Building, Hon. Darrell E. Issa (chairman of the committee) presiding.

Present: Representatives Issa, Jordan, Chaffetz, Walberg, Lankford, Amash, Meehan, DesJarlais, Gowdy, Farenthold, Woodall, Massie, Meadows, DeSantis, Cummings, Maloney, Norton, Tierney, Lynch, Connolly, Speier, Kelly, Davis and Grisham.

Staff present: Ali Ahmad, Professional Staff Member; Will L. Boyington, Deputy Press Secretary; Molly Boyl, Deputy General Counsel and Parliamentarian; Lawrence J. Brady, Staff Director; Adam P. Fromm, Director of Member Services and Committee Operations; Linda Good, Chief Clerk; Mark D. Marin, Deputy Staff Director for Oversight; Katy Rother, Counsel; Laura L. Rush, Deputy Chief Counsel; Jessica Seale, Digital Director; Andrew Shult, Deputy Digital Director; Katy Summerlin, Press Assistant; Sarah Vance, Assistant Clerk; Peter Warren, Legislative Policy Director; Rebecca Watkins, Communications Director; Meghan Berroya, Minority Chief Investigative Counsel; Krista Boyd, Minority Deputy Director of Legislation/Counsel; Aryele Bradford, Minority Press Secretary; Kelly Chryst, Minority Counsel; Jennifer Hoffman, Minority Communication Director; Elisa LaNier, Minority Director of Operations; Juan McCullum, Minority Clerk; and Dave Rapallo, Minority Staff Director.

Chairman ISSA. The committee will come to order.

The Oversight Committee exists to secure two fundamental principles. First, Americans have a right to know that the money Washington takes from them is well spent, and second, Americans deserve an efficient, effective government that works for them. Our duty on the Government Reform Committee is to protect these rights. Our solemn responsibility is to hold government accountable to taxpayers because taxpayers have a right to know what they get from their government.

It is our job to work tirelessly in partnership with citizen watchdogs, the general accountability office, the inspector generals, and others to help bring genuine reform to the Federal bureaucracy. This is our mission, this is our passion, and this is why today we are celebrating that over the past 4 years, on a bipartisan basis,

the committee's majority and minority have taken up and moved several bills designed to reform government.

Without a doubt, one of the most important transparency reform initiatives done by this committee has been the DATA Act. The DATA Act is the first shot in what should be a technological revolution that will transform how we govern. Shortly before we sent the DATA Act to the President for his signature in May, the GAO comptroller general Gene Dodaro came before this committee and testified that the status of Federal program data is abysmal. Agencies have no standardized performance metrics for programs. Agencies cannot tell us how many programs they even have.

But most importantly, agencies do not and usually cannot tell us or know themselves how much taxpayer money has been spent or given to a particular program. Spending information that has been provided has been historically incomplete, out of date, and most often inaccurate. We in the transparency world recognize that you have a right to know, that the American people have a right to know, that your leaders in Congress have a right to know, but what we are talking about with the DATA Act is management within the executive branch has the greatest single need to know, and if they can't tell us, that means they can't be told for their management purposes.

Today we are joined by the comptroller general who again will discuss his initial work on DATA Act implementation and update us on the status of problems DATA is designed to address. The American people deserve to know if Federal taxpayers are being wasted, or being wisely spent, but the performance information collected today is almost useless because we cannot determine the amount of resources a program actually consumes.

There is an expression that is not used in government but it is used in business, and Senator Warner, who joins us today, very well knows this. You must be able to count if you are able to manage. The absence of the ability to count performance is the absence of ability to receive performance. This is true in a sales force. This is true in every single individual that works for a company. People want to be evaluated not based on somebody's opinion but based on facts. Performance data is essential in good management both in the private sector and in government.

To better oversee the Federal Government, Congress and the President have appointees that must be able to better leverage technology, particularly appointees of a president who come in and stay for 2 to 4, maybe up to 8 years, come in from the outside world where they are used to knowing and getting worthwhile data. They are usually shocked that they ask career professionals for answers and the career professionals give them answers based on years of experience but not based on quantitative and measurable data. The DATA Act is possibly going to change that if it is properly implemented.

By compelling agencies to report their financial information in standard formats, the policymakers in Congress and in the executive branch will have the information necessary to truly make informed decisions. More importantly, we can give the American people better information to evaluate the Government's performance for them.

The bill directs the Department of Treasury and the White House office of management and budgets to establish these data standards and otherwise implement the law. Today we are joined by senior officials from both agencies charged with the implementation of the DATA Act. Under the Act, Treasury Department is authorized to establish a cutting edge data analysis center modeled on the successful recovery operation center better known as the ROC. The DATA Act calls on Treasury to build on innovative technology and ideas, the ROC that were used in the ROC, and extend its applications to spending across the Federal Government.

The DATA Act specifically provides for the transfer of technology currently in place at the ROC. If Treasury acts to establish the new data analysis center, it will be a vital tool of law enforcement agency and the inspector generals in their investigations. The center will also help agencies protect against improper payments.

Today we will hear from Treasury Department officials about the progress in establishing the center. We also expect to hear from OMB about progress made toward establishing a pilot program to develop consolidated reporting for receipts and Federal funds.

Hundreds of billions of Federal taxpayer dollars are spent by State, local, and tribal governments, universities, and private institutions every year. Today these entities may well and often do waste millions of taxpayer dollars complying with duplicate and complicated reporting requirements. In a modern era, there is no reason for an entity to fill in mindless forms with the same information time and time again.

At the end of the 2-year pilot under which some recipients report to a single entity in a standardized manner, the director of OMB will issue guidance to all Federal agencies on how to streamline and consolidate reporting requirements. When fully implemented, consolidated financial reporting by agencies and other recipients will give unprecedented insight into Federal spending.

The American people will finally be able to track how we spend their dollars. By simply opening up the information, journalists, academics, and citizen watchdogs will be able to create tools that help the American people understand where their taxpayer dollars are going.

But we also know the transparency is not the only benefit of an open Federal DATA Act. Private sector businesses will have the opportunity to utilize data to create products and services to deliver real value to the American people. Our efforts have not been—have been not only bipartisan but bicameral. Our partners in the Senate, Senator Mark Warner of Virginia and Senator Rob Portman of Ohio who are with us today have shown amazing leadership, and in fact, the bill signed by the President was authored by Senator Warner.

They join us here today for a few remarks, and I am pleased to welcome them, and at this time I am pleased to recognize my ranking member with just one caveat. I want to take a moment to look at Gerry Connolly and say something.

Gerry, you have often been the bane of my existence, but when it comes to your leadership in this and your tenacity, I want to personally thank you because, in fact, Mr. Cummings is a fine ranking member, but you are, in fact, an advocate for technology and im-

provement in the government sector and for that you deserve a special shout out, so thank you, and I recognize the ranking member.

Mr. CONNOLLY. Thank you.

Mr. CUMMINGS. Thank you very much, Mr. Chairman, and I would echo your words about Congressman Connolly. As a matter of fact, he and I, talking about his efforts just yesterday and I said almost the identical words. I could have swore you overheard me.

Chairman ISSA. I could—

Mr. CUMMINGS. No, no, not that part. But it is—I want to begin by recognizing, Mr. Chairman, that it was your vision and bipartisan approach that paved the way to the successful enactment of the DATA Act, and I really do mean that.

And I have often said in these hearings that this is our watch. It is not about this moment but it is about generations yet unborn, and we ought to be able to track dollars that hardworking taxpayers pay. They give their blood, their sweat, and their tears, they look at their returns on April 15th, and they say, well, where does the money go? They look at their paychecks every 2 weeks, every month, and they say where does the money go?

I think this legislation goes a long ways toward helping them understand where the money goes. They simply want it to be spent in an effective and efficient manner, and hopefully this will cause those who are spending it to do just that.

From the very beginning, Mr. Chairman, you worked closely with me and my staff as well as the administration and the Senate to craft a bipartisan bill that would provide the American people with information about how their money is being spent.

Senator Warner and Senator Portman, we thank you for all of your efforts and what you have done. You have been a part of the watch, and we congratulate you.

Your leadership and commitment got this landmark legislation over the finish line, and you should be commended for that leadership. Now the ball has been handed off to President Obama and his administration, and they have to run with it. I look forward to hearing from our witnesses, from the Office of Management and Budget and the Treasury Department about the administration's efforts to implement the DATA Act.

President Obama has shown his support for open data. He issued an executive order on May 9th, 2013, that requires all newly generated government data to be available in open machine readable format. President Obama also joined seven other countries in launching the Open Government Partnership of the United Nations in 2011. That partnership has now grown to 65 countries that pledge to create action plans to make government information open and accountable.

The DATA Act builds on this ongoing work. This new law requires agencies to report detailed information about how they are spending money. Agencies are required by 2017 to begin reporting information using common data standards developed by OMB and the Treasury. OMB and the Treasury are then required to report the information agencies provide in a searchable and downloadable format. Once implemented, these requirements will improve oversight and accountability.

Congress and the public will have an unprecedented amount of transparency into agency spending. Agencies will also be able to better use their own data to identify trends and make smarter funding decisions.

Comptroller General Gene Dodaro said in testimony before this committee early this year that the DATA Act was one of the single biggest things Congress could do to address wasteful spending. I agree with this assessment, and I congratulate all of our stakeholders for working together to get this legislation passed.

Our work did not end with the enactment of the DATA Act, however. It is critical for Congress to stay engaged with regular bipartisan oversight just like this hearing. Congress also must ensure that agencies have the resources they need to carry out the requirements of the DATA Act.

As many of you know, I frequently say that we need to make the Government work more effectively and efficiently, and I have often looked at the way Government is run sometimes and said we are better than this. And so the DATA Act is law now, and so it has been implemented, and now we have to make sure that we move forward with it and so that it can be as effective and efficient as we intended it to be.

And with that, Mr. Chairman, I yield back.

Chairman ISSA. I thank the gentleman.

Chairman ISSA. Members will have 7 days to submit opening Statements for the record.

Mr. CHAFFETZ. Mr. Chairman, can I ask unanimous consent to speak out of order for 1 minute?

Chairman ISSA. Without objection, so ordered.

Mr. CHAFFETZ. I wanted to take an opportunity here, one of our last hearings in this 113th Congress/Senate. On behalf of members on both sides of the aisle, I want to thank you for your service and your tenacity, your love and passion for this committee and your love and passion for this country.

You have tackled some very difficult issues. You have plowed ground that hasn't been plowed before, and there are members here again on both sides of the aisle that are very grateful for your service and your commitment and your love of what we do, and it is contagious, and I personally came here as a young, fresh, eager-eyed person, and you opened up the opportunities and gave a lot of leash to a lot of us to do things that we didn't think we would be allowed to do, and in other committees they aren't allowed to do. But you have made us proud in every respect.

We want to thank you for your leadership in every way, shape, and form. You have carried a fairly big gavel here, and we have a token of our appreciation. A little indulgence here. I would like to present that on behalf of the members here on the committee and thank you again for all that you have done.

Chairman ISSA. Elijah, I needed this sooner.

Mrs. MALONEY. Mr. Chairman, surprise.

Chairman ISSA. Senators, you have got to behave.

Mrs. MALONEY. Mr. Chairman, may I be recognized for 1 minute out of order?

Chairman ISSA. With the indulgence of our Senate visitors, so ordered

Mrs. MALONEY. Surprise.

Let me tell you, I have never enjoyed—I enjoyed fighting with you more than anyone, and believe me, this is a compliment. You don't need that big thing. I mean, you are not a pushover. You stand up for what you believe in, and very briefly, this bill is incredibly important. It is deep and strong. Implemented properly, it will make a more trust in government from the American taxpayer, and it is a significant tribute to you and Mr. Cummings working together to make government work better for people, so I join my words in congratulating you.

Chairman ISSA. Thank you.

And Senators, I apologize for not giving you a Fox moment.

Mr. CONNOLLY. Mr. Chairman.

Chairman ISSA. The gentleman from Virginia.

Mr. CONNOLLY. I thank you, and I hope my colleagues from the Senate will indulge. I want to congratulate you as well, and I can only thank God you did not have that gavel when you began your chairmanship, but it is fitting that you get it at the end of your tenure. And I just want to congratulate you today on the news that the FITARA legislation, the Federal IT Acquisition Reform Act is in fact headed for passage both in the Senate and in the House, and I say congratulations to you. It was an honor collaborating with you on such an important topic, and it is a great way to cap your career as chairman of this committee. Congratulations.

Chairman ISSA. Thank you.

All other accolades can wait until the Senators have gone to get to their vote because I do know you have a vote in just a few minutes.

We will now recognize the senior Senator from Virginia, Senator Warner and the junior Senator from Ohio, Senator Portman, and if senior goes first—Mark, you haven't taken yourself out of running for president either.

Senator WARNER. I don't feel that senior. I don't feel that, you know—

Chairman ISSA. The gentleman is recognized.

#### WITNESS STATEMENTS

##### STATEMENT OF HON. MARK WARNER, A UNITED STATES SENATOR FROM THE STATE OF VIRGINIA

Senator WARNER. Thank you, Mr. Chairman and Ranking Member Cummings, and let me—my friend Gerry Connolly took the words out of my mouth already. Having watched some of your proceedings, if you had had that big gavel throughout your own whole tenure, you might have seen some different results, so let me add my congratulations to you as well.

It is great to be here with my friend Rob Portman, and echoing what you have both said on the DATA Act, it is remarkable when we do something significant in a bipartisan way that could have as much effect, as Mr. Cummings has said, on future generations, yet how little attention it gets when we actually do our job, and particularly on a subject like this. And I think it is appropriate at times that we all lively argue about how big or small the Federal Government should be, but I think we all share a common belief

that whatever size the Government should be, the dollars that we spend, we need to make sure are spent wisely.

And one of the things I want to again commend you and the ranking member on, as a former Governor, I often thought the difference between a Governor and a legislator was a legislator thought the job was over once the bill was passed. When in actuality, it is really the implementation is where the rubber hits the road. And hearing what both you of you have said, and I know my friend Senator Portman shares this as well, we are going to keep common cause to make sure that the implementation of the DATA bill actually takes place in a timely and effective and efficient manner.

And as you know, as we went into some of the last hours of trying to get this bill signed off on, and I don't think this was as much to the administration itself, but certain particular agencies, you know, resisted the timeline that we were putting forward. And again, I think it was a tribute to you and Ranking Member Cummings and those of us in the Senate as well to make sure that we keep this administration and future administrations' feet to the fire.

The DATA Act really does have—I am going to echo what you have said, and I will try to do it fairly quickly—you know, obviously has tremendous promise to hold government more accountable and to provide actual critical useable information to policymakers as we try to make more informed budget decisions, because for the foreseeable future, we are going to be in tight fiscal times, and as well, to look at how we reform part of the structures of the Federal Government.

You know, as has been said already, the most critical component of the DATA Act is the development of consistent governmentwide financial data standards. One of our first conversations as we kind of dug into this, one of the most remarkable things I found early on in this is the Department of Defense alone has 200 different financial reporting systems just within that one department. As somebody who has spent longer in the private sector than the public sector, you know, that is just unacceptable and totally unaccountable.

An important part of trying to get consistent standards and a subject of much debate is how we define program across the Federal Government. You have already indicated, and I know we are—you are going to hear from Mr. Dodaro later, a recent GAO review of the first attempt to create an accurate inventory of all Federal programs, an inventory required by earlier legislation that we all worked on, GPRA, again a piece of legislation that most Americans have never heard of but is a good step along this direction. The first attempt to try to define the program was really not all that promising.

Specifically, GAO found that agencies were allowed to select from one of several approaches when defining programs which led to an inconsistent categorizations. GAO also found a lack of coordination amongst agencies resulting in different definitions for programs with a similar focus. Again, that would never stand in any Fortune 100 company into the 21st Century.

I hope we can all learn from this first attempt to define program and will adapt an approach with data that will be more useful to policymakers and support greater transparency. Obviously one of the things as well is to make sure that we have these new financial standards across all of government.

For example, right now I know many universities in Virginia and many universities in each of our respective States file similar financial reports multiple times to multiple agencies. If all this reporting redundancy were streamlined, we could actually direct more resources to the actual programs rather than to the administrative overhead. I hope the administration will come back to us with some helpful recommendations to streamline and improve the reporting processes for those who receive Federal funds.

And last, I would like to mention the need to make USASpending.gov website more user friendly. Now, we have moved this over, and we have had a lot of discussions in the development of the DATA Act about where this ought to reside. We came to the conclusion at the end of some debate that this ought to be at the Department of Treasury. We have got to make sure the Department of Treasury really does this and implements this program in a way that is consistent with the goals that all of us laid out in the DATA Act. Make this information more user friendly to the public.

One of the analogies I tried to use as I tried to explain this to my press corps was, you know, you ought to be able to Google your tax dollar all the way down to the programmatic level. We have got to stay on this, and I want add one to last comment as well.

As Chairman Cummings mentioned, we have got to make sure that these agencies have the resources to actually implement. Sometimes, again, as a business guy, you have got to invest before—to actually save money in the long run, and trying to make sure the agencies have the resources to do these reviews, set up these systems in a way that makes sense will obviously solve us—save us resources in the long run and again make our jobs as policymakers in making these budget decisions, I think, more accurate and appropriate.

One last final comment before I turn it over to Senator Portman. We continue to make small progress in incremental ways in this area. I want to again thank you and my friend Gerry Connolly, all of us worked together on another piece of legislation that is in this same area of government oversight that the President signed into law just last week. The Government Reports Elimination Act. It is amazing. This one is actually a little more tangible. It identified and eliminated 50 reports that government agencies produce that are never looked at, never reviewed. We should have been able to do, you know, 5 or 10 times that amount.

We have gotten new legislation, Senator Ayotte and I, that is going to come back again. We will work with this committee to keep plugging away on that, but we need to make sure in every avenue that we show that we are spending the taxpayer dollars wisely.

This is something that crosses party lines, ideological lines, and I want to thank you and the ranking member again for working

with Senator Portman and I to get this very, very important piece of legislation through.

Look forward to working with you on implementing it.

Chairman ISSA. Thank you.

Chairman ISSA. Senator Portman.

**STATEMENT OF HON. ROB PORTMAN, A UNITED STATES  
SENATOR FROM THE STATE OF OHIO**

Senator PORTMAN. Thank you, Chairman Issa.

It is great to be back here in the committee room. I started off here in my congressional career. I was I think the most junior member of the lower body in the minority. In fact, I was at the kiddie table down here, and you know, this is a great committee, and one of the reasons it is a great committee, it has the potential to help us to be able to allow people who represent taxpayers to understand government better, and this legislation is a classic example of it.

You know, you both talked about it. Senator Warner talked about it, but it does allow the people we represent to track where those hard earned dollars go and how they are being spent, and there is a lot of work to be done in implementation, and we are going to talk about it for a second this morning.

I hope that you, the chairman, will continue to be very involved with this with us because this is something you had a passion for and helped to launch. You and Ranking Member Cummings had a little Kumbaya moment this morning that is reflective of the way you handled this all the way through, and it is good government it is good stuff.

It does give Americans this unprecedented view into the Government if we implement it properly. A lot of it comes from something pretty technical which is transforming this spending data that is now owned by the Government into something that is accessible and that would be standardized machine readable data. It is not easy to do, and that is why I think the implementation is so important. I think it will result in not just more accountable government and not just better managed government but also a lighter touch, you know, more efficient and lighter government.

The implementation of this requires some sustained focus by the executive branch but also by Congress. That is why this hearing is to important, and I know you are going to have some testimony later about how things are going. The first step—and I am not going to repeat what Senator Warner said, which is good about reporting processes, USASpending.gov, making it more user friendly, the need for investment up front, but there are some things I think that we ought to focus on this morning with our witnesses, and I look forward to getting a report as to how they answer all these questions.

We know that some of these benefits that can be generated by uniform comparable data and detailed financial information is going to be only aspirational until we can actually see this implemented in a proper way. The standardization, we were told, had to be completed within a year of its enactment. That is under the DATA Act. It became law on May 9th, 2014, as you-all remember,

so that means we are halfway through this period of standardization implementation.

How is it going? I didn't think it was going very well at first, to be honest with you, and some of us talked about this. All four of us have talked about it. I think it is going a little better now. Shortly after President Obama signed it into law, you require OMB issued a Statement saying, "Implementing the Act's requirements will be based on current funding and timeframes that permits." Not very encouraging, and I don't think that sent the right message at all.

We did have Shaun Donovan, now OMB's director, before our committee on Homeland Security and Governmental Affairs, and we asked him about this during his hearing, and the response we got back was that he indeed was going to prioritize this if he became OMB director. That was more encouraging, and I think we have seen some improvement.

I know, for example, the Treasury and OMB have been holding meetings with Federal and nonFederal stakeholders now. They solicited and received public comments on this standardization issue. The meetings have generated a lot of information that I know will help inform the scope and format of the data standards to be adopted.

I understand Treasury and OMB also believe they are on pace to meet the deadline, which will be May of next year for publication of these data standards. If that deadline slips, it is a real problem because if that one slips, then other implementation deadlines will also slip, and I think all bets are off as to when we will fully realize the full promise of the DATA Act.

So I hope those questions will be answered today as to whether they really are on track. It is—again, it is not easy, and it requires a lot of focus. As chairman and ranking member knows, when I was at OMB and had the opportunity to implement FFATA, which was far from perfect, and we will talk about that in a second, that is one reason we needed this legislation. It took a sustained effort and a concentrated effort; otherwise, it just won't happen.

So let's not use this May deadline to avoid the hard work required to craft standards that aren't just applicable across the full breadth of the Government but also they are comprehensive. On that front, if there is a comprehensive, the signs are a little bit less encouraging. In May, OMB published a comptroller alert that informed Federal stakeholders that the DATA Act requires the establishment of governmentwide data standards for information posted to USASpending.gov. In its testimony today, OMB refers to USASpending.gov data standards I saw.

That is not quite right. The law actually requires that the standards include, "common data elements for financial and payment information required to be reported by Federal agencies and entities receiving Federal funds." That is what the legislation says. That is, the DATA Act requires the creation of data standards not only for those data elements that must be published on USASpending.gov but also for all data that agencies include in their required financial reports and that all recipients of funds must include in their required reports to agencies, so it is broader than that.

Despite OMB's continued reference to USASpending.gov data standards, I remain hopeful that OMB and Treasury will develop these comprehensive data standards and infrastructure that can handle the whole landscape of Federal spending information, and that is required by the Act that we have put forward.

In addition to it being comprehensive data standard, it must also be flexible, or we can maybe talk more about that later. We know we got to get on to the witnesses, but that is another part of this, I think, ought to be asked about today, and of course, data standards are just the beginning of the implementation process. One of the steps is to ensure that the processes and procedures are in place to ensure that agencies actually use these standards to consistently, accurately, and timely report spending data, and the Treasury and OMB use that information to publish timely and accurate data on USASpending.gov.

We know that neither of these processes happens automatically. For example, thanks to the excellent work by GAO this year, we now know that Federal agencies failed to report nearly \$619 billion in Federal spending to USASpending.gov during Fiscal Year 2012, the most recent year for which we have this information. GAO also found major deficiencies in the quality of the data the agencies did report, so the DATA Act, properly implemented, should address some of the root causes of these failures.

One of the causes was that FFATA, again, which I was able to implement while I was at OMB, did not establish governmentwide comprehensive flexible data standards. A fully and effectively implemented DATA Act will address that issue. Another cause of these failures is that FFATA did not establish a mechanism for effective oversight. And again, I think Chairman Issa, you, Mr. Cummings, and Senator Warner and others wanted to be sure that we had a better mechanism to ensure this is going to be subject to proper oversight not just here in Congress but also agency inspector generals and GAO would carry out their statutorily required oversight functions.

I understand GAO is already working with agency inspectors general to develop some of these standards so that there is auto oversight protocols to monitor compliance with the DATA Act. I look forward to seeing the results of those efforts. That might be something that will come up today as well.

Finally, I would just want to say that this is a great example of what we can do when we put our minds to something that helps our taxpayers that we represent. It was both branches, so bicameral. It was developed up here on the Hill but also working the executive branch. It was bipartisan. I would say even nonpartisan, and it is a very difficult political environment to legislate, let's face it, but this is a place where Chairman Issa, you, Ranking Member Cummings, Senator Warner, Senator Coburn, Senator Carper, and others decided here is the problem, let's attack it, and it is this opaque, murky information that is out there about government spending. Members of the Congress from both parties engaged each other, engaged the executive branch, we hammered out the details of the solution, and by the way, as objections emerged, we worked together to try to address them without wavering in our commitment to address the problem.

Now, this model may not be able to be applied to every issue but there is certainly a lot where we have this common objective, and then it is just a question of putting together the right legislation to be able to address it, and I am hopeful we can use this as a model for doing other things into the future.

And again, I want to thank Senator Warner for his leadership in the Senate, Senators Carper, Coburn, you, Mr. Chairman, ranking member, it wouldn't have happened without all of your involvement, and I look forward to continue to work with you on ensuring that it is implemented properly.

Chairman ISSA. I want to thank both of you for coming to this side, but more importantly, for being an active part of making this happen. This wouldn't have happened in a divided Capitol if it wasn't for the fact that it crossed party lines, so that has been extremely helpful.

Chairman ISSA. I have lost Mr. Connolly, but Senator Warner, I am sure you will tell him that I actually was given this at the beginning of my tenure, and I chose to never use it because I always felt that I was already too loud on the hammer with the small one.

Senator WARNER. I imagine there were some witnesses who are grateful for that.

Senator PORTMAN. So, double-fisted now.

Chairman ISSA. I thank you both.

I would only close by saying in the next Congress, I hope we cannot only continue on the DATA Act but recognize that this committee's jurisdiction and your counterpart on the Senate side, we oversee the National Archives, and the quality of the data that goes in there sadly is going to, for a long time to come, be mostly paper or digital equivalence of papers.

Lots of PDF, lots of things that cost a large amount of money to convert, and even then, are never as good as if they were put in in a machine searchable format, so I believe that financial is important for current, but for our progeny, I think we have to also invest in leaving a legacy of deep information that future generations can easily search.

So hopefully we will use this as a base and continue across the spectrum.

I thank you. We will take a very short recess.

[Recess.]

Chairman ISSA. The committee will come back to order.

We now welcome our second panel, the Honorable Gene Dodaro is Comptroller General of the United States, and we welcome you back. The Honorable David Mader is Comptroller of the Office of Federal Financial Management in the White House Office of Management and Budget, and Mr. David Lebryk is Fiscal Assistant Secretary of the U.S. Department of Treasury which has been so much talked about as the responsible—primary responsible party for the DATA Act.

Pursuant to the committee's rules, would you please rise to take the oath, and raise your right hand. Just follow Gene. He knows this one.

Do you solemnly swear or affirm the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

Thank you very much. Please be seated, and let the record reflect at that all witnesses answered in the affirmative.

The light will indicate your 5 minutes. Please try to stay as close as you can to it. Your entire opening Statements will—or Statements will be placed in the record along with any other extraneous material you may choose to provide.

Mr. DODARO.

#### STATEMENT OF HON. GENE L. DODARO

Mr. DODARO. Good morning, Mr. Chairman, Ranking Member Cummings, members of the committee. I am very pleased to be here today to talk about the implementation of the DATA Act.

I would like to start by commending you, Mr. Chairman, Mr. Cummings, and others, Mr. Connolly and the whole committee, for your vision and persistence in bringing the DATA Act to fruition and for holding this very important hearing on early implementation phases.

As I have testified before this committee before, I think effective implementation of the DATA Act can have profound implications for increasing the transparency of government spending for the public, facilitate better management by agency managers by giving them more accurate and timely information to manage by and thereby promoting efficiency and effectiveness of government, and also to help facilitate efforts to reduce and hopefully eliminate fraud, waste, and abuse in the Federal Government and identifying the overlapping and duplicative programs that can be identified and remedied.

Now, effective implementation, in my opinion and experience, will not happen without strong leadership by OMB, Treasury and attention by the agencies, and I think our recent report on USASpending.gov really illustrates the challenge here. Five years after implementation in 2012 data on USASpending.gov, we went in and took a look to see about the completeness and accuracy of the information, and we found 324 programs were not recorded in the data base.

Senator Portman mentioned a number omitted which is \$619 billion of spending was not included. We also checked the 21 data elements that were supposed to be included in the DATA Act and trace them back to their agency records and only found 2 to 7 percent of the information tracked back successfully for all the data elements.

So we really have to do better with the DATA Act implementation. OMB and Treasury have agreed to implement the recommendations. I've talked to Dave Mader and Dave Lebryk about it, so I'm very pleased about that, but I would say that sustained congressional oversight is also very warranted in this area.

For our part at the GAO, I am giving this a high priority. Our work, the legislation calls for our first report to be in 2017, but you can look for a report from us next year. We are going to track every stage of the implementation over the period of time, not just look at the after the fact reports by the IGs. I want to make sure the data standards are complete and consistent, the agencies are poised to implement it successfully, that consultation agreements

have worked successfully, and that we are off to a good start in implementing this.

Also, I plan to give a—continue to give a high priority to making sure we have complete and accurate reports on the Government's financial condition. In my Statement today, I've included the results of our last audit of the Government's financial Statements in which we were unable to render an opinion because of serious control weaknesses.

I mention the three major impediments to getting an opinion on the Statement which is serious financial management problems at the Department of Defense and problems at the Treasury Department, eliminating intergovernmental transactions and compiling Statements, and it includes our opinion on the Government's financial condition, which I believe continues to be on a long-term unsustainable fiscal path.

I'd be happy to answer questions about the DATA Act implementation and our work on the financial Statements at the appropriate time, Mr. Chairman.

Thank you again for inviting us to participate in this hearing.  
Chairman ISSA. Thank you.

[Prepared Statement of Mr. Dodaro follows:]

United States Government Accountability Office

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Testimony  
Before the Committee on Oversight  
and Government Reform, House of  
Representatives

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For Release on Delivery  
Expected at 9:30, a.m. ET  
Wednesday, December 3, 2014

## FEDERAL DATA TRANSPARENCY

Effective Implementation of  
the DATA Act Would Help  
Address Government-wide  
Management Challenges  
and Improve Oversight

Statement of Gene L. Dodaro  
Comptroller General of the United States

## GAO Highlights

Highlights of GAO-15-241T, a testimony before the Committee on Oversight and Government Reform, House of Representatives

### Why GAO Did This Study

The federal government spends \$3.5 trillion annually, but data on this spending are often incomplete or have quality limitations. Effective implementation of the DATA Act would help address the federal government's persistent management and oversight challenges by providing for standardized, high-quality data. The DATA Act also will increase the accessibility of data to benefit the public and the business community by requiring, among other things, that data be made available in machine-readable and open formats.

This statement focuses on (1) the condition of information detailing federal spending as reported in our June 2014 report; (2) efforts to date to implement and plan for meeting key provisions of the DATA Act, including potential implementation challenges as well as GAO's plan; (3) the importance of the DATA Act for addressing government management and oversight challenges; and (4) results of GAO's audit of the fiscal year 2013 U.S. government's financial statements, including efforts to improve financial management at DOD.

This statement is primarily based upon our published and on-going work covering GAO's work on federal data transparency, fragmentation, overlap and duplication, improper payments, and government efficiency, effectiveness, and financial reporting.

GAO has made numerous recommendations to OMB, Treasury, and other executive branch agencies in these areas, and this statement reports on the status of selected recommendations.

View GAO-15-241T. For more information, contact J. Christopher Mihm, (202) 512-6800 or [mihmj@gao.gov](mailto:mihmj@gao.gov) and Gary T. Engel, (202) 512-3400, [engel@gao.gov](mailto:engel@gao.gov).

December 3, 2014

## FEDERAL DATA TRANSPARENCY

### Effective Implementation of the DATA Act Would Help Address Government-wide Management Challenges and Improve Oversight

#### What GAO Found

GAO's prior work on federal data transparency has found persistent challenges related to the quality and completeness of the spending data agencies report to [USAspending.gov](http://USAspending.gov). For example, GAO reported in June 2014 that roughly \$619 billion in assistance awards were not properly reported. In addition, few reported awards—between 2 and 7 percent—contained information that was fully consistent with agency records for all 21 data elements GAO examined. GAO's work also found that a lack of government-wide data standards limits the ability to measure the cost and magnitude of federal investments and hampers efforts to share data across agencies to improve decision-making and oversight.

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted to help address these challenges. Among other things, the DATA Act requires (1) the establishment of governmentwide data standards by May 2015, (2) disclosure of direct federal spending with certain exceptions, (3) agencies to comply with the new data standards, and (4) Inspectors General audits of the quality of the data made available to the public.

Initial implementation efforts are focused on obtaining public input, developing data standards and establishing plans to monitor agency compliance with DATA Act provisions. These efforts include, for example, a data transparency town hall meeting co-hosted by the U.S. Department of the Treasury (Treasury) and the Office of Management and Budget (OMB) to obtain public stakeholder input on the development of data standards, and Treasury Inspector General's efforts, in consultation with GAO, to develop a comprehensive audit framework to assess agency compliance and ensure new standardized data elements are effective once implemented. Effective implementation will need to address key technical issues including developing and defining common data elements across multiple reporting areas and enhancing data transparency while protecting individual privacy and national security.

Effective implementation would help promote transparency to the public and address ongoing government management challenges by expanding the quality and availability of federal spending data. Having better data also will make it possible to gauge the magnitude of the federal investment, help agencies make fully informed decisions about how federal resources should be allocated, and provide agencies and the audit community with additional data analytic tools to detect and prevent improper payments and fraudulent spending.

GAO also reports on its annual audit of the consolidated financial statements of the U.S. government. Almost all of the 24 Chief Financial Officers Act agencies received unmodified ("clean") opinions on their respective entities' fiscal year 2013 financial statements. However, three long-standing major impediments, including serious financial management problems at the U.S. Department of Defense (DOD), prevented GAO from expressing an opinion on the U.S. government's 2013 accrual-based consolidated financial statements. In addition, while progress has been made to reduce the deficit in the near term, comprehensive long-term fiscal projections, consistent with GAO's recent simulations, show that absent policy changes, the federal government continues to face an unsustainable long-term fiscal path.

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Chairman Issa, Ranking Member Cummings, and Members of the Committee:

Thank you for the opportunity to discuss the implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act) and its potential for addressing persistent government management challenges.<sup>1</sup> I would like to begin by commending the Committee for its central role in the passage of the DATA Act earlier this year and for holding this hearing to help promote its effective implementation. Without the Committee's sustained attention and leadership over time, the DATA Act would not be a reality. While the full promise of the act will not be realized for several years, early planning and careful oversight can help build a foundation so that key provisions of the act are effectively implemented in a timely manner.

As you know, the federal government faces long standing management and oversight challenges: overlapping programs and improper payments are just two examples. Addressing these challenges is difficult in part because of the limited quality and availability of federal spending data. Our earlier work also demonstrated the importance of data standards for improving the quality of federal spending information made available to the public.<sup>2</sup> To help resolve these issues, the DATA Act aims to improve the quality and completeness of the data that agencies must provide to the government website, USASpending.gov, in order to make information on federal spending more accountable, transparent, and accessible. The act also requires the Department of the Treasury (Treasury) to establish common standards for financial data provided by all government agencies. These actions would help make spending data comparable across programs, allowing executive branch agencies and Congress to accurately measure the costs and magnitude of federal investments as well as to help identify fraudulent spending.

To operate as effectively and efficiently as possible and to make difficult decisions to address the federal government's fiscal challenges,

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<sup>1</sup>Pub. L. No. 113-101, 128 Stat. 1146 (May 9, 2014) (*codified at* 31 U.S.C. § 6101 note) The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006 (FFATA).

<sup>2</sup>GAO, *Federal Data Transparency: Opportunities Remain to Incorporate Lessons Learned as Availability of Spending Data Increases*, GAO-13-758 (Washington, D.C.; Sept. 12, 2013).

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Congress, the administration, and federal managers must have ready access to reliable and complete financial and performance information—both for individual federal entities and for the federal government as a whole. Overall, significant progress has been made since the enactment of key federal financial management reforms in the 1990s; however, our report on the U.S. government's consolidated financial statements underscores that much work remains to improve federal financial management and that these improvements are urgently needed.

My testimony today will address four topics: 1) the condition of information detailing federal spending; 2) efforts to date to implement and plan for meeting key provisions of the DATA Act, including potential implementation challenges, as well as GAO's plan; 3) the importance of the DATA Act for addressing government management and oversight challenges; and 4) results of our audit of the fiscal year 2013 U.S. government's financial statements, including efforts to improve financial management at the Department of Defense (DOD). As you know, to avoid interference with the auditability of DOD's financial statements, the DATA Act provides DOD with the opportunity to request from OMB up to three 6-month extensions to report financial and payment information in accordance with data standards established under the act.<sup>3</sup>

My statement is based on our prior work on USASpending.gov,<sup>4</sup> federal data transparency<sup>5</sup>, our most recent audit of the U.S. government's consolidated financial statements,<sup>6</sup> and our work on the nation's long-term fiscal condition.<sup>7</sup> We also reviewed reports by the Government

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<sup>3</sup>FFATA, § 4(c)(2)(B).

<sup>4</sup>GAO, *Data Transparency: Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website*, GAO-14-476 (Washington, D.C.: June 30, 2014) and *Electronic Government: Implementation of the Federal Funding Accountability and Transparency Act of 2006*, GAO-10-365 (Washington, D.C.: Mar. 12, 2010).

<sup>5</sup>GAO, *Federal Data Transparency: Opportunities Remain to Incorporate Lessons Learned as Availability of Spending Data Increases*, GAO-13-758 (Washington, D.C.: Sept. 12, 2013).

<sup>6</sup>GAO, *Financial Audit: U.S. Government's Fiscal Years 2013 and 2012 Consolidated Financial Statements*, GAO-14-319R (Washington, D.C.: Feb. 27, 2014).

<sup>7</sup>GAO, *Fiscal Outlook: Federal Fiscal Outlook* (Spring 2014), (Washington, D.C.: 2014), accessed on Nov. 26, 2014, [http://www.gao.gov/fiscal\\_outlook/federal\\_fiscal\\_outlook/overview](http://www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview).

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Accountability and Transparency Office, the Recovery Accountability and Transparency Board (Recovery Board) and Treasury, and presentations on data standards from federal agencies and entities representing a range of federal fund recipients. We also met with Treasury and Office of Management and Budget (OMB) officials to discuss the plans and status of DATA Act implementation.

We conducted the work that informs this testimony in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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### Much Work Remains to Improve the Quality of Federal Spending Data

Congress and the Administration Have Acted to Make More Data Available and Accessible

The federal government spends more than \$3.5 trillion annually, but data on this spending lack transparency. Moreover, the data are often incomplete or have quality limitations. To address these data issues, several statutes were enacted over the last decade, including:

- The first, the Federal Funding Accountability and Transparency Act of 2006 (FFATA), required OMB to establish a website to provide information on grant and contract awards, and subawards.<sup>8</sup> This information is available at [www.USASpending.gov](http://www.USASpending.gov).
- The second, the American Recovery and Reinvestment Act of 2009 (Recovery Act), which provided approximately \$840 billion in funding, required that funding recipients' reports on award and spending data

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<sup>8</sup>Pub. L. No. 109-282, 120 Stat. 1186 (Sept. 26, 2006) (*codified at* 31 U.S.C. § 6101 note). FFATA was amended on June 30, 2008, by section 6202(a) of Public Law 110-252, 122 Stat. 2323, 2387.

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be made available on a website.<sup>9</sup> Today, data related to Recovery Act funding is available at [www.Recovery.gov](http://www.Recovery.gov).<sup>10</sup> Information on the spending and distribution of Hurricane Sandy funds are available on that site as well.<sup>11</sup>

- The third, the Digital Accountability and Transparency Act of 2014 (DATA Act), expands FFATA so that taxpayers and policy makers can track federal spending more effectively. When fully implemented in 2018, the DATA Act will require federal agencies to disclose their direct expenditures and link federal contract, loan, and grant spending information to agency programs. That data are to be available on the web in machine-readable and open formats. The act also requires the establishment of government-wide financial data standards and simplified reporting requirements for entities receiving federal funds. Lastly, to improve the quality of data submitted to [USAspending.gov](http://USAspending.gov), the act requires Inspectors General (IG) to assess the completeness, timeliness, quality, and accuracy of the spending data submitted by their respective agencies and the use of the data standards. To assist with that effort, the DATA Act also calls for the establishment of a pilot program, with participants to include, among others, a diverse group of recipients of federal awards. The purpose of the pilot program is to develop recommendations for 1) the standardization of reporting elements across the federal government, 2) the elimination of unnecessary duplication in financial reporting, and 3) the reductions of compliance costs for recipients of federal funds.

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<sup>9</sup>Pub. L. No. 111-5, §§ 1512, 1526, 123 Stat. 115, 287–288, 293–294 (Feb. 17, 2009).

<sup>10</sup>Current authorization for the Recovery Accountability and Transparency Board will sunset on September 30, 2015 and the board has decided not to renew the licensing agreement that allows for the display of certain recipient-related data. As of October 1, 2014, maps, charts, and graphs on the site no longer reflect this information. This change also included the removal of the recipient profiles as well as the cumulative national download file.

<sup>11</sup>See, Pub. L. No. 113-2, div. A, § 904(d), 127 Stat. 4, 18 (May 9, 2013).

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Persistent  
USASpending.gov  
Challenges Highlight the  
Need for Strong  
Leadership of DATA Act  
Implementation

Strong and consistent leadership will be needed to ensure the DATA Act is fully implemented. Our work underscores this point, as we have found that unclear guidance and weaknesses in oversight have contributed to persistent challenges with data on USASpending.gov. These challenges relate to the quality and completeness of data submitted by federal agencies. In 2010, we reported that USASpending.gov did not include information on awards from 15 programs at nine agencies for fiscal year 2008.<sup>12</sup> Also in that report, we looked at a sample of 100 awards on the website and found that each award had at least one data error. To address this problem, we recommended that OMB include all required data on the site, ensure complete reporting, and clarify guidance for verifying agency-reported data. OMB generally agreed with our findings and recommendations, and subsequently issued additional guidance on agency responsibilities. Our most recent report on this subject reinforces these earlier findings.

In June 2014, we reported that while agencies generally reported contract information as required, many assistance programs (e.g., grants or loans) were not reported.<sup>13</sup> Specifically, we found agencies did not appropriately submit the required information on 342 assistance award programs totaling approximately \$619 billion in fiscal year 2012, although many reported the information after we informed them of the omission. In addition, we found few awards on the website contained information that was fully consistent with agency records. We found that only between 2 percent and 7 percent of the awards contained information that was fully consistent with agencies' records for all 21 data elements we examined. The element that identifies the name of the award recipient was the most consistent, while the elements that describe the award's place of performance were generally the most inconsistent. To address these problems, we recommended the Director of OMB (1) clarify guidance on reporting award information and maintaining supporting records and (2) develop and implement oversight processes to ensure that award data are consistent with agency records. OMB generally agreed with our recommendations and we will continue to monitor OMB's implementation.

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<sup>12</sup>GAO, *Electronic Government: Implementation of the Federal Funding Accountability and Transparency Act of 2006*, GAO-10-365 (Washington, D.C.: Mar. 12, 2010).

<sup>13</sup>GAO, *Data Transparency: Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website*, GAO-14-476 (Washington, D.C.: June 30, 2014).

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DATA Act  
Implementation  
Efforts Under Way  
Need to Address  
Known Challenges

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Initial Actions Are Focused  
on Data Standards,  
Stakeholder Outreach,  
and Establishing Plans to  
Monitor Compliance

Across the federal government, initiatives are under way to implement key provisions of the DATA Act. Among these provisions is a requirement for OMB and Treasury to consult with public and private stakeholders in establishing data standards. In response, Treasury and OMB convened a data transparency town hall meeting in late September 2014 so the public could provide input to Treasury officials responsible for developing data standards. The event drew more than 200 participants from the public and private sector, including congressional staff and representatives from federal agencies, state and local governments, private industry, and transparency advocacy organizations. Agency officials provided information on efforts to standardize federal financial management data and members of the public shared their views on the importance of data standards and recommendations for successful implementation.

In addition, on September 26, 2014, Treasury published notice in the *Federal Register* seeking public comment on the establishment of financial data standards by November 25, 2014.<sup>14</sup> These actions are consistent with our recommendations based on lessons learned from the implementation of both USAspending.gov and Recovery.gov. These lessons stressed the importance of obtaining input from federal agencies, recipients, and subrecipients early in the development of new transparency systems to minimize reporting burden.

The DATA Act also calls on Treasury to establish a data analysis center or to expand an existing service, to provide data, analytic tools, and data management techniques for preventing or reducing improper payments and improving the efficiency and transparency in federal spending. The act also directs Treasury to work with federal agencies, including IGs and federal law enforcement agencies, to provide data from the data analysis

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<sup>14</sup>79 Fed. Reg. 58,045.

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center to identify and reduce fraud waste and abuse and for use in the conduct of criminal investigations, among other purposes.<sup>15</sup> In response to this requirement, Treasury established the Data Transparency Office which is working with the Recovery Board to transfer assets from the board's Recovery Operations Center to Treasury.<sup>16</sup> Treasury has also assumed program responsibility for USASpending.gov to display accurate government-wide spending data to the public, as called for in the act.

Building on lessons learned from the implementation of the Recovery Act, the DATA Act's provisions also ensure that implementation will be closely monitored. These provisions require IGs and us to assess the implementation of the act throughout the next 7 years (see figure 1 for a timeline of key DATA Act provisions). The DATA Act requires the Inspectors General to assess the completeness, timeliness, quality and accuracy of spending data submitted by their respective agencies and the use of the data standards. These reports are due 18 months after OMB and Treasury issue data standards guidance and then within 2 and 4 years after that. The Treasury IG is leading the IG community's efforts to develop a comprehensive framework of audit procedures, in consultation with us, to ensure IGs meet their auditing and reporting responsibilities under the act. The Treasury IG is also reviewing Treasury's standup of a Transparency Office and Treasury's efforts to improve USASpending.gov, as well as Treasury's plans to implement its responsibilities under the DATA Act.

We are fully prepared to meet the DATA Act's oversight and consultative roles for us as well. The act requires us to review IG reports on agency spending data quality and use of data standards in compliance with the act, and IGs are to consult with us to assess the completeness and accuracy of agency data. We are working with the Treasury IG and through the Council of Inspectors General for Integrity and Efficiency to develop common audit procedures and practices across the federal accountability community to avoid duplication. We are also working to ensure that the Treasury's implementation efforts follow good consultative practices, and that views from both federal and nonfederal stakeholders

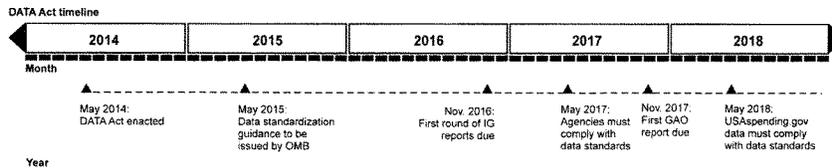
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<sup>15</sup>FFATA, § 6(c)(2).

<sup>16</sup>The Recovery Act established the Recovery Accountability and Transparency Board, a team of federal Inspectors General (IGs) tasked with conducting and coordinating oversight of Recovery funds. Recovery Act, div. A, §§ 1521–1530, 123 Stat. at 289–294.

are appropriately considered as data standards are developed. We also will evaluate the data standards to ensure that they are complete, clear, and at the right level of specificity. Toward that end, we plan to provide an interim report to the Congress in 2015 on the establishment of the standards.

**Figure 1: Digital Accountability and Transparency Act of 2014: Timeline of Key Provisions**



Source: GAO analysis of Pub. L. 113-101, 128 Stat. 1146. | GAO-15-241T

Note: Inspectors General (IG) and GAO are required to report two additional times at two and four years after their respective initial reports. If the guidance is issued earlier than one year after passage, dates that follow would move up commensurately.

### DATA Act Implementation Needs to Address Key Technical Issues

To effectively implement the DATA Act, the federal government will need to address multiple technical issues. The first of these issues involves developing and defining common data elements across multiple reporting areas. Among the lessons learned from the implementation of the Recovery Act's transparency provisions was the value of standardized data for improving data quality and transparency, including uniform information for contracts and financial assistance awards. To address this issue for DATA Act implementation, the DOD and the Department of Health and Human Services (HHS) are examining data elements used by the procurement and grants communities to identify financial data elements common to both communities that can be standardized.<sup>17</sup> Their assessment focuses on 72 data elements that are linked to five data

<sup>17</sup>DOD and HHS staff provided a briefing on their collaborative financial assistance (grants) and acquisition (procurement) data standards efforts to members of the Government Accountability and Transparency Board on July 30, 2014, as part of their ongoing efforts to provide strategic direction for enhancing federal spending data standardization.

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areas: (1) identification of award; (2) awardee/recipient information; (3) place of performance; (4) period of performance; and (5) identification of agencies. HHS and DOD were able to reach agreement on a basic set of data elements that could be standardized across the procurement and award communities. Some of the elements will require changes in policy, while in other cases agencies will have to change how they collect and report data. Plans to identify and coordinate recommended policy changes with OMB are under way.

Another related issue is how to enhance data transparency while protecting individual privacy and national security. The DATA Act does not require the disclosure of any information that is exempt from disclosure under the Freedom of Information Act, including information that is specifically authorized to be kept secret in the interest of national defense or foreign policy.<sup>18</sup> Additionally, the DATA Act does not require federal agencies to report direct payments to individuals.<sup>19</sup> However, some federal agencies have raised concerns about how privacy and national security can be maintained if more data are made available.

In January 2013, we co-hosted a forum on data analytics with the Recovery Board and The Council of Inspectors General for Integrity and Efficiency. The forum brought together representatives from federal, state, and local agencies and the private sector to explore the use of data analytics—which involve a variety of techniques to analyze and interpret data—to help identify fraud, waste, and abuse in government. Forum participants identified opportunities to enhance data-analytics efforts, such as consolidating data and analytics operations in one location to increase efficiencies by enabling the pooling of resources as well as accessing and sharing of the data to enhance oversight. The forum participants also identified a variety of challenges that hinder their abilities to share and use data. For example, forum participants cited statutory requirements that place procedural hurdles on agencies wishing to perform data matching to detect fraud, waste, and abuse, and technical obstacles—such as the lack of uniform data standards across agencies—which make it more difficult for oversight and law enforcement entities to

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<sup>18</sup>31 U.S.C. § 6101 note, FFATA, § 7.

<sup>19</sup>31 U.S.C. § 6101 note, FFATA, § 2(a)(2)(C)(i).

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share available data.<sup>20</sup> To continue the dialogue on issues related to coordination and data sharing, we formed the Government Data Sharing Community of Practice (CoP). In 2013 and 2014, the CoP partnered with a variety of organizations, including MITRE and the National Intergovernmental Audit Forum, to host a series of events for the audit community to discuss legal issues and technological challenges to data sharing.

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**Effective  
Implementation of the  
DATA Act Would Help  
Address Ongoing  
Government  
Management  
Challenges and  
Enhance Oversight**

When fully and effectively implemented, the DATA Act holds great promise for improving the efficiency and effectiveness of the federal government, and for addressing persistent government management challenges. Expanding the quality and availability of federal spending data will better enable federal program managers to make data-driven decisions about how they use government resources to meet agency goals. Providing open and consumable federal data will enable innovation and help new and existing businesses to use data to inform activities. By expanding the quality and availability of federal spending data, the DATA Act also holds great promise for enhancing government oversight and preventing and detecting fraud, waste and abuse.

Our work on examining fragmentation, overlap and duplication in federal government programs has demonstrated the need for more reliable and consistent federal data, which implementation of the DATA Act should produce. As we have reported and I have testified before this Committee, better data and a greater focus on expenditures and outcomes are essential to improving the efficiency and effectiveness of federal efforts.<sup>21</sup> Currently, there is not a comprehensive list of all federal programs and agencies often lack reliable budgetary and performance information about their programs.

Without knowing the scope, cost, or performance of programs, it is difficult for executive branch agencies or Congress to gauge the magnitude of the federal commitment to a particular area of activity, or the

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<sup>20</sup>For a summary of the key themes from the forum see GAO, *Highlights of a Forum: Data Analytics for Oversight and Law Enforcement*, GAO-13-680SP (Washington, D.C.: July 15, 2013).

<sup>21</sup>GAO, *Government Efficiency and Effectiveness: Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-14-478T (Washington, D.C.: Apr. 8, 2014).

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extent to which associated federal programs are effectively and efficiently achieving shared goals. Moreover, the lack of reliable, detailed budget information makes it difficult to estimate the cost savings that could be achieved should Congress or agencies take certain actions to address identified fragmentation, overlap, and duplication. Absent this information, Congress and agencies cannot make fully informed decisions on how federal resources should be allocated and the potential budget trade-offs.

Implementing data standards across the federal government, as required under the DATA Act, could help address another ongoing challenge: the need for reliable and consistent agency program information. We recently examined the implementation of the agency program inventory requirements under the GPRA Modernization Act of 2010 (GPRAMA)<sup>22</sup> and found that inconsistent program definitions and program-level budget information limit comparability among like programs.<sup>23</sup> In developing the inventory, OMB allowed for significant discretion in several areas leading to a variety of approaches for defining programs and inconsistencies in the type of information reported. The inconsistent definitions, along with agencies not following an expected consultation process, led to challenges in identifying similar programs in different agencies. The lack of program comparability hampers decision makers' ability to identify duplicative programs and accurately measure the cost and magnitude of federal investments.

In addition, we found that although GPRAMA requires agencies to identify program-level funding, OMB did not direct agencies to include this information in their 2013 inventories and it was not included in the May 2014 update. OMB officials told us that they put the 2014 update on hold to determine how to merge these requirements with DATA Act transparency requirements since both laws require web-based reporting.

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<sup>22</sup>Pub. L. No. 111-352, 124 Stat. 3866 (Jan. 4, 2011). GPRAMA updated the Government Performance and Results Act of 1993 (GPRA), Pub. L. No. 103-62, 107 Stat. 285 (Aug. 3, 1993). GPRAMA requires OMB to make publically available an inventory of all federal programs identified by agencies to enable decision makers to identify duplicative programs and to make it easier to determine the scope of the federal government's investments in a particular area. Under the act, agencies are to provide program-level funding and performance information and OMB is required to publish the inventory on a central government-wide website.

<sup>23</sup>GAO, *Government Efficiency and Effectiveness: Inconsistent Definitions and Information Limit the Usefulness of Federal Program Inventories*, GAO-15-83 (Washington, D.C.: Oct. 31, 2014).

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Implementing data standards across the federal government, as required under the DATA act, could help address this ongoing challenge.

Effective implementation of the DATA Act could also provide additional data analytic tools for agencies to detect, reduce, and prevent improper payments. Throughout the past decade, we have reported and testified on improper payment issues across the federal government, as well as at specific agencies. In July, we testified that federal agencies reported an estimated \$105.8 billion in improper payments in fiscal year 2013 that were attributable to 84 programs spread among 18 agencies.<sup>24</sup> The Improper Payments Elimination and Recovery Improvement Act of 2012 is the latest in a series of laws aimed at addressing this issue.<sup>25</sup> The act requires that agencies verify benefit eligibility by checking multiple existing databases before making a payment to a person or entity. The act also modified requirements to promote computer matching activities that assist in the detection and prevention of improper payments.

As we have previously found, a number of strategies across government, some of which are under way, could help to reduce improper payments, including (1) designing and implementing strong preventive controls activities such as up-front validation of eligibility through data sharing and predictive analytic tests and (2) implementing effective detection techniques to quickly identify and recover improper payments after they have been made. By establishing a data analysis center to provide data, analytical tools, and data management techniques, the DATA Act could also help address this problem.

The open data provisions of the DATA Act will also enhance the federal government's emerging use of data analytics capabilities to conduct incisive analysis to support oversight, improve decision-making by federal program managers, and foster innovation by making more federal data available to the public. This oversight will include, but not be limited to, the detection and prevention of fraud, waste and abuse as well as analysis of improper payments and overlap, duplication, and fragmentation across federal programs. For example, we plan to leverage open data as part of our piloting of data analytic technologies, which

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<sup>24</sup>GAO, *Improper Payments: Government-Wide Estimates and Reduction Strategies*, GAO-14-737T (Washington, D.C.: July 9, 2014).

<sup>25</sup>Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013) (*codified at* 31 U.S.C. § 3321 note).

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include (1) data mining for improper payments analysis; (2) link analysis for fraud identification and mitigation; (3) document clustering and text mining for overlap and duplication analysis; and (4) network analysis for program coordination assessment, among other potential endeavors.

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**Results of Our Audit  
of the U.S.  
Government's  
Consolidated  
Financial Statements  
for Fiscal Years 2013  
and 2012**

As in prior years, the federal government was unable to demonstrate the reliability of significant portions of its accrual-based consolidated financial statements for fiscal years 2013 and 2012,<sup>26</sup> principally resulting from limitations related to certain material weaknesses<sup>27</sup> in internal control over financial reporting.<sup>28</sup> For example, about 33 percent of the federal government's reported total assets as of September 30, 2013, and approximately 16 percent of the federal government's reported net cost for fiscal year 2013 relate to DOD, which received a disclaimer of opinion on its consolidated financial statements. As a result, we were unable to provide an opinion on the accrual-based consolidated financial statements of the U.S. government. Further, significant uncertainties, primarily related to the achievement of projected reductions in Medicare cost growth reflected in the 2013, 2012, 2011, and 2010 Statements of Social Insurance,<sup>29</sup> prevented us from expressing opinions on those

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<sup>26</sup>The accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2013, and 2012 consist of the (1) Statements of Net Cost, (2) Statements of Operations and Changes in Net Position, (3) Reconciliations of Net Operating Cost and Unified Budget Deficit, (4) Statements of Changes in Cash Balance from Unified Budget and Other Activities, and (5) Balance Sheets, including the related notes to these financial statements. Most revenues are recorded on a modified cash basis. The 2013, 2012, 2011, 2010, and 2009 Statements of Social Insurance and the 2013 and 2012 Statements of Changes in Social Insurance Amounts, including the related notes, are also included in the consolidated financial statements.

<sup>27</sup>A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

<sup>28</sup>A detailed description of the material weaknesses that contributed to our disclaimer of opinion, including the primary effects of these material weaknesses on the accrual-based consolidated financial statements and on the management of federal government operations, can be found on pages 236 through 241 of the Financial Report. We also reported certain other material weaknesses in internal control. A detailed discussion of these can be found on pages 242 through 245 of the Financial Report.

<sup>29</sup>These uncertainties can be found on pages 223 through 224 of the Financial Report.

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statements,<sup>30</sup> as well as on the 2013 and 2012 Statements of Changes in Social Insurance Amounts.

It is important to note, however, that since the enactment of key financial management reforms in the 1990s, significant progress has been made in improving financial management activities and practices. For fiscal year 2013, almost all of the 24 Chief Financial Officers (CFO) Act agencies received unmodified ("clean") audit opinions on their respective entities' financial statements, up from 6 CFO Act agencies for fiscal year 1996. Also, for the first time, the Department of Homeland Security was able to obtain an unmodified audit opinion on all of its financial statements—a significant achievement.

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**Addressing Impediments to an Opinion on the Accrual-Based Consolidated Financial Statements**

Three major impediments continued to prevent us from expressing an opinion on the U.S. government's accrual-based consolidated financial statements: (1) serious financial management problems at DOD that have prevented its financial statements from being auditable, (2) the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal entities, and (3) the federal government's ineffective process for preparing the consolidated financial statements.

**Improving Financial Management at DOD**

Having sound financial management practices and reliable, timely financial information is important to ensure accountability over DOD's extensive resources to efficiently and economically manage the department's assets, budgets, mission, and operations. Accomplishing this goal is a significant challenge given the worldwide scope of DOD's mission and operations; the diversity, size, and culture of the organization; and its reported trillions of dollars of assets and liabilities and its hundreds of billions of dollars in annual appropriations. Given the federal government's continuing fiscal challenges, reliable and timely financial and performance information is important to help federal

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<sup>30</sup>We issued an unmodified opinion on the Statement of Social Insurance for 2009. Statements of Social Insurance are presented for the current year and each of the 4 preceding years in accordance with U.S. generally accepted accounting principles. Also, both the Statements of Social Insurance and the Statements of Changes in Social Insurance Amounts do not interrelate with the accrual-based consolidated financial statements.

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managers ensure fiscal responsibility and demonstrate accountability; this is particularly true for DOD, the federal government's largest department.

DOD continues to work toward the long-term goal of improving financial management and full financial statement auditability. The National Defense Authorization Act (NDAA) for Fiscal Year 2010 requires that DOD's Financial Improvement and Audit Readiness (FIAR) Plan<sup>31</sup> set as its goal that the department's financial statements be validated as ready for audit by September 30, 2017.<sup>32</sup> In addition, the NDAA for Fiscal Year 2013 required that the FIAR Plan also describe specific actions to be taken, and their associated costs, to ensure that DOD's Statement of Budgetary Resources (SBR) would be validated as ready for audit by September 30, 2014.<sup>33</sup>

DOD's current FIAR strategy and methodology focus on two priorities—budgetary information and asset accountability—with an overall goal of preparing auditable department-wide financial statements by September 30, 2017. Based on difficulties encountered in auditing the SBR of the U.S. Marine Corps, DOD made a significant change to its FIAR Guidance that will limit the scope of the first-year SBR audits for all DOD components.<sup>34</sup> As outlined in the November 2014 FIAR Plan Status Report and the November 2013 revised FIAR Guidance, the scope of the

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<sup>31</sup>DOD's FIAR Plan is a strategic plan and management tool for guiding, monitoring, and reporting on the department's ongoing financial management improvement efforts and for communicating the department's approach to addressing its financial management weaknesses and achieving financial statement audit readiness. The FIAR Plan was last updated in November 2014.

<sup>32</sup>Section 1003 of the National Defense Authorization Act for Fiscal Year 2010, made the development and maintenance of the FIAR Plan a statutory requirement. Pub. L. No. 111-84, 123 Stat. 2190, 2439-41 (Oct. 28, 2009) (*codified at* 10 U.S.C. § 2222 note). Under the act, the FIAR Plan must describe specific actions to be taken and the costs associated with ensuring that DOD's financial statements are validated as ready for audit by September 30, 2017. More recently, the National Defense Authorization Act for Fiscal Year 2014, also mandates a full audit of DOD's fiscal year 2018 financial statements, and that those results be submitted to Congress by March 31, 2019. Pub. L. No. 113-66, div. A, § 1003, 127 Stat. 672, 842 (Dec. 26, 2013) (*codified at* 10 U.S.C. § 2222 note).

<sup>33</sup>NDAA for Fiscal Year 2013, Pub. L. No. 112-239, § 1005(a), 126 Stat. 1632, 1904 (Jan. 2, 2013) (*codified at* 10 U.S.C. § 2222 note).

<sup>34</sup>The FIAR Guidance was first issued by the DOD Comptroller in May 2010 and provides a standardized methodology for DOD components to follow for achieving financial management improvements and auditability. The DOD Comptroller periodically updates this guidance.

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SBR audits, beginning in fiscal year 2015, will be on budget activity only related to the current year appropriations as reflected in a Schedule of Budgetary Activity (SBA), an interim step toward achieving the audit of multiple-year budgetary activity and expenditures required for a full audit of the SBR. The most current FIAR Plan acknowledges that DOD did not achieve the above noted requirement for the SBR to be validated as ready for audit by September 30, 2014.

The military departments and other defense agencies asserted audit readiness for their SBAs on September 30, 2014, and plan to start their first-year SBA audits during fiscal year 2015.<sup>35</sup> Even though DOD components are moving forward with SBA audits, our work has shown that DOD components are asserting audit readiness without fully implementing the FIAR Guidance. For example, prior to asserting audit readiness, the Defense Finance and Accounting Service did not fully implement the FIAR Guidance in the areas of planning, testing, and corrective actions for processing payments to contractors. Also, the Army did not ensure that all budgetary processes, systems, and risks were adequately considered and identified as required by the FIAR Guidance for audit readiness.<sup>36</sup> For example, the Army did not adequately identify significant activity attributable to its service provider business processes and systems. Also, the Army's documentation and assessment of controls were not always complete or accurate.

To meet its audit readiness goal of June 30, 2016, for asset accountability, DOD is also continuing to implement plans that focus on the existence and completeness of mission-critical assets to (1) ensure accurate quantity and location information, and (2) support valuation activities. However, with regards to meeting its goal of full auditability by

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<sup>35</sup>According to DOD, validation of audit readiness occurs when the DOD Comptroller examines a DOD component's documentation supporting its assertion of audit readiness and concurs with the assertion. This takes place after the DOD Comptroller or independent auditor first reviews the documentation and agrees that it supports audit readiness. A component asserts audit readiness when it believes that its documentation and internal controls are sufficient to support a financial statement audit that will result in an audit opinion.

<sup>36</sup>GAO, *DOD Financial Management: The Defense Finance and Accounting Service Needs to Fully Implement Financial Improvements for Contract Pay*, GAO-14-10 (Washington, D.C.: June 23, 2014); and *DOD Financial Management: Improvements Needed in Army's Efforts to Ensure the Reliability of its Statement of Budgetary Resources*, GAO-14-60, (Washington, D.C.: May 30, 2014).

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September 30, 2017, the department has not fully developed a strategy for consolidating individual component financial statements into department-wide financial statements.

The effects of DOD's financial management problems extend beyond financial reporting. Long-standing control deficiencies adversely affect the economy, efficiency, and effectiveness of its operations. As we have previously reported, DOD's financial management problems have contributed to (1) inconsistent and sometimes unreliable reports to Congress on estimated weapon system operating and support costs, limiting the visibility needed for effective oversight of the weapon system programs;<sup>37</sup> and (2) continuing reports of Antideficiency Act<sup>38</sup> violations—75 such violations reported from fiscal year 2007 through fiscal year 2012, totaling nearly \$1.1 billion—which emphasize DOD's inability to ensure that obligations and expenditures are properly recorded and do not exceed statutory levels of control.<sup>39</sup>

With improvements to its financial management processes, DOD would be better able to provide its management and Congress with reliable, useful, and timely information on the results of its business operations. Effectively implementing needed improvements, however, continues to be a difficult task. While DOD has made efforts to improve its financial management, we have reported over the past few years significant internal control, financial management, and systems deficiencies including the following:

- Fundamental deficiencies in DOD funds control significantly impair its ability to properly use resources, produce reliable financial reports on the results of operations, and meet its audit readiness goals.<sup>40</sup>

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<sup>37</sup>GAO, *Defense Logistics: Improvements Needed to Enhance Oversight of Estimated Long-term Costs for Operating and Supporting Major Weapon Systems*, GAO-12-340 (Washington, D.C.: Feb. 2, 2012).

<sup>38</sup>Antideficiency Act, *codified, as amended*, at 31 U.S.C. §§ 1341-1342, 1349-1352, 1511-1519.

<sup>39</sup>GAO, *DOD Financial Management: Actions Under Way Need to Be Successfully Completed to Address Long-standing Funds Control Weaknesses*, GAO-14-94 (Washington, D.C.: Apr. 29, 2014).

<sup>40</sup>GAO-14-94.

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- Risk management policies and procedures associated with preparing auditable financial statements through the FIAR Plan were not in accordance with widely recognized guiding principles for effective risk management.<sup>41</sup>
  - The effective implementation of DOD's planned Enterprise Resource Planning (ERP) systems is considered by DOD to be critical to the success of all of its planned long-term financial improvement efforts;<sup>42</sup> however, as we have previously reported, DOD continues to encounter difficulties in implementing its planned ERP systems on schedule and within budget, and experiences significant operational problems such as deficiencies in data accuracy, inability to generate auditable financial reports, and the need for manual workarounds.<sup>43</sup>

We have made numerous recommendations to DOD to address these financial management issues. We are encouraged by DOD's sustained commitment to improving financial management and achieving audit readiness, but several DOD business operations, including financial management, remain on our list of high-risk programs.<sup>44</sup> DOD has financial management improvement efforts under way and is monitoring progress against milestones; however, we have found that DOD and its components have emphasized the assertion of audit readiness by milestone dates over the implementation of effective underlying processes, systems, and controls. While establishing milestones is important for measuring progress, DOD should not lose sight of the ultimate goal—implementing lasting financial management reform to help

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<sup>41</sup>GAO, *DOD Financial Management: Ineffective Risk Management Could Impair Progress toward Audit-Ready Financial Statements*, GAO-13-123, (Washington, D.C.: Aug. 2, 2013).

<sup>42</sup>ERP systems are integrated, multifunction systems that perform business-related tasks, such as general ledger accounting and supply chain management. DOD considers their implementation essential to transforming its business operations and achieving its goals of audit readiness by fiscal year 2017.

<sup>43</sup>GAO, *DOD Business Systems Modernization: Additional Enhancements are Needed for Army Business System Schedule and Cost Estimates to Fully Meet Best Practices*, GAO-14-470 (Washington, D.C.: Sep. 30, 2014); *DOD Business Systems Modernization: Air Force Business System Schedule and Cost Estimates*, GAO-14-152 (Washington, D.C.: Feb. 7, 2014); and *DOD Financial Management: Implementation Weaknesses in Army and Air Force Business Systems Could Jeopardize DOD's Auditability Goals*, GAO-12-134 (Washington, D.C.: Feb. 28, 2012).

<sup>44</sup>GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: Feb. 14, 2013).

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Reconciling Intragovernmental Activity and Balances

ensure that it has the systems, processes, and personnel to routinely generate reliable financial management and other information critical to decision-making and effective operations for achieving its missions. Continued congressional oversight of DOD's financial management improvement efforts will be critical to helping ensure DOD achieves its financial management improvement and audit readiness goals. To assist Congress in its oversight efforts, we will continue to monitor DOD's progress and provide feedback on the status of its improvement efforts.

In fiscal year 2013, despite significant progress, the federal government continued to be unable to adequately account for and reconcile intragovernmental activity and balances between federal entities.<sup>45</sup> When preparing the consolidated financial statements, intragovernmental activity and balances between federal entities should be in agreement and must be subtracted out, or eliminated, from the financial statements. If the two federal entities engaged in an intragovernmental transaction do not both record the same intragovernmental transaction in the same year and for the same amount, the intragovernmental transactions will not be in agreement, resulting in errors in the consolidated financial statements.

In fiscal year 2013, Treasury continued to actively work with federal entities to resolve intragovernmental differences. For example, Treasury expanded its quarterly scorecard process<sup>46</sup> to include all 35 significant component entities,<sup>47</sup> highlighting differences requiring the entities'

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<sup>45</sup>Intragovernmental transactions result from business activities conducted between two federal entities. Examples include (1) federal entities' investments in Treasury securities with Treasury's Bureau of the Fiscal Service and borrowings from the Federal Financing Bank; (2) services provided (e.g., accounting, information technology, and procurement) by one federal entity to another federal entity; and (3) contributions by federal entities into employee benefit programs administered by the Office of Personnel Management and the Department of Labor.

<sup>46</sup>For each quarter, Treasury produces a scorecard for each significant entity that reports various aspects of the entity's intragovernmental differences with its trading partners, including the composition of the differences by trading partner and category. Entities are expected to resolve, with the respective trading partners, the differences identified in their scorecards.

<sup>47</sup>OMB and Treasury identified 35 federal entities for fiscal year 2013 that are significant to the U.S. government's consolidated financial statements, consisting of the 24 CFO Act agencies, several other federal executive branch agencies, and some government corporations.

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attention and encouraging the use of the dispute resolution process.<sup>48</sup> As a result of these and other actions, a significant number of intragovernmental differences were identified and resolved. While such progress was made, we continued to note that amounts reported by federal entity trading partners were not in agreement by significant amounts. Reasons for the differences cited by several CFOs included differing accounting methodologies, accounting errors, and timing differences. In addition, the auditor for DOD reported that DOD, which contributes significantly to the unreconciled amounts, could not accurately identify most of its intragovernmental transactions by customer, and was unable to reconcile most intragovernmental transactions with trading partners, which resulted in adjustments that cannot be fully supported.

Additionally, for fiscal year 2013, there continued to be unreconciled transactions between the General Fund of the U.S. Government (General Fund) and federal entity trading partners related to appropriations and other intragovernmental transactions, which amounted to hundreds of billions of dollars.<sup>49</sup> The ability to reconcile such transactions is hampered because only some of the General Fund is reported in Treasury's department-level financial statements. For example, these financial statements include various General Fund-related assets and liabilities that Treasury manages on behalf of the federal government (e.g., federal debt and cash held by Treasury), but do not include certain other activities such as receipts and disbursements related to other federal agencies. As a result of these circumstances, the federal government's ability to determine the impact of these differences on the amounts reported in the accrual-based consolidated financial statements is significantly impaired. In fiscal year 2013, Treasury continued to establish processes to account for and report General Fund activity and balances, such as providing entities information to assist them in complying with the proper use of the General Fund as a trading partner.

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<sup>48</sup>When an entity and respective trading partner cannot resolve an intragovernmental difference, the entities must request Treasury to resolve the dispute. Treasury will review the dispute and issue a decision on how to resolve the difference, which the entities must follow.

<sup>49</sup>The General Fund is a central reporting entity that tracks core activities fundamental to funding the federal government (e.g., issued budget authority, operating cash, and debt financing activities).

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Preparing the Consolidated  
Financial Statements

Over the years, we have made several recommendations to Treasury to address these issues. Treasury has taken or plans to take actions to address these recommendations.

Treasury, in coordination with OMB, implemented corrective actions during fiscal year 2013 to address certain internal control deficiencies detailed in our previously issued reports regarding the process for preparing the consolidated financial statements. These include further developing and beginning to implement a methodology to reconcile certain outlays and receipts between Treasury's records and underlying federal entity financial information and records. Nevertheless, the federal government continued to have inadequate systems, controls, and procedures to ensure that the consolidated financial statements are consistent with the underlying audited entity financial statements, properly balanced, and in accordance with U.S. generally accepted accounting principles (U.S. GAAP).<sup>50</sup> For example, Treasury was unable to properly balance the accrual-based consolidated financial statements. To make the fiscal years 2013 and 2012 consolidated financial statements balance, Treasury recorded a net decrease of \$9.0 billion and a net increase of \$20.2 billion, respectively, to net operating cost on the Statements of Operations and Changes in Net Position, which were identified as "Unmatched transactions and balances." Treasury recorded an additional net \$5.9 billion and \$1.8 billion of unmatched transactions in the Statement of Net Cost for fiscal years 2013 and 2012, respectively.

Over the years, we have made numerous recommendations to Treasury to address these issues. Most recently, in June 2014, we recommended that Treasury, working in coordination with OMB, include all key elements for preparing well-defined corrective action plans from the Chief Financial Officers Council's *Implementation Guide for OMB Circular A-123, Management's Responsibility for Internal Control – Appendix A, Internal Control over Financial Reporting*, in Treasury's and OMB's corrective

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<sup>50</sup>Most of the issues we identified in fiscal year 2013 existed in fiscal year 2012, and many have existed for a number of years. Most recently, in June 2014, we reported the issues we identified to Treasury and OMB and provided recommendations for corrective action. See GAO, *Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements*, GAO-14-543 (Washington, D.C.: June 19, 2014). A detailed discussion of control deficiencies regarding the process for preparing the consolidated financial statements can be found on pages 238 through 240 of the 2013 *Financial Report*.

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action plans. Treasury has taken or plans to take actions to address these recommendations.

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## Long-Term Federal Fiscal Challenges

The 2013 *Financial Report* includes comprehensive long-term fiscal projections for the U.S. government that, consistent with our recent simulations, show that while the near-term outlook has improved—absent policy changes—the federal government continues to face an unsustainable long-term fiscal path.<sup>51</sup> Such reporting provides a much needed perspective on the federal government's long-term fiscal position and outlook. The projections included in the *Financial Report* and our simulations both underscore the need to take action soon to address the long-term path to avoid larger policy changes in the future that could be disruptive to individuals and the economy, while also taking into account concerns about near-term economic growth.

In the near term, deficits are expected to continue to decline from the recent historic highs as the economy further recovers and actions taken by Congress and the President continue to take effect. Treasury recently reported that the deficit for fiscal year 2014 was the lowest as a share of the economy since 2007. Both the projections in the *Financial Report* and our long-term simulations reflect enactment of the Budget Control Act of 2011 (BCA), which established discretionary spending limits through fiscal year 2021.<sup>52</sup> Under these limits, discretionary spending will continue to decline as a share of the economy and in fiscal year 2021 will be lower than any level seen in the past 50 years. At the same time, revenues are projected to rise in the near-term as the economy continues to recover.

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<sup>51</sup>GAO, *Fiscal Outlook: Federal Fiscal Outlook* (Spring 2014), (Washington, D.C.: 2014), accessed on Nov. 26, 2014, [http://www.gao.gov/fiscal\\_outlook/federal\\_fiscal\\_outlook/overview](http://www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview).

<sup>52</sup>The Budget Control Act of 2011, Pub. L. No. 112-25, § 302, 125 Stat. 240, 256-59 (Aug. 2, 2011). The BCA amended the Balanced Budget and Emergency Deficit Control Act (BBEDCA), *classified, as amended, at* 2 U.S.C. § 901a. Our Spring 2014 simulations also incorporate the effects of the Bipartisan Budget Act of 2013, which further amended BBEDCA to establish higher limits on discretionary appropriations for fiscal years 2014 and 2015 and to extend sequestration for direct spending programs, as well as making other changes to direct spending and revenue. In all, the BBEDCA, as amended through December 2013, reduced deficits over the next 10 years in our Baseline Extended simulation but did not significantly change the long-term federal budget outlook. Our updated simulations for 2015 will incorporate the effects of more recently enacted amendments to the BBEDCA.

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Debt held by the public as a share of gross domestic product (GDP), however, remains well above historical averages. Debt held by the public at these high levels could limit the federal government's flexibility to address emerging issues and unforeseen challenges such as another economic downturn or large-scale natural disaster. Further, even with BCA and other actions taken, the U.S. government continues to face a significant long term structural imbalance between revenues and spending. This imbalance, which is driven on the spending side largely by the aging of the population and rising health care costs, will cause debt held by the public to rise continuously in coming decades. Changing this path will not be easy, and it will likely require difficult decisions affecting both federal spending and revenue. However, as both the projections in the *Financial Report* and our long-term simulations show, delaying action only increases the size of actions eventually needed.

Our past work has also identified a variety of fiscal exposures—responsibilities, programs, and activities that explicitly or implicitly expose the federal government to future spending.<sup>53</sup> Fiscal exposures vary widely as to source, extent of the U.S. government's legal commitment, and magnitude. Over the past decade, some fiscal exposures have grown due to events and trends and the U.S. government's response to them. Increased attention to these fiscal exposures will be important for understanding risks to the federal fiscal outlook and enhancing oversight over federal resources.

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In conclusion, to operate as effectively and efficiently as possible, and to address persistent government-wide challenges that exacerbate the federal government's fiscal challenges, Congress, the administration, federal managers, the public and the accountability community must have ready access to consistent, reliable and complete financial data. When fully and effectively implemented, the DATA Act will improve the accountability and transparency of federal spending data (1) by establishing government-wide financial data standards so that data are comparable across agencies and (2) by holding federal agencies more accountable for the quality of the information disclosed. Such increased

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<sup>53</sup>GAO, *Fiscal Outlook: Federal Fiscal Outlook*, (Washington, D.C.: 2014), accessed on Nov. 26, 2014, [http://www.gao.gov/fiscal\\_outlook/federal\\_fiscal\\_outlook/overview#t=3](http://www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview#t=3) and *Fiscal Exposures: Improving Cost Recognition in the Federal Budget*, GAO-14-28 (Washington, D.C.: Oct. 29, 2013).

transparency provides opportunities for improving the efficiency and effectiveness of federal spending; increasing the accessibility of data to benefit the public and the business community; and improving oversight to prevent and detect fraud, waste, and abuse of federal funds.

While the process to implement the DATA Act has begun, more work remains. We are committed to being a continuing presence to monitor Treasury's, OMB's, and agencies' progress as data standards are developed and implemented, and to work with Inspectors General to ensure an effective audit process is in place to help ensure data quality.

Chairman Issa, Ranking Member Cummings, and Members of the Committee, this concludes my prepared statement. I would be pleased to answer questions.

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**GAO Contacts**

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**Staff  
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Chairman ISSA. Mr. Mader.

**STATEMENT OF HON. DAVID MADER**

Mr. MADER. Thank you, Chairman Issa and Ranking Member Cummings, and members of the committee for the opportunity to testify on administration's progress in implementing the DATA Act, which as we noted, was signed into law May 9th of this year.

This is my first opportunity to appear before the full committee since being confirmed as the OMB comptroller on July 17th of this year.

While I appear here today in my official capacity as OMB comptroller and the OMB official responsible, along with my colleagues from Treasury to implement the DATA Act, I'm also here as a taxpayer who has always been very interested in how our Government spends our tax dollars every year.

Since the DATA Act's enactment several months ago, we have charted a very aggressive path toward implementation building off past experiences and successes to transform the way the Government does business.

A one-stop shop for the display of all data presents the opportunity not only to have an open public facing dialog on how Federal dollars are spent but also serves as a tool for better oversight, management decisionmaking, and innovation both inside and outside our Government.

Transparency is not the end goal but rather the means to the end. What we all seek is a better government that works for all of us.

The DATA Act envisions a new and enhanced USASpending.gov website that will become the authoritative source for basic information of how agencies budget, obligate, and outlay their funds, and how those dollars are ultimately disseminated through Federal contracts, grants, and other forms of expenditures. But accomplishing this within the aggressive timeframes of the Act will be no small feat and one that will take several years and additional resources as envisioned by the Act and as scored by CBO.

Since the DATA Act's passage in May, OMB and Treasury and the entire Federal community have come together to design what is a governmentwide effort. Over the past few months, we have executed several key activities.

First, we have established a governmentwide governance structure to guide the effort and assign responsibility for various action items and tasks. This includes an executive steering committee as well as an interagency advisory committee and the designation in each department and agency of senior accountable officials who will be responsible for the implementation of their act within their respective organization.

This concept worked well for the Recovery Act implementation, and we want to build on past experiences and successes. No time and no need to reinvent the wheel.

Second, we have developed an evolving implementation plan that assigns responsibility and accountability and establishes action items and timelines that address each of the major deliverables of the Act. Attached to my written testimony, there is a very concise graphic that depicts the government structure, the assignment of

roles and responsibility, and the structure for the implementation and continuous engagement of stakeholders both inside and outside of government.

As we move forward in these first initial months of implementation, we have a clear path forward, accountable executives assigned, and with the Congress' support, appropriate funding, and our mutual interest in improving spending transparency and improving how we manage the Government's resources and how the public is aware of those decisions, we will all be successful.

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

Chairman ISSA. Thank you.

[Prepared Statement of Mr. Mader follows:]

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Testimony of David Mader  
Controller, Office of Management and Budget  
before the  
House Committee on Oversight and Government Reform  
December 3, 2014

Thank you, Chairman Issa, Ranking Member Cummings, and Members of the Committee for the invitation to highlight our progress in implementing the Digital Accountability and Transparency Act (DATA Act).

Since the DATA Act's enactment just seven months ago, we have charted an aggressive path, building off of our past successes, to transform the way the government does business. A one-stop shop for Federal spending data presents the opportunity to not only have an open, public-facing dialogue on how Federal dollars are spent, but also serves as a tool for better oversight, management decision-making, and innovation both inside and out of government. Transparency is not the end goal, but rather a means to both improve and ensure accountability for how the government works. It is a means to an end. Expanding and improving the intra-governmental and inter-governmental communication of how Federal dollars are spent empowers us with information to make the most efficient, effective decisions about how to allocate and apply the scarce resources that we have.

**The Opportunity and Challenge of Government-wide Federal Spending Transparency**

The DATA Act envisions that a one-stop shop – USASpending.gov – can become the authoritative source for information about how Federal agencies budget, obligate, and outlay appropriated dollars, and how those dollars ultimately are awarded through Federal contracts, grants, and other forms of financial assistance. USASpending.gov can be a useful tool for facilitating Federal collaboration with State, local, and tribal governments, non-profits, universities and academia, research organizations, among others, on how best to meet the needs of the American people. But this is no small feat and one that will take several years and additional resources. Historically, as agencies have been held accountable for their spending, agencies have administered their appropriations by developing agency-specific ways to document how dollars were spent, where, and for what purpose. While we have made great strides in providing unprecedented Federal spending data through our efforts under the Recovery Act and appropriations for recovery after Hurricane Sandy, there are complexities in replicating those models for all of Federal spending. In both cases, there were funds explicitly dedicated to enabling this level of reporting and the efforts covered only certain types of spending. Looking forward, we are committed to applying the lessons learned from these and other efforts. An updated and enhanced USASpending.gov, expanded consistent with the requirements under the DATA Act, will provide that one suite of spending data that can be analyzed and applied to inform management decisions, both Federal and non-Federal.

### Progress Since the DATA Act's Passage

Since the DATA Act's passage in May 2014, the Office of Management and Budget (OMB), the Treasury Department, and the Federal community have come together to design what has become a government-wide effort. Over the past seven months, OMB and Treasury have executed several key activities:

#### *(1) Establishment of a Government-wide Governance Structure (July 2014)*

Early on, OMB and Treasury recognized that a strong governance structure across business/functional areas (grants, procurement, budget, finance) and Federal agencies was a necessary component of Federal spending transparency. To address this need as we began to implement the DATA Act, OMB and Treasury established an **Executive Steering Committee (ESC)** and the **DATA Act Inter-agency Advisory Committee (IAC)**, in addition to reinvigorating the call for agency **Senior Accountable Officials (SAOs)**.<sup>1</sup> The ESC is comprised of OMB and Treasury and oversees all aspects of both policies and implementation related to our Federal spending transparency efforts. The IAC includes members of the different government-wide Councils and communities such as the CFO Council, the CIO Council, the Award Committee for E-Government, and the Budget Officers Advisory Committee, among others. It provides feedback and input from the government Councils on issues related to DATA Act and Federal spending transparency, and serves as the vehicle through which OMB and Treasury disseminate information to the various Councils.

In addition, the agency SAOs, similar to their role in the Recovery Act, are the singular point of contact at Federal agencies and provide insights into challenges, best practices, and considerations to assure successful implementation at their specific agencies. The SAOs also serve the crucial role of bringing different functional areas of their agencies together. Since the DATA Act's passage, we have held multiple outreach sessions with agency SAOs, updating them on our implementation plan and progress.

#### *(2) Development of a DATA Act Implementation Plan (Summer 2014)*

Within three months of the DATA Act's passage, OMB and Treasury collaborated to devise a clear implementation plan to expand and improve the quality of USASpending.gov. Our goals over upcoming years are twofold. First, we intend to use the site to capture and make available financial management data to enable data consumers to follow the complete life cycle of Federal spending. Second, USASpending.gov provides an opportunity to standardize information exchanges, both definitions and formats, to enable timely access to data required to be posted under the Act.

This implementation plan embodies five critical, fundamental principles:

- Data-centric – Focus on managing existing data and systems;
- Incremental – Release data as it becomes available;
- Reuse – Maximize and leverage use of existing processes/investments;

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<sup>1</sup> See Appendix, Figure 1.

- Collaborative – Feedback from multiple stakeholders drives incremental design improvements; and
- Iterative/Agile – Conduct small scale pilots to inform work on an ongoing basis.

Using these principles to organize our efforts, the DATA Act implementation plan outlines five distinct but related workstreams, to include:

- Designing and implementing data exchange standards;
- Designing and implementing a blueprint or roadmap between data elements;
- Establishing common data definition standards on USASpending.gov;
- Conducting a pilot to reduce administrative burden; and
- Expanding Treasury's data analytics capacity.

(3) *Improving USASpending.gov's Interface and Developing Data Exchanges, Establishing USASpending.gov Data Standards, and Designing Grants & Contracts Reporting Streamlining Pilot, Data Exchange Work (Summer/Fall 2014)*

- Improving USASpending.gov Interface, Designing a Data Element Blueprint and Data Exchange Mechanisms. Over the past several months, Treasury has been working to improve the display, performance, and user interface of USASpending.gov in preparation for a spring of 2015 refresh. They also have been working very closely with agency representatives on designing a data element blueprint/roadmap between data elements and data exchange standards.
- Establishing Federal Financial Data Standards. Beginning this past summer, OMB and Treasury began work specifically on data standardization and data elements. The complexity in establishing standards for the financial data elements is not due to the fact that standards do not exist; rather because there have been multiple sets of standards for any given data element, established for legitimate and necessary purposes, based on management, oversight, or statutory/regulator needs. We must now determine how to harmonize or link these definitions in one public-facing website.

To facilitate this dialogue across all stakeholders, on a parallel track, we have been and will continue to consult with our Federal and non-Federal stakeholders to develop and establish these common DATA Act data standards. Leveraging technology, we have designed a public-facing GitHub site to disseminate information on our Federal spending transparency work, most recently posting the list of data elements we will be considering for standardization in upcoming weeks and months. In addition, Treasury and OMB have posted questions soliciting input from the public on their uses of this data, and Treasury published a Request for Information Notice in the Federal Register seeking input from stakeholders on the data exchange standards to be developed. This broad engagement has been complemented by additional meetings and calls with representatives of the recipient and open government communities.

- Designing Grants & Contracts Reporting Streamlining Pilot. Since May, work has been underway to plan the execution of the Section 5 pilot to reduce reporting burden. This pilot will encompass both the grants and procurement communities. The pilots will build on prior work, for example OMB's work on the Uniform Grants Guidance and the spring 2014 dialogue on improving how to do business with the Federal government. The pilots have been coordinating closely to ensure alignment.

*(4) Release of Federal Spending Transparency Commitments in the United States Open Government National Act Plan (September 2014)*

This Fall, building on the extensive work on Federal spending transparency to date, the President released a new series of initiatives as part of the United States' Open Government National Action Plan. Among these initiatives was a reaffirmation of the work underway for Federal spending transparency. During the U.N. General Assembly on September 24, 2014, the President underscored the Administration's commitment to providing easier access to Federal spending data, a critical component of open government. Aligned with this commitment, the United States' Open Government National Action Plan underscores the work envisioned and outlined by OMB and Treasury's DATA Act implementation plan.

**On the Horizon: Next Milestones**

To transform USASpending.gov, we recognize that there must be some shorter-term deliverables to chart our progress along the way. In order to meet the goals of the DATA Act, OMB and Treasury have identified upcoming milestones through Fiscal Year 2016 to include:

- Releasing a refreshed USASpending.gov that answers the immediate call for improved search capability, visualization, and other functionality using existing data;
- Issuing revised policies to agencies to implement new reporting requirements and data standards pursuant to the DATA Act; and
- Finalizing the scope of pilots to streamline grants and contract recipient reporting and begin the first year of pilot execution.

These intermediate deliverables will help lay a strong foundation for future success, while following our stated goals of being iterative and agile in our approach. As we move beyond these first months of DATA Act implementation, the success of our efforts in upcoming months and years will be contingent on the appropriation of sufficient resources for Federal agencies to align their financial systems with new data standards. In its cost estimate, the Congressional Budget Office (CBO) stated that implementing the DATA Act would cost approximately \$300 million over five years, assuming yearly appropriations of the necessary amounts, but the DATA Act provided no additional funding. The implementation plan developed by OMB and Treasury cannot be realized without additional resources. We look forward to working with Congress in upcoming months to ensure that sufficient resources are made available for our DATA Act efforts and our shared goal for improved Federal spending transparency.

**Next Steps: Continued Outreach to Federal and Non-Federal Stakeholders**

Over the upcoming weeks and months, OMB and Treasury will continue to partner and consult with both Federal and non-Federal stakeholders. Across our Federal community, in addition to the formal governance structure of drawing participation from across agencies and councils, OMB and Treasury will be meeting with the Government Accountability Office (GAO) and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and will continue to communicate its work with the Government Accountability and Transparency Board (GATB).

Where the impact of Federal spending transparency extends beyond our Federal partners, we know that the success of our efforts will be impacted by the extent to which we effectively engage or consult with our non-Federal stakeholders, including those from the Open Government communities, recipient communities, and auditing communities, among others. Beginning with the Joint Financial Management Improvement Program (JFMIP) Conference on May 20, 2014, OMB and Treasury have begun the dialogue of DATA Act implementation at over a dozen different forums, including: State government conferences, auditor conferences, think tank organizations, and industry group roundtable and conference discussions. In addition, we have reached out to various communities through dedicated discussions with the Open Government communities, the Federal recipient communities, and the general public at large through face-to-face and virtual meetings, workshops, the September 26, 2014 townhall summit, and Federal Register notices soliciting public comment.

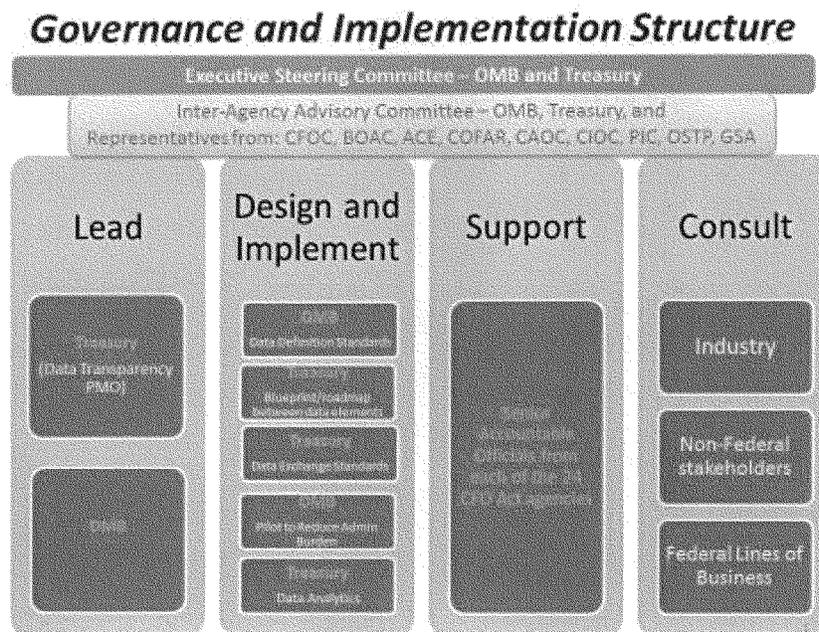
With each specific engagement and collaboration event, we have gained important insights on designing and evolving our current lenses into Federal spending. To continue this dialogue with our non-Federal stakeholders, beginning later this month, we will be hosting collaboration sessions on data standards. More broadly, we will also establish an on-going dialogue to solicit feedback on our initial DATA Act implementation plans. It is from this robust dialogue that we will be able to not only refine our Federal approach to improving spending data but also learn from the efforts underway in our State, local, tribal governments, non-profits, academia and research, IT, and other communities. We believe that it is through this constant engagement that we will be able to collectively change how we all – Federal and non-Federal partners alike –work together to allocate our scarce resources efficiently and effectively.

**Conclusion**

With Congress' continued support, appropriate funding, and ongoing interest to improve Federal spending transparency, we have an opportunity to change the landscape of government management and citizen awareness for years to come. Government-wide, presenting these spending activities in USASpending.gov – in an easily accessible and comparable way - will equip us with the tools needed to make data-driven management decisions. The success of our efforts will be not only in building this momentum for change in the business of government but also institutionalizing these best practices for years to come.

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

Appendix  
 Figure 1. DATA Act Governance and Implementation Structure



Chairman ISSA. Mr. Lebryk.

**STATEMENT OF DAVID LEBRYK**

Mr. LEBRYK. Chairman Issa, Ranking Member Cummings, and members of the committee, thank you very much for the opportunity to appear before you, and thank you for your leadership. I know I have 5 minutes, and I can talk a long time about the DATA Act because—

Chairman ISSA. The earlier folks each left an extra minute, so without objection, you can have up to 7, no problem.

Mr. LEBRYK. Thank you.

What I thought I would do is I would spend a few seconds talking about the importance of data, how we've approached this initiative, and then finally what Treasury is doing with respect to implementation.

There is enormous power in data, and open data allows us to make better decisions and allows us to run government in a more efficient and effective fashion. It leads to a more informed citizenry, it leads to better innovation, and it leads ultimately to better government.

We have seen the power of data, and as was mentioned by Senator Warner in his remarks, in the best run public and private sector organizations, the strategic CFO function owns the data and links that data to everyday operating activity. And one of the reasons why I think we've been fairly successful in our efforts to reach out to the Federal community is because the Federal CFO community understands that the DATA Act will significantly improve their ability to fulfill their responsibilities as a CFO.

And so while we are talking about a fairly innovative approach as we go about this project, and I think that is one of the things we need to talk about with the agencies is about how we're actually implementing, the underlying principle is very well understood within the Federal Government and the need to do these things.

There was a discussion earlier about multiple systems and different agencies, and one of the real difficulties we have right now is there are too many systems in government, and data is siloed in different areas, and it's very difficult to actually find that data and use it, and so we spend too much time on data calls, we spend too much time trying to find information, and then in actually trying to make sure it reconciles and is useful, and the DATA Act has enormous potential to actually get at that issue within government.

We also know that better data leads to better decisions, and the CFO function can actually have a much more strategic role within the Federal Government. We also know that better data can lead to innovation both within government and outside of government. When you look at examples like the GPS that people use on a daily basis, you look at the National Weather Service, those are examples of open data that the Government provides to the private sector and uses that information to improve the lives of Americans in a number of ways.

And so when we're looking at our information that we have, I would say we're similarly trying to look at how we can use finan-

cial data to better inform citizens and allow them to understand government better but also to potentially drive innovation.

With respect to how we approach the initiative is we had a number of principles that we looked at. Something like this, a major initiative needs leadership, and the DATA Act clearly puts forward that Treasury and OMB need to work together to provide that leadership. Dave and I are accountable for this, and we know that.

There needs to be a vision and a direction, clarity of purpose. There needs to be a roadmap with milestones and roles and responsibilities that have been identified. That's why I—very rarely is this chart very far away from me which sort of says this is what the governance structure is going to be with respect to implementation and how we're going to implement the Act with respect to roles and responsibilities.

We also need to make sure that we're doing consultation and collaboration, and so some of the underlying principles are we need to build on existing efforts within government. We need to make sure that we're collaborating. We need to make sure that we're leveraging industry standards and practices so that we're not reinventing the wheel in many cases.

We have also identified this effort as data centric, and therefore, not an initiative which is going to be building large new systems. I think some of the things that we have learned in Treasury over time is that when we put new standards in place, it oftentimes is very difficult to make the changes to the underlying systems and expensive to make those changes. So in this particular case, we've talked about a data-centric approach, that is, the ability to try to access the data in the agencies, not changing the underlying systems but tagging the data and mapping the data so we can actually extract it in a variety systems and use it more effectively.

We also very much want to make sure it's agency-centric. In the past, the initiatives have been information comes to Treasury and the agencies don't own it. So in this effort, we're really talking about how to make sure that the agencies themselves own the data and therefore are the ones who are going to make the best use of it and have the best interest in ensuring the underlying quality of the data as we are going through the implementation process.

Finally, I want to talk a little bit about what Treasury is doing with respect to the implementation. We established a program management office headed by a senior executive, and that program management office is helping drive the vision as well as making sure Treasury is fulfilling its responsibilities under the Act.

Treasury has responsibilities under the legislation to do a blueprint and a roadmap, and that is, to look through where data exists across agencies and in systems and saying how can we tag that data across those different systems. We have to do data exchange standards, and that is, what format is the data going to be used so it's machine readable and useable outside of the Treasury. And we also have the responsibility for doing data analytics, of building the data analytics function.

We also are very much keenly involved in the outreach and making sure that we're collaborating and reaching out to the industry and government to make sure that we're understanding what the best practices are, and advocacy groups so that we're very much

trying to make sure that this is implemented in a very smart and effective way.

That concludes—actually I think I have gotten pretty close—my remarks, but I once again say we really do view this as an opportunity. It's something that I know when we look at it within Treasury, we know it can have an opportunity to really make a difference in government, and so we talk about better data, better decisions, better government, and the Act, I think, is going to be very helpful in advancing those objectives.

Thank you.

Chairman ISSA. Thank you.

[Prepared Statement of Mr. Lebryk follows.]

**Statement of  
David A. Lebryk  
Fiscal Assistant Secretary  
U.S. Department of the Treasury**

**House Committee on Oversight and Government Reform  
*December 3, 2014***

Chairman Issa, Ranking Member Cummings, and members of the Committee, thank you for inviting me to discuss the Department of the Treasury's (Treasury) efforts to increase transparency and accountability in the Federal financial management and implement the Digital Accountability Transparency Act of 2014 (DATA Act).

**The DATA Act Implementation**

Since the enactment of the DATA Act in May 2014, Treasury has embraced its new responsibility to lead the government-wide implementation of the DATA Act in partnership with the Office of Management and Budget (OMB). Although Treasury has only recently assumed a more public leadership role in transparency, transparency is not new to Treasury. As the Federal Government's financial manager, Treasury has been working to increase transparency, accountability, and operational efficiency in Federal financial management for quite some time. We believe that the DATA Act provides not only an opportunity to improve Federal spending transparency for the public, but also an opportunity to improve how we manage the Federal Government internally. Better data leads to better decisions and ultimately a better government.

Like all large and complex initiatives, a well-thought-out implementation plan is one of the key success factors. The plan we have developed, in partnership with OMB, not only reflects the requirements and intent of the law, it also drives us toward a more data-driven government. Successful implementation is not just about reporting the additional required data elements, it is about making key Federal financial information accessible and reusable so that we can answer the questions of tomorrow. We developed our plan and approach based on some key principles. Our solution will be data-centric; our implementation will be iterative and agile; we will build on existing transparency and standardization efforts; we will collaborate with both Federal and non-Federal stakeholders; and leverage industry standards and practices to the furthest extent possible.

**Accomplishments-to-date**

Our approach to implementing the DATA Act is proving to be successful. Just a few months after enactment, we have made significant progress towards implementing the DATA Act requirements. One of the most significant accomplishments is establishing a government-wide DATA Act governance and implementation structure. The key to success in this governance structure is the shared vision that better access to quality financial management data will create value for agencies, improve decision-making, and ultimately result in a better government.

The DATA Act governance structure consists of an Executive Steering Committee and is supported by an Interagency Advisory Committee (IAC). OMB Controller David Mader and I sit on the DATA Act Executive Steering Committee and are ultimately responsible for setting overall policy guidance and making decisions related to DATA Act implementation.

The IAC includes representatives from across the Federal Government, including representatives from CFO, Chief Information Officer (CIO), procurement, financial assistance, budget, performance, and technology policy offices, and is responsible for endorsing and/or challenging recommendations on data standards and providing input on other issues related to DATA Act implementation. The IAC representatives also play a key role in updating their respective agencies and providing leadership in obtaining agency buy-in to implement guidance resulting from the DATA Act.

In addition, Treasury and OMB will leverage the Senior Accountable Officials (SAOs) at each agency to communicate updates and solicit feedback on DATA Act implementation and outputs. Agency SAOs are also responsible for taking a leadership role in implementing the requirements of the DATA Act as well as coordinating implementation within their respective agencies.

Treasury, in collaboration with OMB, has also established a DATA Act implementation structure with clear roles and responsibilities and lines of accountability. We have kicked off the DATA Act implementation areas or “workstreams” and corresponding working groups for each of the major requirements in the DATA Act and significant progress has been made in each of the workstreams.

In the workstream focused on defining the financial data definition standards, OMB, in collaboration with the IAC, has compiled the list of required data element areas and has established interagency working groups to develop data definition recommendations for the IAC and the Executive Steering Committee.

In the workstream focused on creating a blueprint or roadmap between data elements, we have drafted a data concept model that maps the required data elements, how they relate to one another in the context of the Federal spending process, and the authoritative source for each element.

In the workstream focused on implementing a “data centric” approach to accessing data via a standard exchange and publishing data, Treasury has successfully prototyped the “intelligent data framework.” This framework leverages industry data exchange standards to enable timely access to discoverable and reusable financial data. Treasury is now piloting the concept with three Federal agencies by structuring the agencies’ monthly trial balance data. The intelligent data framework reduces the need for massive system changes across all agencies to collect information and instead focuses on managing data. When fully implemented, the intelligent data framework can conceptually both provide the necessary linkages between financial events as well as enable users to query data across the government. Since all of the data to be published reside in multiple disparate systems across the government and each agency has unique process and system set up, we are working with agencies closely to assess the feasibility and benefits of the approach via small pilots. We also need to remain open to a hybrid model and incremental

approach if some agencies or communities could not adopt the intelligent data framework immediately.

In addition, to meet the requirement for Treasury and OMB to consult with public and private stakeholders in establishing data standards and incorporate widely accepted common data elements, Treasury has issued a public request for information on the data exchange standards via a Federal Register Notice (79 FR 58045). Under this Notice, we asked for input from public and private stakeholders on several data standards topics and questions, specifically on data exchange, to better ensure the data standards to be established by Treasury and OMB are informed and useful.

Treasury has also successfully completed a three-month visualization pilot to model future publication of the additional data elements required by the DATA Act on USAspending.gov, or a successor website. This initial visualization has demonstrated how users could interact with the data and have the best user experience possible, and has underscored the need for an identifier that will link financial data to management data (i.e., procurement and financial assistance data).

Treasury also has made progress in exploring whether to establish a data analysis center or expand an existing service to prevent and reduce improper payments and improve efficiency and transparency in Federal spending. Specifically, Treasury is assessing the existing capabilities of our Do Not Pay Business Center as compared to the capabilities of the Recovery Operations Center (ROC). Treasury has also visited the ROC and is conducting knowledge sharing sessions to learn their best practices. Moreover, Treasury is leveraging the Recovery Board's expertise by detailing two Recovery Board staff to work on the DATA Act effort with Treasury and have hired a key Recovery Board ROC manager to work in the Do Not Pay Business Center.

In the workstream related to the requirement to report delinquent nontax debts for the purpose of administrative offset at 120 days, which is 60 days earlier than the previous 180-day requirement, Treasury has formally informed agencies of the requirement. We also have conducted a survey to assess the impact that the new requirement will have on agencies' ability to submit delinquent debt referrals to Treasury, as well as to better understand the level of support Treasury will provide to our debt collection partner agencies so that the provision is implemented in the least burdensome manner possible.

Finally, recognizing that establishing government-wide financial data standards and improving federal spending transparency and accountability is a collaborative effort, Treasury and OMB, have developed a stakeholder outreach strategy with the goals of facilitating strong consultation across Federal communities (e.g., procurement, financial assistance, budget, and performance) as well as the public. Over the past several months we have been conducting stakeholder outreach by briefing government-wide councils (e.g., CFO Council), presenting at major public forums (e.g., AGA conference, Joint Financial Management Improvement Program conference, ACT-IAC panel, Data Transparency Coalition conference), and meetings with agencies, and non-Federal stakeholders. Treasury also hosted the DATA Transparency Town Hall on September 26, 2014, which included over 200 Federal agency representatives from various business lines as well as non-Federal stakeholders including, representatives from state and local governments, Congress, transparency advocacy organizations, and industry.

Moreover, in the spirit of transparency, Treasury and OMB have established on-line platforms to communicate with both Federal and non-Federal stakeholders. To facilitate communication and information sharing with the Executive Branch, Treasury and OMB have established online tools for the Federal Community. To facilitate communication and receive feedback from the public, Treasury and OMB recently launched a Federal Spending Transparency page on the open source collaboration site, GitHub (<http://fedspendingtransparency.github.io/>). Here we will continue to post questions to the public to help guide our implementation, including questions about data standards. Utilizing these collaborative tools will allow both internal and external stakeholders to provide feedback as the DATA Act implementation progresses.

While not directly related to the DATA Act, Treasury, as the new program owner over [USAspending.gov](http://USAspending.gov), is making significant improvements to the “look and feel” of the [USAspending.gov](http://USAspending.gov) website to address stakeholder feedback. To make these improvements, Treasury is leveraging the Recovery Accountability and Transparency Board (Recovery Board) platform and expertise. The refreshed website, set to go-live in Spring 2015, will include improvements to the site navigation, geocoding the data to enable interactive mapping capability, a “get started” guide to orient users, displaying prime and sub-awards in one view, and expanded search capability.

In this re-launch, Treasury is focusing on high impact activities that do not require substantial changes to internal agency processes or systems or regulatory modification. As Treasury and OMB implement the DATA Act we will be working to address the longstanding data quality issues on [USAspending.gov](http://USAspending.gov). These issues will be mitigated when agencies begin to adopt the data standards and when agencies map their data to the standard reporting taxonomy.

#### **Next Steps**

These accomplishments, while foundational, are just the beginning as we continue to implement the DATA Act. Over the next several months, before the first statutory deadline in May 2015, Treasury will work closely with OMB, the IAC, and the various data standards working groups to establish government-wide data standards for financial data. We know that agreeing on a common definition for data elements will be especially challenging as they can have different meanings at different Federal agencies.

In addition to setting data standards, we will be working to further refine the data element blueprint to include authoritative sources and data element linkages. This data model will enable us to identify where gaps exist in business processes and where greater integration and quality controls need to be implemented to ensure the integrity of the data.

Within the next month, Treasury will conclude the intelligent data pilot with three agencies and assess the viability of the concept. We hope to expand the intelligent data pilot to map government-wide trial balance data to an industry standard and build out the standard reporting taxonomy and corresponding governance structure. We will also be reviewing and incorporating the feedback from external stakeholders on the Federal Register Notice on data exchange standards.

**Conclusion**

The DATA Act provides the Federal Government with opportunities to improve spending transparency, transform Federal financial management, and stimulate the generation of ideas and innovation. Treasury looks forward to continuing to work with OMB, GAO, and the many Federal agencies to improve Federal financial management and transparency. As demonstrated by our accomplishments over the past several months, Treasury is committed to implementing the DATA Act in a way that not only increases spending transparency, but also improves government decision-making and increased operational efficiency through better access to data.

Finally, the implementation of the DATA Act is a significant effort requiring commitment and resources from the entire Federal community. While its benefits are significant, the challenges with driving changes and allocating resources in a budget-constrained environment are real and the DATA Act did not provide additional resources to Treasury or other Federal agencies. The progress we can make is therefore constrained by our ability to reallocate existing resources. The key to success in moving forward is perseverance, communication, collaboration, and holding people accountable for implementation. We look forward to working with Congress to help ensure the success of DATA Act implementation.

Thank you, Mr. Chairman. This concludes my testimony. I look forward to your questions.

Chairman ISSA. I'm going to not throw a curve, but I'm going to talk about something that's not explicit in the Act that's extremely important.

Mr. Dodaro, you, of course, know about the RAT Board and what they do, but maybe for both of you, we could have an open dialog about what under the Recovery Act, what's called the RAT, years ago, almost every member of this committee was encouraged and went over and they—they saw during the spending of that nearly \$800 billion under the Recovery Act, they saw that center find areas of waste or fraud that previously were not found in realtime.

Good example would be a number of individuals, criminal individuals who pretended to be doctors from the midwest, set up a facility in California in a matter of minutes on what was in, fact, a pilot. They were—and they had jurisdiction only because of a few dollars being spent in that area. They were able to determine that this was an anomaly. They were able to then take open source material and actually look at Google Earth and look at the building that made no sense at all. Mr. Mader, you're obviously familiar with it. Made no sense at all and to say, wait a second here, there's something wrong there.

Then they used a high-tech instrument called a telephone, and they called the doctor's offices and were immediately told of course the doctors are not practicing in California. They are Kansans, they're Missourians, and so on. That technology was startlingly improving our ability to go after waste, fraud, and abuse. It is not explicit, but it is an area of concern both that the GAO have access to that capability, that all of the inspector generals have access to that capability, particularly because IGs, as you-all know, generally see a stovepipe of their area of jurisdiction while the data base that you will be producing would allow, with the right safeguards, them to look across platforms to be able to find out, for example, that an individual had been debarred, somewhere else, et cetera.

What will you be doing to preserve and hopefully keep operational either the RAT Board or a next generation equivalent? Mr. Mader.

Mr. MADER. Mr. Chairman, I was nodding my head because I also, in the short time that I was back in Government, had an opportunity to go over and spend time with the team over there and——

Chairman ISSA. And we might mention Earl Devaney—Devaney's pride and joy was exactly that example because it was so much faster than the normal 90 days after we get defrauded, we find out where they used to be before they leave.

Mr. MADER. Right. And then in my—actually in my private sector life for the last 10, 11 years I actually had done a lot of work in the area of how do you sort of unleash the power of these silo data bases, and I really want to defer to my colleague Dave Lebryk but want to sort of set the stage because Treasury, as you know, has had now for a number of years an operation called "Do Not Pay Business Center," and we've seen, even though it's, you know, only developed in the last several years, some real benefits across government in identifying those—the kinds of situations that you have commented on.

And I think that with the DATA Act and the ability to break down these silos and to make this data available not just to the public but to internal government oversight organizations, we should see more and more of the examples that you articulated because it's not about—the technology is important but it's about the data, and we have this data that's been locked in these silos.

And Treasury has done some very significant things in a short matter of 2 years in, you know, in sort of opening up our eyes for the entire government saying, look, you know, if I can start running payments past disparate data bases that I didn't necessarily have access to, I can do exactly what you said, Mr. Chairman, I can start stopping the payments before they're made because I think we—we all know that paying Chase is not the future, but I think the DATA Act combined with Treasury's capabilities is going to allow us to stop it before it goes out the door.

Thank you.

Chairman ISSA. Mr. Lebryk, not only would I like you to comment on that, but I'd also hope you could include what your plans are to make sure that in the President's budget there are sufficient funds for that portion of the operation. Please.

Mr. LEBRYK. You'll be pleased to know that we've been working closely with the Recovery board on this issue, and in fact, we've hired several of their personnel who actually ran the RAT, is now running—is a senior person in our Do Not Pay effort.

Chairman ISSA. Good.

Mr. LEBRYK. And, we've been really trying to leverage that expertise and that knowledge. As Dave mentioned, we have a number of data bases which we're actually matching against right now as well. We're building that functionality. We're really trying to leverage what was learned at the Recovery board and implementing that and putting that in the Do Not Pay effort as we're going along.

As—right now, I think that, you know, one of the real big things we're going to have is how do you then sort of build that analytical function. And so one of the things that we've been doing is we have a lot of information on payments, and so what we're doing for really the first time is looking at payment history files and saying, look, if there's payments that are being made to the same address from different agencies, if there are payments that are being made to foreign countries, if there's unusual things that are occurring in the payment, how do we actually sort of cue that information up and then refer to the IG or investigate further about whether those are proper payments?

And over the coming—that's one of the real high priorities we have within the bureau in the coming year to really build that functionality and make it more systematic. With respect to additional data bases, we're in the process of bringing more searchable data bases in like the Death Master File. Right now we only have access to the public Death Master File. We very much would like to have access to the private death master file, which is more expansive.

We have the excluded parties list that we're matching against right now. CAIVRS, which is for debtors, we're building that into the functionality, making sure we're not paying prisoners. That functionality is coming in the coming year as well.

So we're really trying to make sure that we do exactly what you point out is making sure government is not making payments to people it shouldn't be making payments to.

Chairman ISSA. And just a quick one, and I'll give additional time to the ranking member; but the criminal portion, is there a fast track anticipated so that in addition to stopping the payment, that you have a very accurate link to see that there is a criminal investigation when appropriate?

Mr. LEBRYK. I'm not sure how much linkage we have on criminal investigations right now. If they're on excluded parties list, it would show up in that data base as going through. With respect to prisoners, sometimes that's a problem. We do have access to—

Chairman ISSA. You can only lock them up so many times.

Mr. LEBRYK. Right. Right. So we are putting that data base in place as something we can match against.

Chairman ISSA. Thank you very much.

Mr. CUMMINGS.

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

Mr. Dodaro, as I listened to you, I think the thing that you said that should concern all of is the issue of whether information going into this system is complete. Because without good information, I mean, we might as well go home.

So do you think that the—first of all, it's the agency's responsibility to get this information in. Do you think there's enough of a hammer, enough tools to push the agencies to get the information that we need? Because, you know, a lot of times I look at government, and I get a little frustrated because people say when the rubber meets the road, everything's going to be fine. And then when it comes time for the rubber to meet the road, there is no road. And we saw that in Katrina and I could go on and on. But I'm trying to figure out, I don't want us to be sitting here thinking that we're doing something that we're not. And certainly without information, without accurate and complete information, I'm trying to figure out, you know, well, what's the point? Please.

Mr. DODARO. Yes, no and that's exactly right. I mean, I have been concerned. We have issued two reports since USASpending.gov initially was put into place and practice on reporting on expenditures from Fiscal Year 2007.

In 2008, we found data problems and when went in in 2012 and found completeness and accuracy problems as well. Now, the DATA Act helps address this by having regular reviews by the Inspectors General to provide an additional oversight tool on a regular basis that I believe will help, but right now, you know, there are no sanctions or anything in there.

But I think it's something I'm going to pay a lot of attention to, and the GAO will, because, you know, to get the full benefits of this, you have to make it accessible and transparent, but it has to be right. The data has to be accurate, and it has to be complete. And without that, you really are limited in your ability to use this powerful tool that we're providing to people so—

Mr. CUMMINGS. Well let me ask you this. Do you like what you see with regard to OMB and Treasury and their efforts to implement?

Mr. DODARO. I think they're off to a good start in terms of getting organized, getting the governance structure in place. They've outreached, and they've got stakeholder involvement, which we believe is important. I think the pilot is important to reduce recipient burden in reporting and to consolidate some of the requirements. That's a very good start.

So I think they're off to a good start, but, you know, the experience that we have seen at the GAO is the agency implementation part of this is where the weak link is, where it breaks down—

Mr. CUMMINGS. You've said in your written testimony that the DATA Act will increase oversight in detecting and preventing fraud. Is that right?

Mr. DODARO. Yes.

Mr. CUMMINGS. One challenge agencies face in reducing fraud is a lack of transparency between contractors and subsidiaries and their subsidiaries.

Agencies currently contracted through a unique identifying number called a DUNS number. This number is assigned through an exclusive contract with a company called Dun & Bradstreet. Is that right?

Mr. DODARO. That's correct.

Mr. CUMMINGS. Many companies have multiple subsidiaries with different DUNS numbers, so a company that commits fraud can sometimes get around past performance reviews that should disqualify it from doing business with the Government. It appears that one government contractor, USIS, tried to do just that. The Department of Justice alleged in a recent false claims act suit that top USIS officials engaged in a massive \$1 billion scheme to defraud the Federal Government in the company's contracts to conduct background checks. Yet despite these grave allegations, the Department of Homeland Security awarded USIS a new contract this summer.

Mr. Dodaro, does this raise any concerns for you?

Mr. DODARO. Well, we issued a report a couple years ago on the Government's use of the DUNS numbers raising some concerns about the Government being so dependent on a sole proprietary set of information, and the costs were going up because of that, and there were limitations that were put on the Government by the contractor, and so we encouraged GSA to take another look at this issue.

Now they have, and they have put in place a replacement system off of a system that was in place at the Department of Defense called the CAGE system. It's in the Federal acquisition regulations now, and it will set up a government-owned identifier, but it will, to your point, also provide linkages to the next tier up of a company and the top tier of the company if they're affiliated companies.

Mr. CUMMINGS. So, is that in effect now?

Mr. DODARO. I believe, yes, yes it's in effect now, but it will be transitioned over time.

Mr. CUMMINGS. OK. Well, on October 20, GAO upheld a bid protest by one of USIS' competitors. In its decision GAO concluded that DHS, "failed to obtain and consider the specific allegations of fraud alleged by the Department of Justice."

GAO also found that DHS, “failed to consider the close relationship between the awardee and its parent company.” Now the system you just talked about, this new system, would it detect that?

Mr. DODARO. It’s supposed to, going forward. Right.

Mr. CUMMINGS. Can you get me some additional information on that, because I’d like to have that?

Mr. DODARO. Sure.

Mr. CUMMINGS. One problem here was that the DUNS—the USIS subsidiary bidding for the DHS contract had a different DUNS number than the subsidiary accused of fraud against the United States taxpayers. Do you believe it is possible to link the DUNS numbers of subsidiaries to make it easier for contracting officers to check this information before awarding new contracts to companies that defraud taxpayers?

Mr. DODARO. I’ll have to get back to you on the specifics as it relates to the DUNS numbers specifically, but the effort that the Government puts in place ultimately, whether it uses that system or another system, should be able to do what you’re talking about and should be able to do it on a consistent basis.

Mr. DODARO. But, again, what we have learned from our experience, it’s the same thing on excluded parties list about whether it should be checked before making awards that’s been in place for years. Oftentimes the agencies don’t execute properly against the requirement. So you need both. You need the capability, and you need the management discipline to execute properly.

Mr. CUMMINGS. Last question, Mr. Chairman. Thank you.

Does everyone on the panel agree that we should consider ways to ensure that the Government has access to the data it needs to identify links between companies and their subsidiaries? Mr. Mader.

Mr. MADER. Absolutely. Actually I agree with what Mr. Dodaro said. I mean, it’s not a technical issue per se. Really, and it goes back to one of the fundamentals of the DATA Act, is how are we going to define identifier, you know, both the parent as well as the children of those companies; so yes we can deal with that during implementation as well.

Mr. LEBRYK. I agree.

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

Chairman ISSA. Mr. Dodaro, because you’re answering the ranking member’s question, I want to expand it just a small amount. Under the CAGE system, one of the complaints that DOD contractors have had for years is they can be locked out of new contracts because of a merger or a divestiture because that’s a fairly cumbersome system.

So as you’re answering his question for how we stop fraud like the USIS complaint that he had, but also how would we streamline that to make sure that, which often happens, somebody acquires somebody or a unit is spun off or sold to another account, and literally DOD finds themselves unable to issue a new contract until somehow they can reconcile the unique identity of something that has become no longer part of a parent.

So I think Mr. Cummings’ point is extremely good, that it’s the combination of, if you will, a DUNS which is quickly assigned, versus the CAGE system which can be very cumbersome, when

even, you know, Rockwells and Lockheeds, very large companies sometimes sell a unit to each other and find themselves in a real conundrum.

So if you would answer it fully, I think it would help us understand the implementation of the DATA Act?

Mr. DODARO. We will definitely do that.

Chairman ISSA. Thank you.

Mr. LANKFORD.

Mr. LANKFORD. Thank you, and let me join others in the accolades for getting a chance to serve with this chairman, and I very much appreciate the time to be able to serve with him and the way that he's handled things here.

Mr. Comptroller, I want to make a couple comments on some comments that you have in your written Statements as well as you have made some of your oral Statements as well. From your written Statement to us it said that the DATA Act was enacted to help address these challenges. Among other things DATA Act requires, No. 1, the establishment of governmentwide data standards by May 2015. How's it going on that? Do we have a firm deadline on that to have those data standards in place? What's the progress report?

Mr. DODARO. Well, I think that the Treasury and OMB and the agencies are off to a good start. They've got task forces set up by HHS to look at the award data and DOD to look at the contract data and come up with some common data elements. So they're laying the initial framework. They have a long way to go though before they're going to have the standards in place. We will be evaluating their progress and commenting on those standards that they will be issued in May.

So we're tracking them very closely, but I'm encouraged that at least they're getting organized across the Government to address these issues and to use some things that are already in place which will help expedite implementation.

Mr. LANKFORD. All right.

Mr. Mader, is that an achievable goal, to be able to get there by May of next year?

Mr. MADER. Congressman, that's our goal. As Mr. Dodaro mention, when we look at some of these aggressive dates, we put in place not just the governance and the planning process, but we actually put together a working team between HHS and DOD to actually start working on what we believe are the critical ones.

Mr. LANKFORD. So what are the major threats to not achieving that goal? Is it a hardware or software issue? Is it agency communication? Is it training? What's the major threat to not achieving that goal?

Mr. MADER. For this particular goal, it's really—we have the right resources, and it's just keeping the focus; and the folks that we have identified from both of those departments are advocates of what we're trying to accomplish. So, you know, my expectation is we'll make good progress.

Mr. LANKFORD. So help me understand here. It's a matter of just management, of getting everybody flying in formation to use a better term. You have the software you need. You have the hardware you need. You have the plan in place. It's just a matter of getting every agency to actually implement it?

Mr. MADER. Well I think, Congressman, what we're talking about is coming up with uniform definitions that can be used across government. So we're really not in the technology and moving data around. We're just getting a clear definition of a core group of terms so that whether you're dealing with an acquisition or you're dealing with a grant, let's use, you know, place of business means the same regardless of a government contract or a grant to a university. And so that is really just intellectual work that needs to be done over the next several months.

Mr. LANKFORD. While we're on that conversation, let's talk a little bit about the definition of the word program, which has been a much-discussed definition of what does that mean? I know there are some GAO reports on that, and OMB has basically said let the agencies determine on that, but there has to be some sort of uniform system of how do we actually define the word program from place to place so that we know that we get accurate information.

So, how is that coming, and what is the progress on trying to get the word program defined?

Mr. MADER. Actually within the statute there's a statutory definition of program activity, and it basically ties back to both accounting and financial management and the budget, so we're basically using that as sort of the framework and the bedrock and looking at, you know, here's what the statute says the definition of program activity is. And now the trick is going to be, how do we ensure that it is interpreted correctly and consistently across the breadth of the Government?

Mr. LANKFORD. So that should be completed by May 15 as well, trying to get that definition across the agencies so they have a consistent understanding of that word?

Mr. MADER. I think, Congressman, it will easy to convey the definition. The challenge is going to come in the actual implementation over time.

Mr. LANKFORD. I understand. That's become the question. Is that a May 15 or do you think that's a couple years from now before everyone actually falls into line with a clear understanding and implementation of that?

Mr. MADER. I think it's a very iterative concept that not only the program activity but a lot of the other definitions, it's a matter of educating people, recognizing that, you know, in May we're not actually going to start moving data around, but we need a foundation of an understanding across government and across the different communities that this word means the same regardless of whether you're in DOD or DHS or HHS so that we have that consistency. It's about education, sir.

Mr. LANKFORD. OK, good. Let me ask one more brief question.

Mr. Chairman, do I have 1 minute to ask one more additional question? Thank you for your generosity on that.

Mr. Dodaro, you have a Statement in your written testimony that says while—let me just read it. In June 2014 we reported that while agencies generally reported contract information as required, many assistance programs, grants, or loans were not reported. What did you find from that?

Mr. DODARO. We basically found there were 324 programs that were not reported, totaling about \$619 billion of assistance. Now

when we brought it to the attention of some of the agencies, they have reported some of the information subsequently, but other programs have not, including many programs at the VA have not yet. So we're continuing to followup on that.

Mr. LANKFORD. Obviously in many agencies there are more grants than there are contracts that are going out now, so that's pretty important that we get the grant/loan part of this as well consistent within obviously the DATA Act making that same request as well to be able to coincide with that.

Is that progress ongoing that you think that that's going to also make deadlines and targets at this point to be able get grant/loan information as well as contract information?

Mr. DODARO. Yes. You have many more agencies involved, as you point out, in a grant area so that you need to bring them into line in terms of compliance, so there's more people to monitor in that activity. HHS is a big player obviously, but many agencies do that. Where in the contract areas it's largely a few agencies let most of the contracts.

So it will be a greater challenge for OMB and Treasury to exercise oversight over the agencies, and hopefully the IG reviews will demonstrate that as well. So I'm hopeful there will be better progress, but it has to be a priority for the agencies, and hopefully the Administration will make it one.

One of the reasons I want to be so active in this is that the initial implementation of this legislation, we have talked about the May dates, but there's dates for 2017 and 2018 for the agencies to actually implement these things.

The initial implementation of this legislation will span two administrations, so there needs to be continuity among the administrations to make sure that this operates effectively, and that's one of the things GAO can do is try to urge the administration to maintain continuity.

Mr. LANKFORD. Mr. Chairman, thank you for your indulgence in that.

Chairman ISSA. You are most welcome.

Ms. NORTON.

Ms. NORTON. Thank you, Mr. Chairman. You used your small gavel to clamp down on the acclamations to you. I can understand that, so I'm going to have to use my own time.

But it's worth it because mine is the only jurisdiction which has to come before this committee; and Mr. Chairman, I cannot thank you enough for the way in which you have upheld the principle of Democratic local government. And that is something to say when you consider this committee because this is a very contentious committee with differences on national issues.

This chairman never let those differences, never required or thought that I should change my view on those national issues in order to get the assistance of the chairman on matters affecting the District of Columbia. Helped us keep the place open. He was helpful in matters coming through this committee when they came through this committee. Sometimes I had to ask can we jump onto your markup. He was always willing to do that and to help us in the Senate as well, but particularly for respecting what I think is

a bipartisan principle that local government is for local government.

You have been invaluable as chairman of this committee to the District of Columbia, and I thank you for it.

Chairman ISSA. Thank you, gentlelady.

Ms. NORTON. I just have a question to make sure that there is not, for a bill that I don't think will cost that much to implement, an elephant in the room if you will forgive me. It will save so much money in the long run perhaps even the short run. Senator Warner said something as a business person to invest, of course, you have to invest in order to save money.

Congress doesn't operate that way. It operates on annual appropriation. It's supposed to save year by year. And so it ends up spending much more money than it should. So this matter is not for the administration alone, and I don't think it should be, and you keep saying, you know, deadlines can be met. You don't see any threats, you said to the last member, to its implementation.

But I do note in your testimony, Mr. Lebryk, you were candid in saying that the DATA Act did not provide any additional resources to the agencies, and you and I both know those agencies are under severe restraints.

Even before a sequester, they were under, had faced huge cuts. We are only talking about \$300 million over 4 years, 2014 to 2018. And the estimate was only \$2 or \$3 million per agency. Of course that could mean staff. That could mean whether you're moving or not. And I wonder, have you done any internal estimates to identify the cost of implementing the DATA Act for agencies? Because this gets to be particularized when we talk about the other priorities they face.

Mr. LEBRYK. Ms. Norton, as I mentioned in I think both my written as well as my oral comments, the CBO when the bill was moving toward passage and an eventual signature, had initially scored it at the \$300 million figure that you noted, but that was, you know, back 7 months ago, and it was based on what they knew at the time, and it was primarily focused on Treasury effort; but I think as all of the witnesses have talked about, including the two Senators, that this is a pretty extensive effort to go into hundreds of stovepiped data systems.

First of all, identify what those data elements are, get agreement on standardization and then be able to—and Treasury is looking at some innovative techniques on how to do this—pull that data together so that we can display it in an intelligible way on this new Website. So the short answer is we're working on our own estimates now of what the level of effort would be.

Ms. NORTON. You don't think that \$300 million estimate is correct at this time? It's what—

Mr. LEBRYK. I think it's a good down payment.

Ms. NORTON. It's going to cost more than that?

Mr. LEBRYK. It's hard to tell right now. We're actually now out asking agencies to start looking at their current environment. And Mr. Dodaro mentioned the number of different, let's say in DOD systems, you know, what is it going to cost to identify the data elements across—

Ms. NORTON. Are those funds going to have to come from whatever funds they already have?

Mr. LEBRYK. Well, you know, unfortunately there was no funding in 2014, and we actually started our work in 2014—

Ms. NORTON. Mr. Lebryk, you mentioned this in your own testimony. And, again, I don't know how we can just skip over that. There's no funds in the bill. There's no funds in this appropriation. This is a task that the agencies have never done before.

How do you expect an agency, particularly a complicated agency, to go at doing what it's never done before with no new funds? And what should happen now to make sure that there are resources allocated to save the extraordinary amount of funds that you know will be saved in the long run? What steps should be taken now? Because they're going to throw up their hands and they're going to say, look, this is complicated. We don't have the money. We don't have the staff.

Mr. LEBRYK. The first step is to come up with an estimate based on what we see now as not only the specifics with regard to the deliverables and the timelines but also our sort of basic understanding of what the level of effort is—

Ms. NORTON. Wouldn't it be honest in the next budget when the agency goes to the OMB to ask for whatever funds it would take to begin implementation of this so that we're not stalled by agencies having to look to whether or not it has funds? I can tell you this right now, if it does not have the funds, there is very little incentive for an agency to dip into its already cut budget and begin anew on a brand new, unprecedented project?

Mr. LEBRYK. My indication, Ms. Norton, is that we actually can't wait until next year; that it's going to be a this-year problem.

Ms. NORTON. From the President's budget, the agencies can ask for—

Mr. LEBRYK. Well, for the current Fiscal Year we're in, you know, we're doing, as I mentioned on data definitions, we're doing sort of the intellectual work, but we're going to quickly move in the springtime into more detailed work across the breadth of the agencies, and therein lies, to your point, the challenge that there is a sort of unfunded mandate—

Ms. NORTON. Is the President's budget being made now for, what is it, 2016? Is it being—

Mr. LEBRYK. For 2016 it's under consideration.

Ms. NORTON. Are you working with the agencies to make sure they ask for the funds, a small amount of money, at least based on these, at certainly a startup?

Mr. LEBRYK. That's why we have gone out and asked them for what is your initial estimate to get started.

Ms. NORTON. That's very reassuring.

Chairman ISSA. Would the gentlelady yield?

Ms. NORTON. Yes, sir.

Chairman ISSA. And this may be part of your question, but if we could perhaps expand it. There are billions of dollars worth of money that is spent, \$82 billion, developing systems, IT, et cetera, much of which, some of which is for accounting and reporting.

So I think the gentlelady's question is a very good one. I would hope that we could expand it to sure we look at how much was al-

ready there to do financial accounting and reporting so that we understand that the \$300 million that this started off with, and it kept shrinking by the way because systems that were already ordered to be done were being rolled out, so things that they said would have to be done to comply with it, that number kept going down.

So as long as we understand the scope of how many millions or billions of dollars are already being spent, then I think we get a good idea of whether there is an incremental cost or in the 10-year window an incremental savings; and hopefully it's both, an incremental cost that's reported and we fund and incremental savings that in the 10-year window allows us to be neutral or even a savings. If that's your question?

Ms. NORTON. It is, and that's the way to look at it, it seems to me, over a 10-year period. But that may require some up front investment, and I do agree with the chairman. Some of these funds might be used to begin this project. We wouldn't want any data to be lost in the transition however.

Chairman ISSA. We now go to the gentlelady from New York, Ms. Maloney, if you're prepared.

Mrs. MALONEY. Thank you for this really important hearing.

I thank the Ranking Member for working on this and you, Mr. Chairman.

And I'd like to ask Mr. Lebryk, during an interview about the DATA Act in October, you said, "agencies need to own the data and use the data," and if agencies have a sense of ownership of the data they report, do you believe that they will increase the accuracy and utility of it? Why is that so important that you were mentioning that?

Mr. LEBRYK. So I think this is really one of the critical underpinnings about successful implementation of the act. If we ensure that the agencies own this data and use it, they will make the changes that they need to make. If it is a compliance effort in which we're simply doing this for the sake of actually checking a box, it won't be successful. If it is a Treasury-centric view, it won't be successful. If it is a Treasury-OMB-centric view, it won't be successful. It really has to be owned by the CFO and by the agency. Because that's where the real decisions where the data has value.

If you're a CFO and you're looking to do a data call, which we ask them to do all the time, and it's very expensive and very difficult to do that, and they have difficult times doing that, if we can give the business proposition, the value proposition of saying if you have better access to that data, you can do that much more efficiently. You can use that information to make better decisions. You can inform the public better about the value you're providing with your services. And that's why I think we have been really very keen on engaging the agencies so when we have this implementation structure you see all of the interagency councils that are part of the advisory group that's there.

And we're asking those members not only to represent their communities but also use their expertise as senior leaders within their organization to bring that wisdom to bear about how to best implement the act.

And so when we had this discussion about data-centric and agency-centric, it resonates with them a lot.

Mrs. MALONEY. Now as I understand by 2017, you're going to have data elements standards have to be published. Right? And this is going to be agency-wide throughout government, but they're not required internally to use these standards? Why not, why wouldn't we require them to use it? Will every agency, and where will these standards come from? Will Treasury be the final person that puts out these standards?

Mr. LEBRYK. So OMB is responsible for the data standard-setting process, so maybe I should make sure they speak. But I will say a couple thing on that. One is we are leveraging, as was referenced earlier, both the procurement community and the grants community have been doing some preliminary work on this issue about those data standards.

We recently put out on something called GitHub into the public domain so that the public can see what those standards are, and we put out roughly I think 50 or 60 of those in the public domain for them to take a look at. And that's an open forum for people to comment on.

We're also then going back into the communities and making sure that we get feedback about whether we have the right data standards and whether they're usable and the like.

Mrs. MALONEY. But why in the world would we not require the agencies to use the same standards that we're trying to make agencies—I guess, that's one question, but also you had another important point in one of your comments. You said that if we had these standards, then agencies and workers and everyone would be able to use analytics more and this would overall help government. And how would shifting the focus to using analytics help agencies in saving taxpayers' dollars?

Mr. MADER. Let me start, and maybe Dave wants to add, but with regard to the use of the standards, they are not optional. These are going to be mandatory standards that will be used across government. Because I think, as Mr. Dodaro testified, the problem is that the way we have these diverse systems now, people chose to interpret and define some of these standards their own particular way, whether they were in the acquisition community or the grants community.

And what we're doing now as part of this standardization under the DATA Act is we will have uniform definitions that will be used across government consistently, because that's the only way we're going to be able to pull the data out of these disparate data bases and bring them together, so it's not optional. It's going to be mandatory.

Mrs. MALONEY. Well, this is—this is really major. I think this is a major improvement in Government, and I applaud everyone who's working on it, but would you comment a little further, Mr. Lebryk, on how analytics are going to help us manage us better, being able to use this?

Mr. LEBRYK. So this really gets to kind of the power of data. Right now when we're doing things like benchmarking across government, you know, what is the Government paying for a cell

phone plan in one agency versus another, what's it paying for pencils, what's the things it's doing.

Mrs. MALONEY. Yes, this is great.

Mr. LEBRYK. What's also really important, which is if the public and industry sees that information when they bid on government work, it will drive the costs down.

So there's a real powerful value there for both us internally understanding what our costs are in benchmarking, but also in terms of letting the industry know about what's going on so when they bid for government work, it drives those costs down. Significant savings can be—can be found in that.

Mrs. MALONEY. But could you give an example of an agency that's working to use funding data to drive decisionmaking and to better ways for our government, a specific example?

Mr. LEBRYK. Well, I think if I were to sort of use an example of it cuts across both external and internal, I would use something like the—like NOAA, which is putting information out there right now. And there was an article in the Wall Street Journal several months back about how on the Weather Channel right now, someone is using that information to decide what ads are run in different markets, so that you actually then have the ability to target what you're doing based on something like the weather, and that actually improves things significantly.

So I think that as it relates to external uses of data, there are a number of examples. Internally we have been going through an example about, you know, what are we paying for human resources within government; and looking across agencies? And while the data isn't real good yet, it is making us ask lots of questions. A high number may not necessarily be bad if you're saying you're investing in your work force.

So if you're spending a lot on human capital, it may be the exact right thing you should be doing, because you're giving the training and the expertise to have a more qualified work force. On the other hand, if you're paying a lot for transactions, you may be saying, why are we spending so much money on transactions and not enough on sort of real added value things?

So the initiative at OMB as we lead right now in benchmarking is actually trying to derive that thinking governmentwide about how analytics can really help improve government.

Mrs. MALONEY. This is a really important improvement, and I congratulate all of you.

And my time has expired. Thank you.

Chairman ISSA. As we go to the gentleman from Massachusetts, if I could have just 10 seconds.

Mr. Lebryk, you said something very important and I don't want it to fail to be understood. If we can make the true purchase price not by which vendor we bought it, but the true purchase price, we do create an amount that we want to pay the same or less than in the future, and that's almost always opaque to the competing market and even to the public, so I appreciate the fact that you see that as a benefit.

Mr. LYNCH.

Mr. LYNCH. Thank you, Mr. Chairman.

Mr. Chairman, just in regards to your service here on the committee, I know that Teddy Roosevelt had a great quote. He said, “far and away, the best prize that life offers us is the ability to work hard at work that is worth doing.” And I know we have had—we’ve had differences of opinion and conclusion over the years that you’ve served this committee, and that’s understandable, given the variety of issues that we’ve had come up here.

But I have to say that you have—in your time, you have taken this work seriously, you have worked hard at it, and, you know, that’s to your credit. You have taken your work seriously. You worked hard at it. We always didn’t arrive at the same conclusion, but I still have enormous respect for the way you approached your work, the professional manner in which you conducted yourself and led this committee, sometimes us coming along unwillingly, sometimes otherwise, but I think you did good work on behalf of the taxpayer and the American citizens, and I congratulate you on your service.

Chairman ISSA. I thank you. And I leave postal reform in your good hands.

Mr. LYNCH. Yes. Don’t you threaten me.

And also your staff. Your staff has done a wonderful job as well, and I know you’ve had an assortment of staffers over the years, but a very, very—very strong staff and a pleasure to work with them.

I want to go back to the Ranking Member’s comments. And thank you each for your willingness to work with the committee and thank you for your service to our country.

I want to go back to what the Ranking Member was talking about, about the DUNS numbers, and I think he hit on something that really needs—we need to drill down on that a little bit.

You know, it’s stunning, Mr. Dodaro, that we had over 300 programs that didn’t report on USA.gov totaling \$619 billion. That’s amazing that these companies and programs did not report their spending to the American people, and that troubles me greatly.

I was wondering, are there some repeat offenders in that group? Is that spread across government? I know that DOD is responsible for about 50 percent of our discretionary budget, but are there some groups that are more frequent offenders of the non-reporting?

Mr. DODARO. Yes. Of the \$619 billion that was not reported, a large share of it came in healthcare spending, actually, in the Medicare program, which was supposed to report aggregate amounts spent by counties across the country.

And in other areas, the Veterans Administration was not reporting a lot of its spending as well in healthcare area and other areas, and then the rest of it was really spread around to a wide variety of agencies.

You know, hopefully we’ve asked OMB to clarify the guidance, and I know they’re in the process of doing that, which will help ensure we don’t have recurring repeats of this in the future, but that’s what we found for that year.

Mr. LYNCH. OK. Mr. Mader, I know we had a—that you had a joint town hall meeting with OMB and Treasury regarding the DATA Act, and I know there were a lot of these, you know, open government groups that were there. They talked about the DUNS

number issue. And so the DUNS number is a unique identifier for any entity that does business with the government. Right?

Mr. MADER. Yes, sir.

Mr. LYNCH. OK. So—and the Government pays Dun & Bradstreet for the ability to use data associated with the DUNS number. Is that correct?

Mr. MADER. That's correct.

Mr. LYNCH. And according to my records, the current contract with Dun & Bradstreet is for 8 years and at a cost of \$154 million. Is that about right?

Mr. MADER. Mr. Congressman, that particular area is not within my portfolio.

Mr. LYNCH. OK.

Mr. MADER. It's actually being handled by another one of my colleagues at OMB.

Mr. LYNCH. OK. Mr. Dodaro, in 2012 GAO issued a report finding, they quote—this is a quote: “A monopoly for Dun & Bradstreet has been created as a result of a specific reference in regulations governing contracting.” Is that correct?

Mr. DODARO. Yes.

Mr. LYNCH. Yes. So—so right now, basically what we're doing is we pay—we pay Dun & Bradstreet for our own information. Is that right?

Mr. DODARO. Well, we pay for the use of their number, which we're tied to.

Mr. LYNCH. Yes.

Mr. DODARO. And that was the concern we raised, is that it made the Government so dependent on it, and you really had disadvantages, because the cost kept increasing. The figures you cited were right, they were out of our report on the costs, but it's increased considerably over time. And also the company in this case can put limitations on the Government's use of the numbers, and actually that concerns us as well.

Mr. LYNCH. Yes. That's my—that's the point I'm getting to. I know that in a recent example, the RAT Board that the chairman referenced, decided to terminate its contract with Dun & Bradstreet because it would have cost taxpayers between \$900,000 and \$1.4 million for just 1 year of data, of our own data, getting back from Dun & Bradstreet, and the Recovery Board was paying for the right to display on its Website existing data about spending under the Recovery Act.

And, again, you anticipated my question. Would it concern you if the Government's use of data to identify waste, fraud and abuse is limited by Dun & Bradstreet?

Mr. DODARO. Yes. The Government—our basic point here was the Government needs options. And—

Mr. LYNCH. Right.

Mr. DODARO. And it has the ability to create this themselves or at least have options so you're not dependent just on one source.

Mr. LYNCH. Right. So, so my question for Mr. Mader and Mr. Lebryk, can we get away from that? Are we working on that, to get away from this limitation that Dun & Bradstreet has for us to use information that's helping us, you know, to hopefully run the Government in a more efficient manner?

Mr. MADER. Congressman, I know that this other office within OMB, the Office of Procurement Policy, is working that issue with the General Services Administration, and I think they've had some correspondence with the committee on that recently.

Mr. LYNCH. Yes. That would be a terrible bottleneck, you know, if we had this—you know, this limitation at the whim of Dun & Bradstreet that they would be able to withhold information or limit information, its availability, to those who would need to use it because of this contract. It just seems extortive in a sense, so—in an 8-year contract, so that's not wise.

I think we need to rethink what we're doing there. We can't—you're creating a bottleneck in the system by allowing it to control all that data. So it's useless if we can't access it. I'm just raising that concern now, because I don't—you know, we've got some change going on here, some transition, and I don't want that feature in the new iteration of this Website.

Thank you.

I yield back Mr. Chairman.

Chairman ISSA. I thank you.

I thank you for pointing out that we should always have competition and not have a sole source, particularly for something that is so key to the tracking of metadata.

And with that, we go to my partner in crime on this piece of legislation, Mr. Connolly.

Mr. CONNOLLY. Thank you so much, Mr. Chairman.

And thank you to the panel for being here today; very thoughtful conversation.

Mr. Dodaro, GAO identified a lack of information about investments as a major challenge in eliminating wasteful spending. Correct?

Mr. DODARO. Yes.

Mr. CONNOLLY. And in the 2014 report on duplicative and wasteful spending, you identified IT investments, which concerned both the chairman and myself particularly, at the Department of Defense and found 31 potentially duplicative investments accounting for at least \$1.2 billion in costs at DOD between 2007 and 2012. Is that correct?

Mr. DODARO. Yes.

Mr. CONNOLLY. Is there something about the Pentagon that seems particularly problematic when it comes to transparency, accountability, waste, fraud and abuse, efficiency, and even some sense of, we need to get in line like everybody else?

Mr. DODARO. Yes. Well, as you know, with this committee's sponsorship over years, we keep a list of areas that are at risk, highest risk across the Government, of fraud, waste, abuse, and mismanagement. And of the 30 areas that we currently have on the list, at least six or seven are DOD business systems, contract management, financial management, IT management over at the department. That's a large, decentralized operation, many systems, prone to reinventing things within each service.

So it's been an area, given our statutory requirement to look at overlap and duplication and fragmentations for our government, has been one of our, you know, key areas that we've been looking at. So they are prone to have these type of problems.

Mr. CONNOLLY. Mr. Mader, is there—you talked, and it was very welcome to me, that the DATA Act might help serve to break down stovepipes, because stovepipes often—they might start out with good reason, but they often lead to inefficiency and lack of ability to sort of collaborate and cooperate and learn from others.

Can we take that same principle and help rein in the Pentagon in terms of its practices, which seem, frankly, at variance with the rest of the Government?

Mr. MADER. I think some of the principles that were going to apply governmentwide for the DATA Act should certainly—would be applicable to DOD. And I think, as Mr. Dodaro Stated, you know, that is a very large, complex, worldwide organization. And, you know, stovepipes grow up in any organization all the time. I think if some of the very creative and, I think, leading edge concepts that Treasury is exploring on how we're going to extract data from these various stovepipes, that concept could easily be applied as well—

Mr. CONNOLLY. Well—

Mr. MADER [continuing]. To DOD.

Mr. CONNOLLY [continuing]. I thought I heard you say earlier that this was not going to be something that was voluntary; this was going to be mandatory compliance with the DATA Act. Is that correct?

Mr. MADER. Oh, data standards for sure, yes, sir.

Mr. CONNOLLY. Yes. And that applies to the Pentagon?

Mr. MADER. Absolutely.

Mr. CONNOLLY. OK. Well, that's reassuring.

Mr. Lebryk, you talked about the potentiality with the DATA Act of actually saving money, because with that transparency, with people actually seeing what it costs, that idea spreads and we kind of drive ourselves down to, oh, I can get it for that instead of that.

Do you want to elaborate a little bit more on that, because that's also a great potential and a very welcome message here on the Hill and I think to taxpayers?

Mr. LEBRYK. Sure, I think there's a couple of—and I would even add to it, which is one of the visions for the Administration is to move to fewer core financial systems in a shared services model. So we at the Bureau of Treasury run something called ARC. It's a franchise fund, and we provide accounting services to different agencies.

When we recently upgraded the core financial system for 40 of our customers, we did that for \$300,000 per customer, and that is a remarkable number relative to what many agencies are doing with respect to either upgrading systems. And that the power of that is that we have the expertise with that financial system. We understand the vendor. We understand the underlying accounting system, and that when we then roll it out, we're doing it in an expert way; and one of the things the government doesn't do very well across government is manage projects.

And so if you have an entity that's very good at managing projects and managing implementation, for those 40 customers they're not really worried about that. And importantly, the CFO of those agencies and the CFO when I was the Bureau head spent very little of her time on systems issues. Now I've talked to some

CFOs who spend 25 to 50 percent of their time on systems issues, not on being a CFO.

And so when you move toward this vision the Administration has of moving to fewer core financial systems and having the ability to get the data more easily, there are significant opportunities for savings across government and improving the way government operates.

So I think it's not just some of the things I talked about, benchmarking and the ability to have fewer people doing data calls because you can do it more easily, but it's also about the infrastructure of government being more efficient. And as I said, we have seen within my own portfolio significant savings and opportunities by moving to this kind of model.

Mr. CONNOLLY. Yes, certainly the chairman and I have tried to address some of that in IT investments and procurement because we have found incredible inefficiencies, and we're hopeful that the legislation where Congress I hope is about to approve will help streamline that process and make it more efficient, and I know we can count on Mr. Dodaro to monitor the implementation of that and to give new power to CIOs to make more efficient decisions and to try to de-bureaucratize some of the decisionmaking, so I hope that happens in the IT sector.

But I would just end by commending all three of you to the notion that we can't continue to let the Pentagon insist it is unique; everything there is sui generis, and it should not be subject to these bothersome meddlesome procedures and accounting processes and the like. You know, the accounting of a dollar is the accounting of a dollar, whether it's for defense or whether it's for some other commodity or service.

And the Pentagon can benefit from the efficiencies we're talking about here with the DATA Act and other measures and, in fact, needs to. In a time of tight resources, it's incumbent upon agencies like the Pentagon to identify the efficiencies we're talking about, the savings we're talking about, to stretch the dollars they do get appropriated.

And so I hope your work will extend to the Pentagon because I think they can really benefit from it, and that's where the dollars are. You know, if we exempt them or give them a pass, then a lot of our good work is not as widespread as it could be and will not have the maximum benefit that was intended I think here and by you all's good efforts. So I commend that thought to you.

Thank you so much for being here today.

Chairman ISSA. Thank you.

The gentleman from Georgia.

Mr. WOODALL. Thank you, Mr. Chairman.

I just wanted to say thank you to Gene here at the last hearing of the year at his topic. It always makes me feel better about where we're headed and where we might be able to find some common ground to making a difference. I was with some of my freshman colleagues were here getting involved, and they were asking why can't we just implement the GAO duplication report? Why can't we just start there? Isn't that going to be the common ground that brings folks together? I just want you to know how much your work

means to us, not just us who are here, but those new folks who will be coming in, in January.

With that, Mr. Chairman, I'd like to yield the balance of my time to you.

Chairman ISSA. I thank you.

Mr. Dodaro, I want to echo Mr. Woodall's comments. I don't think I heard you remind us that for every dollar we invest in GAO, we get about a \$100 return.

Mr. DODARO. That's correct, Mr. Chairman. Last year. Implementation of our recommendations resulted in over \$54 billion in financial benefits to the Government, and that's been fairly consistent over the years; so I appreciate the recognition, Congressman Woodall.

Chairman ISSA. How large is your budget?

Mr. DODARO. Our budget is for this past year about \$500 million.

Chairman ISSA. So a 10 percent increase, \$50 million, would give us about a \$500 billion return. Right?

Mr. DODARO. We would sure strive to make that happen.

Chairman ISSA. OK. I just want to figure out how we can shave 5 billion from the budget. It sounds like it's a simple \$50 million ledge branch appropriations. I want to close—

Ms. NORTON. Mr. Chairman, could I just—

Chairman ISSA. Gentlelady.

Ms. NORTON. This has been such a good and hopeful and encouraging hearing. I just want to caution us all to keep the usual skepticism of this committee, remember what a trial it was to get the Affordable Health Care Act across the country on-line because nobody had ever done it before? The Federal Government did it quite badly at first but ended it much better.

Chairman ISSA. Thank God FITARA is being signed by the President as we speak practically. It's going to take care of that.

Ms. NORTON. Well, but think about this, now we're asking every agency in the Federal Government to go on the same line. If ever we should have a note of caution, even skepticism, as the note we sound as we close this hearing, surely seeing what it took to get one agency to go on-line and then in the States just one agency to go on-line should caution us to do this very slowly with pilots in the agency first.

Because we're asking the entire Federal Government to do what we have already seen even one agency, a very large agency among those that have to do this, found it very difficult to do and to get it all lined up so that it all works smoothly.

Thank you, Mr. Chairman.

Chairman ISSA. I thank the gentlelady.

To that point, Mr. Dodaro, is the DATA Act truly new, or are we simply saying this time we really mean it? And I say that because for decades haven't we told agencies they are to find interoperable systems. They are to make their reporting consistent with best practices. They are to provide—eliminate redundancy; and, in fact, they are to replace outdated programs, some of them running on Cobol and older systems.

So in a sense, isn't the DATA Act simply a road map to a transition that has been ordered by people who predate my 14 years in Congress?

Mr. DODARO. Yes, definitely. And I think, and I've said this here and in the Senate testifying on this, without the proper legislative underpinning and consistent oversight, this won't happen; and I agree with the skepticism Ms. Norton is saying, and, but you're right in the sense that this provides the really, the absolute requirements in law that people have to follow, and there have been many attempts in the past to try to achieve some of these aspirations.

There's unique aspects of the DATA Act in terms of machine readable data and other things that are very important. So I don't want to say everything in there has been tried before. There are new features, but many of the fundamentals of it, of accurate reporting, complete reporting and standardized reporting, have been tried before with not very good effect.

So I'm hopeful this time we'll get it right; and with the legislation I commend this committee again, I think there's higher prospects that we'll get it right this time in the Government.

Chairman ISSA. Mr. Mader, I saw your head shaking once again, and I appreciate when it does that.

You've been in and out of government, and you've seen it and you are at the epicenter. OMB has been constantly saying to these agencies, you've got to give us stuff we can use. You've got to be accountable.

Is this, in fact, saying here is the beginning, if you will, of a road map, and I know you're going to continue designing the details of that road map, a road map of how you will achieve minimum standards, not best practices, but minimum standards that will allow you to manage the Federal Government better?

Mr. MADER. I think, Mr. Chairman, one of the things I've learned in the private sector, and you mentioned it in your opening Statement, is what as a private sector company what's expected, and you made a comment that I agree with—

Chairman ISSA. If you can't measure it, it doesn't get done.

Mr. MADER. If you can't measure it, it doesn't get done.

And I think this time with the legislation, with the oversight both GAO, the IGs, and the Congress, and I think the commitment of both the Treasury and the OMB, we can be successful over time. As Ms. Norton said, this—you know, I don't think we should minimize the level of effort that it's going to take to cross the complexity of this government to get people to agree on standards and then actually define the data against those standards and bring it all together.

I think as we have all testified, this is good for the executive branch; it's good for the legislative branch, and it's certainly good for the American public. It's just going to take us time and, you know, keep focused, and my commitment to the committee and to you is in, you know, in the two-plus years that I'm going to be here, this is one of my primary areas of focus.

Chairman ISSA. Thank you.

Mr. LEBRYK.

Mr. LEBRYK. And I would agree with that.

This is really very much of a high priority for me as well. I think the reference that you made to pilots is really important in that we do have agencies that are at different phases along the way, and

for us to show success and show the value is going to lead others to want to get on board more quickly.

I am very much of an eternal optimist around this. And I think that it's important for the leadership of a program like this to be very optimistic and sort of be out there and saying we need to be doing these things. But I'm also a realist and been in government long enough to know that this is tough stuff, and to have people think about something differently and approach it differently in part because technology has helped us here, there's a different way that we apply technology than we have in the past, but that's not something that every agency sees immediately and embraces immediately. So we're going to have to show successes. We're going to have to show people it can work; it does work. And I think that is going to lead to others saying, yes, this is something we very much want to embrace.

Again, I think the good news is really we have not seen anyone, as Dave and I have gone out and spoke to them, who don't understand the importance of this, that don't understand the potential value. They do see difficulties about how they're going to get from point A to point B, given the complexities of their systems, given funding issues that may be out there, that some are more reticent on this than others.

Chairman ISSA. Thank you, and I'm going to recognize the ranking member for close.

But I'll just say something from my private sector time. When you've got something that's hard to do, and as you say you need buy in, it has to belong to them, you also need a carrot. So I would hope that as you're developing the standards, and particularly I think OMB has this responsibility, you would embrace two things that I know you dealt with in the private sector.

First of all, if somebody doesn't say here's best practices, then people will look at this as what is the minimum to get by; and, Gene, I know you will be saying you didn't hit the minimum to most of the people who thought they hit the minimum, because if you shoot for the minimum, you'll come up short. If you shoot for the stars, you'll usually at least pass the minimum.

And, second, nowhere in this legislation does it actually call for, if you will, an award. But I would strongly suggest that as we implement this, as people are asked to deliver you rich metadata-usable information, not just machine readable, but rich in how far it drills down, that in addition to the best practices you may develop, that some form of an award would, in fact, allow people just to compete annually for how do we give the American people and our IGs and the GAO and our own management team richer and richer and more easily readable material.

And I say that because I think there's two parts to it. There is the Federal work force that so much wants to be seen as doing something that's worth being rewarded and awarded. But I also think there are a number of well-known contractors who work side-by-side who very much think that those awards are how they go in and sell their software, and so I can see various names—and I won't mention any of them here but we all know them. They're almost all large—they would be certainly active in wanting to make sure that their clients within government are the ones that win

that award, and I think that gets a buy-in at a level of the Federal work force and the contract community that I'm hoping with your leadership, that two-plus years you have left or perhaps more, you'll be able to implement, and so I'd just ask you to consider that. Thank you.

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

I want to—I thank all of you for being here today. Your testimony has been very helpful.

You know, I—listening to all of it, and I go back to something that I talked to my staff about constantly, and that is, being effective and efficient. Two simple words, effective and efficient. The idea that we could not be counting and then having that information put out there, to me, is like basketball. I mean, this is basic stuff. You've got to be able to pass and dribble to play ball, and this, to me, is basic, and I know it's—I know it's difficult. I know it may be complicated, but I think if the American people knew the position that we've been in and the way we've been doing things, they'd be very upset because they don't handle their budgets like that.

Because they know if they handled their budgets and if they had such little information, it would be impossible to take care of their households. So I think we've come a long way, but the implementation is so important. And going back to the concerns of Ms. Norton. You know, funding is significant, and I realize that there is going to be some issues there, and we're not—we can't kid ourselves about that.

But I also want us to be frank with what we can get done and in the time that we can do it. I think the American people get frustrated sometimes when I set—like the example that I gave a little earlier when I was talking about Katrina, I think about that all the time because I—because I realize that we constantly say things are going to work, and then when they don't work, then the American people say, oh, God, my tax dollars are spent and they're not being spent properly.

So I think it's so important that we make it work and make it work well. But Mr. Dodaro, I go back to what I asked you before, you know, this whole thing of information. I'm telling you, I don't—the idea that the agencies are not providing the kind of information that needs to be provided in the way it needs provided, in the time it needs to be provided, to me, to me that undercuts all of this, and it goes back to what I said about effectiveness and efficiencies.

So I think we—we now have a framework. I'm an optimist, too, I really am, but at the same time, I think we have to make sure that we put every single thing in this process, use every tool that we have to make it work and look for the gaps. And that's the biggest gap, that information piece. That's what this is all about, and if we don't, then I think it goes against our effectiveness and efficiency.

So again, I want to thank you all very much. I want to go back to the usage example. I want—Mr. Dodaro, I am looking forward to getting that information because I think it's important that we—you know, we have contractors who are doing it right, and I agree with the chairman. I mean, there needs to be a balanced approach, but I want to make sure that—that—that we have—that the infor-

mation so that we will know of those agencies, I mean those companies that may be not always acting at the best—highest level of integrity when dealing with the U.S. Government, that's important.

And so we—I think we have to make sure that we—I don't know what this tool is. I want to see it, and I'm curious as to whether it addresses all of the issues with regard to subsidiaries, but I think it's so very, very important, and so I don't know how soon you're going to get me that information. How soon do you think you can get that to us?

Mr. DODARO. I'll have it by next week.

Mr. CUMMINGS. I can't hear you, sir.

Mr. DODARO. I'm sorry. You'll have it by next week.

Mr. CUMMINGS. Oh, very well, very well.

Thank you very much.

Chairman ISSA. Thank you.

I want to thank all of you for your valuable insight. I will additionally thank all of you, particularly OMB and Treasury, for your promises. We don't often get answers that we think we can make a goal, we believe we can do this, and particularly, Mr. Lebryk, your insight into the need for buy-in by the actual agencies. I think that was valuable to all the members here.

And although I will—I will not be here in the next Congress, I'll be literally next door. I do look forward to following the hearings as I'm sure all of you will be back. Thank you, and we stand adjourned.

[Whereupon, at 11:45 a.m., the committee was adjourned.]

## **APPENDIX**

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MATERIAL SUBMITTED FOR THE HEARING RECORD



American Institute of CPAs  
1455 Pennsylvania Avenue, NW  
Washington, DC 20004-1081

December 2, 2014

The Honorable Darrell Issa  
Chairman  
Oversight and Government Reform Committee  
United States House of Representatives  
Washington, DC 20515

The Honorable Elijah Cummings  
Ranking Member  
Oversight and Government Reform Committee  
United States House of Representatives  
Washington, DC 20515

RE: House Oversight and Government Reform Committee hearing titled, "Transforming Federal Spending: Implementing the Digital Accountability and Transparency Act"

Dear Chairman Issa and Ranking Member Cummings:

On behalf of the more than 400,000 members of the American Institute of CPAs (AICPA), I am writing to congratulate you on your bipartisan leadership in passing the Digital Accountability and Transparency Act of 2014 (DATA Act) earlier this year. The data transparency provisions of this law will allow taxpayers to more easily track federal spending data and monitor the flow of federal dollars. Such transparency is a cornerstone of good government. We recognize that the effort involved to transform today's spending information into a more open, publicly accessible format may be considerable. To achieve success, all stakeholders in the reporting process need to collaborate on the implementation efforts. We applaud your strong leadership in hosting this hearing, and the leadership of Senate sponsors Mark Warner and Rob Portman. We also thank those officials who are testifying and providing information on the progress of the efforts to implement the DATA Act.

We strongly believe that the use of standardized data will enhance the accessibility and transparency of federal spending information which will benefit members of Congress, federal agencies, taxpayers, and those doing business with or receiving benefits from the federal government. The CPA profession is committed to the transparency and usability of reported information, and has been a strong supporter of the use of structured, standardized data, specifically XBRL, to report business information. We believe that XBRL is the only available data standard to adequately meet the requirements of the DATA Act.

CPAs who work in government and those who interact with federal government entities should begin to consider the impact of applying data standards to financial information and how these changes may impact the audit process and approach. Changes to internal controls or the financial reporting process may be required when transactional level data is submitted using data standards because many manual processes to reconcile and accumulate data may be eliminated. Therefore, we believe that Treasury and Office of Management and Budget should engage the audit community to collaborate on the data standardization implementation efforts as there may be a need for new audit standards, guidance, or education that require time and resources to develop. The AICPA stands ready to leverage our network of members and experts to assist with the implementation including assessing the decision points that

will impact the audit methodology, as well as possible approaches that might be pursued and what would be required under those approaches.

If you have any questions, or if we can be of any further assistance, please feel free to contact Diana Huntress Deem at 202.434.9276 or [ddeem@aicpa.org](mailto:ddeem@aicpa.org). Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry C. Melancon". The signature is stylized and written in a cursive-like font.

Barry C. Melancon, CPA, CGMA  
President and CEO

cc: Senator Mark Warren  
Senator Rob Portman  
House Committee on Oversight and Government Reform

**xbri.us**

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December 2, 2014

The Honorable Darrell Issa  
Chairman, Oversight and Government Reform Committee  
United States House of Representatives  
Washington, DC 20515

And

The Honorable Elijah Cummings  
Ranking Member, Oversight and Government Reform Committee  
United States House of Representatives  
Washington, DC 20515

RE: House Oversight and Government Reform Committee Hearing "Transforming Federal Spending: Implementing the Digital Accountability and Transparency Act", December 3, 2014

Dear Chairman Issa and Ranking Member Cummings:

On behalf of XBRL US and its members, we understand the critical nature of this stage in developing the plan for the DATA Act implementation. Identifying the most appropriate standard and establishing an effective implementation, support and maintenance program are keys to success. We appreciate the opportunity to suggest some questions that may be posed during the upcoming hearing on "Transforming Federal Spending: Implementing the Digital Accountability and Transparency Act" which will take place on December 3, 2014.

We believe that U.S. Treasury and the Office of Management and Budget (OMB) are approaching the program methodically and thoughtfully, gathering information from standards and technology experts, and are interested in their approach in a few areas that are essential to a quality implementation. Please consider the following questions:

- What standards are currently under consideration? Do these standards accommodate financial as well as business information in a consistent fashion? Are they open, freely available and nonproprietary? Are these standards widely used, such that there is an active market of available software tools to create and consume data produced by these standards?
- Providing clear, consistent training upfront and on an ongoing basis to new staff, and establishing a mechanism for updates to the initial training, is essential to a program of this kind. What form of guidance and training will be provided to individual agencies to ensure accurate implementation of the data standard?
- What kind of enforcement and ongoing monitoring of data will be put in place to ensure that errors are identified and rectified on a timely basis and to serve as a feedback loop for ongoing training and guidance?
- How will validation be used to help agencies submit accurate data on a timely basis?
- How will the voice of data users be factored into the implementation plan, e.g., will analytical tool providers and software companies be engaged early on in the process?

- Will a public review be conducted with sufficient outreach to users to get their input and feedback on the data being created?
- How will agencies be encouraged to incorporate the chosen data standards into their own internal systems?
- Is there a support and maintenance program planned to ensure that feedback is incorporated, and that changes in reporting requirements can be made efficiently and effectively?

We would also like to reiterate our support for the use of eXtensible Business Reporting Language (XBRL) as a data standard to fulfill DATA Act requirements. The XBRL standard is open, freely available, globally used, nonproprietary and currently used by thousands of public US companies and banking institutions. Given that XBRL has been in use for many years, there is a mature and extensive market in place for tools to create, consume and analyze XBRL data. XBRL is also used successfully today in non-US markets to report government spending in the Netherlands and Australia.

XBRL US and its members stand ready to provide information or assistance to Treasury and OMB in their effort, as they move forward in the implementation. I can be reached at 917-582-6159, for further clarification or discussion about the data standards programs we have facilitated in the US, and how "lessons learned" can be employed to increase the success rate for the DATA Act implementation.



Campbell Pryde  
President and CEO  
XBRL US, Inc.



December 2, 2014

The Honorable Darrell Issa  
 Chairman  
 Committee on Oversight and  
 Government Reform  
 United States House of Representatives  
 Washington, D.C. 20515

The Honorable Elijah Cummings  
 Ranking Member  
 Committee on Oversight and  
 Government Reform  
 United States House of Representatives  
 Washington, D.C. 20515

Dear Chairman Issa and Ranking Member Cummings:

The Association of Government Accountants (AGA) is pleased to provide input to the House Committee on Oversight and Government Reform regarding the plans for implementation of the Digital Accountability and Transparency Act (the DATA Act).

AGA was founded as the Federal Government Accountants Association (FGAA) by Robert W. King and a group of federal government accountants on September 14, 1950. The Association expanded in 1975 to include state and local government finance professionals. AGA is a 501(c)(3) not-for-profit organization whose membership uniquely represents federal, state and local governments, as well as academia, the private sector, and other not-for-profit organizations – all focused on advancing government accountability. Our more than 15,000 members, organized in 100 chapters across the United States, U. S. territories, Japan and Mexico provide us with a unique communication and collaboration platform for testing ideas, convening live and virtual communication and educational sessions, as well as soliciting and collecting input on key initiatives originating from the federal government.

AGA views the DATA Act as a positive next step in making available the data necessary to inform the American people about how the government spends tax payer dollars in carrying out the business of government through grants, contracts and other types of assistance. The DATA Act is key to rebuilding the American people’s trust in government because it will help clarify how agencies budget for programs and projects; provide insight into the results of plans versus outcomes achieved, as well as performance timelines and the details about who receives increasingly scarce federal funding.

As an organization of financial professionals whose members are drawn from all levels of government, we support the purposes enumerated in the DATA Act, particularly simplifying “...reporting for entities receiving federal funds by streamlining reporting requirements and

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reducing compliance costs while improving transparency.” Common data standards and data elements will make it possible to automate grant reporting so that a grant awardee or contract recipient can quickly and easily report on funds received, and greatly reduce the burden experienced by these entities. This streamlined reporting will make it possible to seamlessly track the flow of funds through the entire funding stream.

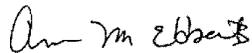
The pilots that the DATA Act requires the Director of OMB, or a designated federal agency, to launch in May 2015 provide an excellent opportunity to assess the impact of automating grantee and contractor reporting. Since the recommendations stemming from these pilots must address standardized reporting elements, the elimination of unnecessary duplication in financial reporting and the reduction of compliance costs for those who receive federal funds, we believe they will be critical to informing the discussion on DATA Act implementation.

In addition, if data elements and their corresponding data element definitions were standardized, private industry (large and small businesses) and not-for-profit organizations would be better able to mine and analyze data, and identify business opportunities and focus areas, to have a positive impact. These opportunities could take the shape of new tools, technologies, processes, and/or capabilities that could help government to streamline their efforts, and work more efficiently and effectively.

In closing, data standardization, data availability, and automation of data submission could enable innovation by government, academia and the private sector, as well as support employment opportunities for those that can facilitate automated grant and sub-recipient reporting, making reporting more timely and accurate.

We, at AGA, hope these comments are helpful. Please contact me at [aebberts@agacgfm.org](mailto:aebberts@agacgfm.org) if you have any questions or if I, or AGA, can provide additional assistance to support your efforts moving forward.

Sincerely,



Ann Ebberts  
Chief Executive Officer  
AGA

Cc: Members of the Committee on Oversight and Government Reform