

Accountability and the Recovery Act

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The implementation of the Recovery Act carried stakes for the President and the Congress that have rarely been higher. Knowing that any President's political prospects are critically bound up with the state of the economy, it was critical that the unprecedented federal investment have an effective economic and programmatic payoff.

Accountability processes and institutions became critical to the Administration's ability to use the Recovery Act to lift the nation out of the Great Recession. While the Act constituted the highest priorities for a young Administration, the actual implementation rested with thousands of providers throughout our decentralized intergovernmental system. Unlike the New Deal which hired millions of unemployed in direct federal projects, this Recovery Act was dependent on the best efforts by states, counties, cities, nonprofits and private contractors acting within the confines of over 200 existing federal programs. An insistent and anxious principal, the President and his minions had only indirect and tenuous influence over its far-flung agents. Ramping up accountability reporting and checking would provide at least some incentive for agents to use the funds to promote job creation and other national goals attached to these programs.

Accountability institutions would also provide symbolic value to an Administration and Congress that had just provided nearly \$1 trillion for the economic stimulus programs. Whether or not they actually prevented or disclosed actual instance of waste, investing in accountability in the form of auditing and reporting would provide a ritualistic assurance that all reasonable steps were being taken to guard the new investments.¹

This chapter discusses the roles played by federal and state accountability networks in overseeing and managing the Recovery Act programs. This took the form of strengthening the role of existing accountability institutions such as federal Inspectors General and the GAO, as well as developing new centralized accountability institutions within the Executive Office of the President. Moreover, the Administration emphasized the role of transparency and public reporting as an important check on public spending under the Recovery Act.

The chapter will first assess the accountability networks for federal assistance that existed prior to the Recovery Act at the federal and state levels in order to establish a baseline against which to assess the changes. Then the chapter will discuss the changes ushered in by the Administration and Congress. Primary issues covered will include the effects of Recovery accountability provisions on the cohesiveness and capacity of the accountability networks themselves as well as on the relationships between accountability networks and other policy actors. The legacy effects of these changes will also be examined, as many of the changes were intended to last beyond the Recovery Act itself.

This chapter was the result of interviews with high level Administration officials in the Vice President's office, Office of Management and Budget, Recovery Accountability Transparency Board, the GAO, selected Inspectors General, Congressional committee staff, state government association staff, and academic and other observers specializing in accountability issues. The author also visited three states – California, Florida and Virginia - to talk with officials with state audit office, state budget and governor's offices, selected state agencies, local government associations, legislative staffs and other observers of state intergovernmental policy issues.

Accountability: Institutional Trends

Accountability is a multi-faceted concept fraught with ambiguity. Accountability institutions seek to ensure that bureaucratic agents spend public funds to accomplish several public purposes – to adhere to the law, to avoid waste and fraud, to operate efficiently and to delivery program results effectively. Ultimately, the goal of accountability institutions and provisions is to ensure that government programs meet expectations for performance held by their various publics.ⁱⁱⁱⁱⁱⁱ In this sense accountability includes not only the roles and functions of traditional accountability institutions but also the more fundamental choices over the design and use of certain tools and implementation networks – often third parties – to address public expectations for program results. All actors in the policymaking process – program managers, budget officials, auditors, congressional committees, state and local government officials, media and interest groups – are all engaged in monitoring accountability for public programs.

It is no accident that the unprecedented expansion of the role of government, particularly the federal government, in our nation's domestic life witnessed a commensurate proliferation of accountability institutions and processes at all levels of government. The focus of accountability shifted from an exclusive preoccupation with control to the monitoring and evaluation of how well the multitude of new federal initiatives achieved their ambitious programmatic objectives.

Given the pluralistic nature of our system, it is not surprising that accountability institutions reflected the system's fragmentation. As the modern state came of age in the Progressive era, Congress and the President collaborated to create not one, but two central accountability institutions. Bowing to the request of Presidents, Congress in 1921 created a Presidential budget office, but not before also creating its own central monitoring institution – the General Accounting Office.

The President's budget office evolved from its budget formulation role to become the preeminent central management and oversight agency within the Executive Branch. Over the years, the President would become accountable for providing a central management and policy guidance focus to the increasingly far flung bureaucracy and ever more complex array of federal programs. OMB has either taken the initiative for steering the major management initiatives undertaken by the President or had leadership thrust on it

by the Congress. During the Great Society period, the agency played a formative role in standardizing grant policies and oversight across federal grant making agencies.

The GAO became a key partner in focusing Congressional attention on its responsibilities as a steward and overseer of federal program management. Since its founding in 1921, GAO shifted from the preaudit approval of financial transactions to the post audit assessment of program results. From 1970 through today, the GAO evolved from an independent agency that controlled its own agenda to an institution that came more firmly into the Congressional orbit. While testifying only sparingly in the 1970's with work that was largely self initiated, the agency's work was nearly all driven by Congressional sponsorship starting in the 1980's. In 2011, the agency issued nearly 600 written reports and testified 174 times before Congress – the largest number of testimonies of any agency except the Department of Defense.^{iv}

The shift in GAO mirrored a trend toward greater congressional interest and oversight of executive management, reflecting both the growth of government and the increasing shadow of divided government. The Inspectors General Act of 1978 elevated internal audit within agencies to a more independent status, installing high level officials who had joint reporting to both the agency head and the Congress. The Inspectors General have assumed primary responsibility to audit the financial statements of their agencies and to assess internal controls to ward off the potential of fraud and abuse. While retaining the traditional focus on financial and legal compliance, IG's have followed GAO's lead in concentrating more resources on performance audits and program reviews, reflecting the evolution of accountability from a focus on preventing the abuse of power to achieving the ambitious expectations for delivering results. As of FY 2010, there were 62 agencies with Inspectors General. They had budget authority of about \$2.2 billion with approximately 13,390 staff on board.^v

While the IG's stand on the front lines of executive accountability, the passage of the Chief Financial Officers Act in 1990 and subsequent legislation, elevated financial management by establishing accountability for achieving clean financial statements in a high level Chief Financial Officer for each major agency. Beyond this, the Congress joined in partnership with OMB to use the CFO to promote other accountability goals, including the enactment of the 1993 Government Performance and Results Act for performance, the 1996 Federal Financial Management Improvement Act for internal controls and Improper Payments Elimination and Recovery Act of 2010.

Collaborative Accountability Networks

This web of accountability institutions would be expected to create tensions, as they each served separate masters with different political agendas. While tensions were naturally built in to these arrangements, professional norms and shared epistemic agendas brought these accountability institutions together through increasingly cooperative formal and informal networks. At the conclusion of World War II, a collaboration between the GAO, OMB and the Treasury brought about a new approach to financial management

and accountability as the agencies agreed to delegate GAO's voucher preapprovals to the agencies.^{vi}

The development of accounting standards illustrates the efficacy of this collaborative approach for our system. Following decades of intragovernmental conflict over GAO's attempts to develop accounting and reporting standards on their own authority, the three major financial agencies agreed to establish a Federal Accounting Standards Advisory Board in the 1990's to promulgate standards for the federal establishment, consisting of those three agencies in addition to appointed public members.

The development of uniform standards for government auditing became another hallmark of collaboration and cohesiveness across the entire community of government auditing agencies at federal, state and local levels of government. The standards provide guidance on such issues as auditor independence, level of field work required, supervision and reporting strategies. The GAO first published the "yellow book" standards in 1972 which cover all federal auditing entities and recipients of federal funds. Various laws require compliance with these standards in connection with audits of federal entities and grantees. Moreover, many states and local governments and other entities, both domestically and internationally, have voluntarily adopted these standards. While GAO publishes the standards, the agency emphasizes that the standards represent a collaborative effort across the entire auditing community, represented by a 25 member advisory council of experts from all levels of government.

In addition to standards based collaboration, horizontal networks were formed within the executive branch consisting accountability professionals. In the audit world, the most important was the President's Council on Integrity and Efficiency, formed with the Inspectors general of the CFO agencies which has morphed into the larger Council of Inspectors General on Integrity And Efficiency. First chaired by OMB, it has undertaken numerous subcommittees and joint projects on such issues as payroll tax deposits, computer integrity, and whistleblowers. The forum enabled agency IG's to unite on common issues and ward off efforts by truculent federal political leaders to ignore their recommendations and tamper with their institutional independence.^{vii}

Of course, there are tensions across agency Inspectors General and other conflicts among accountability professionals. Differences would emerge between large and smaller inspector generals, between executive and legislative auditors and between federal and state and local auditors. Within Inspector General offices alone, there are differences between the inspectors with criminal investigation backgrounds and those with auditing and accounting backgrounds. It goes without saying that conflict was built in between auditors and executive managers of agencies by design.

However, the federal accountability community has to be considered as a relatively cohesive epistemic community. Such a community is united by a common set of professional standards, educational background and core values that overcome institutional differences.^{viii} Auditors throughout government can all subscribe to a cohesive set of accountability values, expectations and role definitions that are embodied

in the Chief Financial Officers Act and its subsequent legislative progeny. This is bolstered by associations that reinforce these values through training, research and networking for the accountability professions – the Association of Government Accountants and American Institute of Certified Public Accountants are two preeminent organizations serving the accountability professions across governments.

Accountability for Intergovernmental Grants: Tensions and Networks

Intergovernmental grants are fraught with challenges for accountability. At the heart is a dilemma – the federal government funds national goals but is reliant on independent governments with their own constituencies, leaders and priorities to implement these programs. By inviting third parties in to the design and implementation of these programs, an expectation is often created, intentionally or not, that some level of program accountability to non-federal perspectives is legitimate as well

Classic early implementation research by Pressman and Wildavsky pointed to the complexity of joint action and the obstacles to federal policy success posed by numerous nonfederal actors with their own agendas and authority to reshape federal programs.^{ix} Martha Derthicks and Helen Ingram studied domestic grant programs and observed that federal programs often provided federal agencies only with the opportunity to bargain with independent state and local actors, with highly uncertain policy results.^x

Federal officials face the classic constraints common to principal-agent relationships. Most importantly, they have only limited information about the motivations, capacities and interests of prospective partners. The coalitional origins of most programs suggest that vague goals may be the only way to gain agreement at the outset. Coalitions may find grants useful precisely because they export political conflict downward in the system to be resolved elsewhere at a later stage. So, this implies that the politics of grants will entail considerable discretion for federal, state and local administrators to specify programs and ensures that implementation will be contentious as different actors seek to reshape the program to reflect their own interests. The political wellspring of grants also gives credence to Ingram's view that federal agencies will administer the grant to strengthen and broaden the coalition behind the program, even if this means not enforcing conditions that threaten to alienate state and local grant recipients.^{xi}

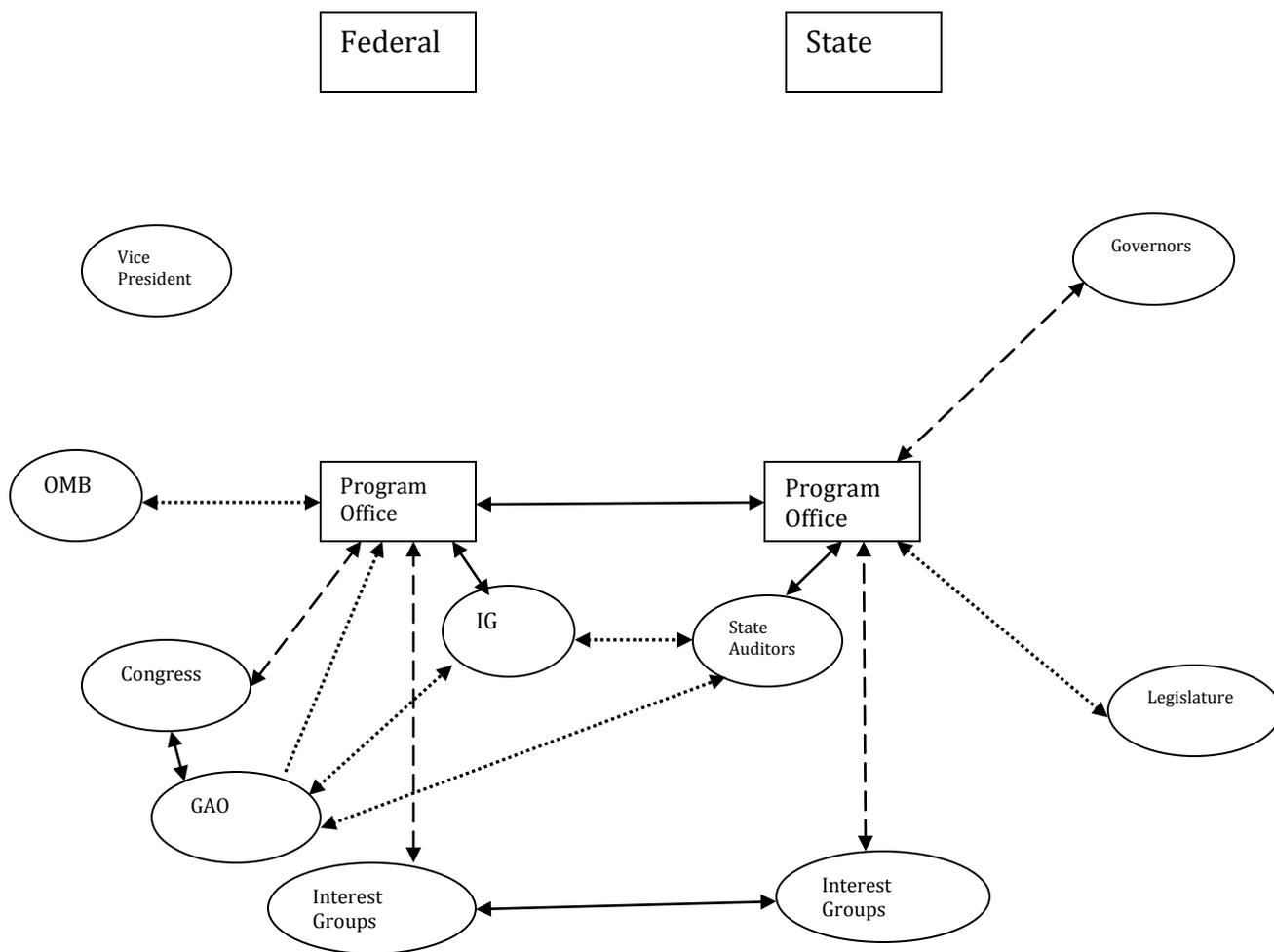
Thus, pursuing accountability for federal objectives is arguably more challenging in this environment. Having said this, various factors are important in influencing the accountability equation. One is the presence of shared goals across intergovernmental partners. Peterson argues that states and localities can be expected to share the goals for federal distributive grants than for redistributive programs. Another is the grant instrument itself --broad based grants such as block grants are, by definition, more collaborative and less demanding than narrow, categorical grants.

The accountability network for grants before the Recovery Act is depicted in Figure 1. Providing and enforcing accountability for intergovernmental programs is, itself, a shared and collaborative enterprise among many actors across all levels of government. As the

network diagram suggests, the most important and strongest relationships promoting accountability occur not through the audit process but through the interactions of program managers at all levels of government.

Figure 1

Intergovernmental Grant Accountability Network: Before ARRA



The epitome of cooperative federalism entails professionals and experts at various levels of government working together cooperatively, sharing a consensus on the policy goals and the actions needed to achieve outcomes. Work by Peterson, Stoker and others points out that over many years federal programs can prompt cooperative partnerships.^{xii} The bonds among like minded professionals across governments are often stronger than those with their nominal political overseers in executive and legislative offices. These relationships have gained the moniker of “picket fence” federalism to portray a system of highly specialized interactions where the vertical pickets across governments are stronger than the horizontal slats that tie bureaucracies to political officials within governments, as shown in Figure 1.

While program managers are the primary implementers of federal programs, the accountability responsibility for intergovernmental programs is, itself, a shared intergovernmental enterprise. The federal government simply does not have the capacity or the will to police the thousands of grant awards issued every year for federal assistance.

Thus, part of the accountability process is providing incentives by grantees themselves to manage federal grants as they would their own source funds. Grants and contracts include a plethora of financial accounting, reporting and inspection requirements which attempt to enforce compliance and accountability for specific federal objectives, but other strategies are also pursued which seek to instill responsibility for proper stewardship for both federal funds and goals on the part of grant recipients. Matching, risk sharing, and maintenance of effort can help ensure the kind of fiscal interest necessary to prompt ownership and responsibility on the part of recipients. Funding incentives rewarding or penalizing third parties based on performance are another example of managerial features that can help prompt ownership and efficient management of programs.

Of course, program managers and incentives alone cannot sufficiently provide accountability for federal funds, particularly for those programs where intergovernmental actors have different priorities, values and incentives. Accordingly, the federal government has long relied on independent auditors and evaluators free of program advocacy and entanglements to assess compliance with key requirements and assess achievement of program goals. Compliance is generally validated following the completion of performance of a grant through ex post audits or evaluations. But, like a tax audit, the role of audit extends far beyond specific reports, as managers anticipate potential exposure by achieving voluntary compliance. .

Figure 1 illustrates the role that auditors play in federal intergovernmental programs. Federal Inspectors General often perform specific audits of grant programs, covering activities of federal administering agencies and grant recipients alike. These audits make recommendations to managers in reports that are publicly released. While top management need not comply with the recommendations, in fact they most often do so due to the shame that audit findings can bring to agencies across all levels of government. The formal oversight of programs by auditors often triggers informal oversight as media, program advocates and congressional overseers seize on audit reports as information with

impeccable credibility that can be useful in their own conflicts with agencies.^{xiiiiv} Accordingly, the network map in Figure 1 depicts a strong tie between federal inspectors general and program management offices.

On its face, auditing of grants appears to be a top down exercise that appears to violate the principles of cooperative federalism. Far from the comfortable realm of picket fence federalism where like-minded professionals join in collaborative management, auditors are the interlopers who march to the beat of different professional norms and incentives. One of the major tenets of government auditing standards, indeed, is the dictum that the auditor must be independent of the program manager they are reviewing.

The network map in Figure1 also depicts strong ties between state auditors and state program offices. The relationships at this level parallel those just described for federal officials. However, the parallel audits by all levels of government spawned significant overlap and duplication. Inspector Generals could swoop in on state agencies, for instance, and ask for the same records and information that were already furnished to state auditors for the same purpose. Moreover, Inspectors General did not coordinate their own audits of states and localities, subjecting recipients to duplicative audits of the same program by different IG's. The level of intergovernmental conflict alone would have argued for rationalizing the audit process. However, this process also created significant gaps for federal audit coverage, as auditors would cover only highly selective areas of state activity, leaving vast areas of program spending unexamined.

The patchwork of federal and state and local audits failed in one other respect – coverage of governments. GAO noted that in the 1970's, one half of major cities did not have any comprehensive audit. The State of West Virginia had never received a comprehensive audit.^{xv}

As a result of these issues, the intergovernmental audit process was rationalized by relying on grantees to arrange for a “single audit” of their financial management and controls. . Moreover, the audit had to check a list of compliance requirements provided by federal agencies for major federal assistance programs. Federal inspectors general were required to “build upon” these single audits when they did their own program specific audits at state and local governments.

GAO reports showed considerable progress in financial management stemming from the Single Audit Act passed in 1984. State and local governments instituted annual audits for the first time which prompted them to professionalize financial management and institute comprehensive reforms of accounting systems in accordance with generally accepted accounting principles or GAAP. Grants that were rarely audited now would receive annual reviews, if they were large enough to be material for the financial statement audit. State and local governments made improvements in management controls as a result of the annual review conducted in the audit.

There is no question that the single audit brought about significant professionalization of state and local financial management, as well as significant efficiencies in coordination

between federal and nonfederal auditors for federal assistance. However, program managers at both federal and state levels generally have not felt that the reports have sufficient value to give them an accurate and timely picture of program compliance by intergovernmental grantees. One GAO report found that only about one quarter of federal and state program officials found the single audit reports useful^{xvi}. When compared to federal studies and audits of specific programs, the single audit appears too broad to satisfy specific federal program interests. Single audits of a major state agency often fail to cover many federal grants that do not appear material to the finances of this large entity. Moreover, audit reports are often late and outdated, coming over a year after the program year has ended. Problems like these illustrate that often the more profound conflicts in intergovernmental accountability are not between levels of government but between differing professional epistemic communities – in this case, auditors vs. program managers.

The foregoing description of intergovernmental accountability networks is incomplete because it focuses only on proactive oversight by managers, not on the episodic influence exercised by program clientele, beneficiaries and other nongovernmental stakeholders. When examining accountability for grants and other intergovernmental programs, a framework developed by political scientists Matthew McCubbins and Thomas Schwartz^{xvii} (1984) provides a useful construct. They differentiate between police patrol and fire alarm oversight. Under police patrol oversight, government officials actively use information to highlight problems and change programs. By contrast, under fire alarm oversight, government officials establish the infrastructure of information and provide open doors for nongovernmental officials to raise alarms which officials may act on at their own discretion. Grant programs often seek to activate recipients or clientele by granting such groups appeal rights and court access. Such provisions fire alarm provisions can not only generate appeals and complaints to government and the courts, but it can also generate or legitimize new interest groups at all levels of government that can ultimately work to transform state or local priorities.^{xviii}

The Recovery Act as An Accountability Stress Test

Passage of ARRA constituted a major federal fiscal investment in economic recovery unlike any seen since the New Deal. With traditional monetary levers exhausted, the new Administration reached for fiscal intervention to stimulate the economy, with the goal of saving or creating 3 to 4 million jobs. Other postwar stimulus packages were dwarfed in magnitude by the \$787 billion package.

Unique Accountability Challenges under ARRA

Relying as it did on extensive networks of state, local and private actors, ARRA would confront many of the accountability challenges involved with third party government that were described above.^{xix} However, ARRA ushered in additional challenges that proved vexing to managers at all levels who were tasked with achieving important objectives under nearly unprecedented pressure from political leaders of all stripes and parties. Program complexity, variable network capacity, and conflicting purposes were among

the factors that confounded and complicated the heroic efforts of managers to lead the nation out of recession through these programs.

While often discussed as a single entity, in reality ARRA affects numerous programs across the spending and revenue sides of the budget. According to one estimate, more than 250 individual federal programs received ARRA funding.^{xx} The nearly 100 grants to state and local governments through ARRA exceed \$300 billion when collapsing discretionary and entitlement grants. In FY 2010, grant outlays for ARRA alone comprise approximately one fourth of all grants in FY 2008, the last year before ARRA. This does not include tax expenditures, loans and contracts that also fell under ARRA's purview.

ARRA's complexity posed major challenges to program managers and accountability systems alike. On the one hand, Medicaid and State Stabilization Funds functioned as general purpose assistance to the states, with relatively modest accountability and administrative challenges. The primary goal with these programs was to get money into the hands of hard pressed states who would use it to defer layoffs and other fiscal contractions. On the other end of the spectrum, ARRA contained a host of new initiatives like broadband and high speed rail which had never been undertaken on this scale before at the federal level. To make matters more challenging, the federal agencies and, in many cases, states to whom these programs were assigned had little or no experience running these kinds of efforts.

Another complicating factor was the differing and somewhat conflicting purposes that ARRA served. Stimulating the economy through more jobs was of course the primary impetus for the Act. However, like so much legislation, the Act became a veritable magnet for other policy goals and programs that had little to do with the near term economy. The Administration chose to use ARRA to provide a down payment on longer term programmatic investments, including high speed rail, broadband dissemination and health care technology. On top of this, other policy requirements were added to the mix such as Buy America and Davis-Bacon wage provisions which had had the effect of sowing mixed messages about goals and slowing implementation.

Multiple objectives are not unusual for federal programs. However, many of ARRA's goals may well prove to be mutually inconsistent. For instance, the addition of Davis-Bacon wage requirements have slowed the use of weatherization funding by local communities as they waited for federal guidance on pay rates for contractors.^{xxi}

Most critically, speed can undermine accountability and thoughtful implementation design. The tensions between the urgency of getting money out to generate new economic activity and the need for accountability and careful administration is an old story that goes back at least to the New Deal. For instance, Harold Ickes, the Roosevelt adviser charged with implementing the Public Works Administration Program, was painstakingly cautious in rolling out these infrastructure monuments. While Ickes' deliberation built an excellent record for effective management and efficiency, he faced unremitting criticism for being overly slow and failing to respond to the exigencies of the economic crisis.

In truth, the tension between the seemingly contradictory goals of speed and accountability was not a zero sum game. Instead, they represented two goals in tension that public managers and leaders tried to meet simultaneously. As the following will indicate, accountability professionals made significant adaptations to their public reporting and processes to expedite their findings and make them more relevant for a more high pressure environment on steroids. Political officials anxious to roll out programs to jump start the economy took pains nonetheless to stand up institutions to provide checks and balances through both police patrol and fire alarm oversight.

Accountability Networks Become More Dense and Complex

Unlike other major crises, the Recovery Act took pains to institutionalize a greater emphasis on accountability up front. Hurricane Katrina illustrates the problems that occur when federal agencies are pressed to expedite responses to urgent needs, sometimes at the expense of careful management and oversight.^{xxii} FAA expedited the award of airport grants during Hurricanes Katrina and Rita bypassing controls designed to prevent duplicate and unnecessary payments, only to be forced to withdraw many of the grants later. A GAO audit found that 16 percent or \$1 billion of payments to individuals in the wake of Katrina were improper and potentially fraudulent.^{xxiii}

A list of the accountability requirements and provisions in the Recovery Act is daunting indeed. Table 1 shows the list of general accountability provisions by category, but these do not include additional program specific provisions that are often significant both fiscally and managerially.

Table 1

ARRA General Accountability Provisions

Reporting and accounting

- **Requirement for recipients of ARRA funds to report on use of funds and number of jobs created each quarter.**
- **Reporting requirement also applied to the first subrecipient of grants and contracts**
- **New federal website Recovery.gov established to provide open data on spending of ARRA money by program, congressional district and other data**
- **Agencies and recipients required to separately account for ARRA funds with separate identifier**

Audits

- **Single audit applies for annual audits, with special focus on ARRA programs**
- **Inspectors General are required to examine concerns expressed by the public about investments**
- **GAO is required to prepare bimonthly reports on the use of funds by states**
- **Recovery and Accountability Transparency Board created to conduct reviews and audits of ARRA, with board of 12 Inspectors General**

Evaluations

- **Council on Economic Advisers required to prepare periodic reports on employment and economic impacts of ARRA spending**
- **Congressional Budget Office required to periodically estimate macroeconomic effects**

State and Local Governments

- **Certifications by Governor required with backup acceptance by state legislature**

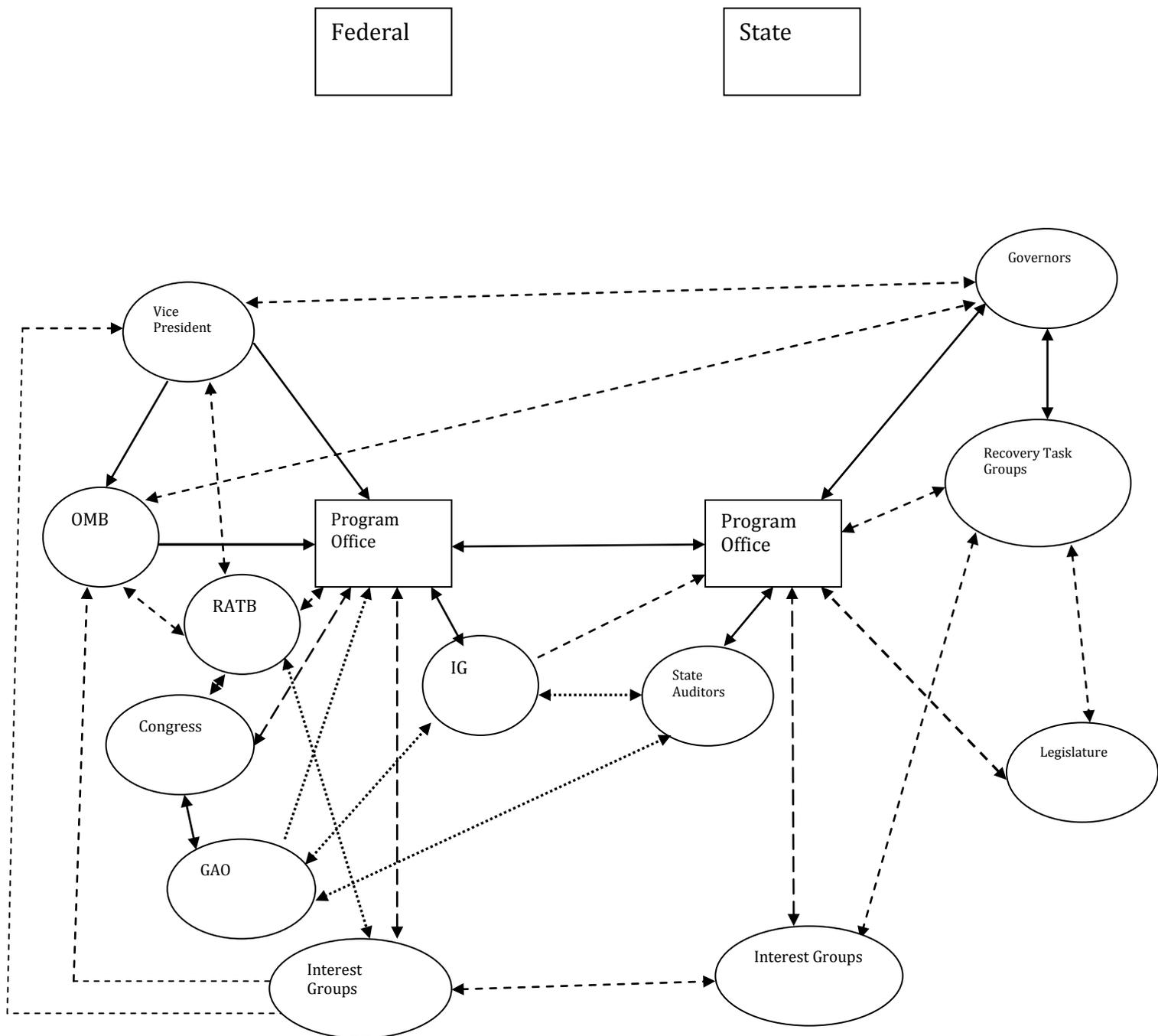
The professionalism and collaborative networks of program managers and auditors became assets that were deployed to safeguard Recovery funds. In addition, new networks of top level political officials from the White House itself to the nation's Governors were engaged to provide high level oversight of Recovery Act programs. The speed of the Recovery Act put a premium on involving existing program specialists and accountability professionals, while the high stakes enticed political leaders to protect their considerable stakes in program implementation and management.

Consequently, while building on years of collaboration and professionalization of accountability and management networks, the ARRA also brought about greater centralization of the intergovernmental system and networks by engaging and energizing the “topocrats” – central elected and appointed officials at federal, state and local governments – to oversee program design and implementation by program bureaucrats. This is itself a welcome development, for too often federal intergovernmental programs have become too insulated from the broader public accountability that these officials to bring to government. However, the layering of new levels of oversight as well as the high stakes themselves promoted new tensions and conflicts among and between the various networks of officials engaged in managing and overseeing ARRA funds.

All major actors in the system stepped up their efforts to oversee ARRA programs. The network map in Figure 2 below illustrates how many actors became engaged in the oversight business for ARRA, and can be contrasted to the relatively orderly world of accountability for intergovernmental programs depicted in Figure 1. Not only did the Vice President, OMB and Governors offices become more engaged in ARRA than they were before, but the strengths of the relationships between these “topocrats” and program managers were strengthened as well.

Figure 2

Intergovernmental Grant Accountability Network: ARRA



The accountability environment was stoked by the high stakes for the President in assuring that ARRA reached their targets and made an impact on jobs and economic growth. Any widespread reports of abuse and waste would undermine the political reputation of this high stakes venture and the potential reelection prospects of the President himself. Crises, whether economic or homeland security, traditionally have centralizing effects on our system. Rapid start up of programs and high national stakes together provide strong incentives for national officials to take strong measures to drive implementation and develop effective surveillance and oversight. Politically, the President and Congress, were on the hot seat. Even if state and local governments share responsibility for any program failures or shortfalls, prior research suggests that the broad public will blame national officials, as was the case with the botched response to Katrina.

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The Vice President

This emphasis on accountability was enforced by a high profile and centralized role for the Vice President and OMB as monitors of the agencies and the states. Both institutions established unprecedented real time controls and oversight of federal agency activities as well as grant awards to ensure the timely disbursement of funds and ward off potential problems and embarrassing abuses. The Vice President's office acted proactively to help resolve high level policy and implementation issues, support establishment of new networks for implementing new programs and broker high level relationships with Governors and other intergovernmental officials. OMB was involved in writing regulations to implement management reporting and accountability for ARRA programs.

The Vice President fashioned himself as the "sheriff", who would single out leaders across the federal system who are found to be wasting funds or violating conditions. Rivaling the centralized authority exercised by President Johnson at the birth of many domestic programs, the projection of the Vice President adds a new dimension of political centralization to the ordinary management of grants.

The Vice President centralized authority for management both horizontally and vertically. His control over federal agencies was reinforced by a special "Recovery Cabinet" that met biweekly with key federal agencies. Reflecting the importance placed on implementation at the highest levels, the Director of ARRA Implementation – G. Edward DeSeve - reported to the President, the Vice President and the OMB Director. The Vice President's office established regular contact with high level agency political officials that the Administration designated as Senior Accountability Officers (SAO's) in each agency – usually at the Deputy Secretary level. – while OMB followed up at lower levels.

The Vice President's office conceived of its role as a network manager. After all, given the short deadlines, a small office of eight people would have to quickly bring together networks of political officials and program managers alike to roll out the numerous parts that comprised ARRA. Institutions like the Senior Accountability Officers represent efforts to bring together agencies to rapidly adapt traditional management practices to

deal with the ARRA challenges. Indeed, the Vice President's office intervened to help jump start collaboration across agencies when it proved necessary to get new Recovery programs untracked.

However, agency officials recognized that, unlike collaborative networks, they were not free to develop their own goals but rather were properly marshaled to support the Administration's top priority at the time. While appropriately characterizing these initiatives as centrally managed networks, one observer aptly noted that one person's benign network is another's regulator.^{xxv}

In fact, the level of centralized influence and control exercised by the Vice President over federal grant policies and decisions under ARRA was truly impressive. The Vice President's office, for instance, reviewed all grant awards by agencies before the funds were released – an intervention that represented a marked centralization of the grant process for ARRA purposes. Even awards made under block grants were reviewed by this office prior to agency obligation of funds. In the early days of ARRA, the President issued a memo asserting that grants would be reviewed not only to ensure their contribution to economic recovery but also to avoid “imprudent projects”.^{xxvi}

Mr. Biden took weekly trips to visit ARRA projects and was not shy about calling out agencies when it appeared that problems had occurred on their watch. Given the adversarial media culture and polarized congressional politics, the Administration was properly wary that the thousands of funding decisions made under ARRA would become grist for the proverbial mill. Indeed, Republicans in Congress under Senator Coburn, established a Recovery oversight initiative highlighting what they regarded as wasteful projects such as turtle tunnels under an interstate in Florida and a tree census in Las Vegas.

While the Vice President played the role of central overseer and sheriff with federal agencies, he also succeeded in articulating new collaborative relationships with state and local governments. The critical role of states and localities as well as the urgency of implementation forced top federal officials, both the Vice President and OMB, to reach out to intergovernmental officials to gain support and resolve problems that could have compromised the speed of recovery or caused potential for performance shortfalls and accountability violations.

The outreach began during the transition immediately following the 2008 elections when President Obama convened the nation's Governors at Philadelphia's Independence Hall, recognizing the important role that states would play in supporting Administration recovery goals. Vice President Biden conducted more than 57 conference calls with governors and local officials. Gubernatorial Recovery Act coordinators were invited to the White House for several conferences, featuring appearances by the President himself.^{xxvii} The Vice President instituted a “24 hour rule” that required resolution of problems brought to his office by agencies as well as state and local governments within one working day.

Office of Management and Budget

The Office of Management and Budget played an unusually prominent role in ARRA implementation. Acting often through the agency's Controller's office, the agency issued guidance the day after the Recovery Act was signed into law and followed up with 10 additional, major guidance documents over the next 10 months. The guidance specified governmentwide standards covering such issues as recipient reporting, agency risk assessments, budget execution, and application and review procedures for grants, contracts and loans. While contracting rules are traditionally standardized, the level of standardization for grants constitutes a major departure from the more generalized and often hortatory language in OMB's grants management circulars. The common reporting framework for providing data on jobs and spending provided a level of standardization and detail that is rare indeed in the world of grants management.

OMB's played a proactive role in managing ARRA funds. This entailed extensive contacts and monitoring of agencies across the federal government. Agencies were required to report weekly on their obligations of program funds for ARRA funded activities. The breakneck pace of regulatory development and oversight of the numerous federal actions to award funds required nearly daily interaction with the agencies. OMB budget examiners stepped in to solve interagency problems such as implementing Davis-Bacon determinations that threatened to slow disbursement of funds. OMB also deployed training and conference calls with agencies to help promote implementation of governmentwide directives as well as forums to hear of specific problems.

OMB's role for the Recovery Act was highly unusual in comparison to their traditional management roles. Ordinarily, OMB is tasked to work with federal agencies through various channels, including councils of agency managers, to secure agency cooperation in implementing complex policies and management practices. The small size of the agency combined with congressional resistance to centralized OMB direction makes OMB ultimately dependent on agencies to implement these programs. OMB is the same size as it was in 1960 – 500 staff even though the federal budget has grown more than seven fold in real terms. In the Eisenhower Administration, efforts to stand up field offices for the budget office were rudely rebuffed by the Congress. Thus, whether it be the Chief Financial Officers Act or Government Performance and Results Act, OMB's role remains one of developing governmentwide guidance through networks of agency managers.

OMB's role for the Recovery Act was more direct and visible. The record speed and the extraordinarily strong interest of the White House made it difficult to hand off the job to agencies or to spend extensive time consulting with agencies. Beyond the guidance, the feedback and complaints were centralized as well. Reflecting their extraordinary role in standing over Recovery Act guidance and implementation, OMB would also be the target for complaints and problems when the inherently diverse realities of over 200 federal programs and thousands of state and local governments failed to neatly fit the standard policy rules and standards.

Given this unique role, OMB officials were unusually receptive to seeking and receiving input from agencies, audit officials and state and local governments responsible for implementation to discuss guidance in advance and to adjudicate problems that followed in its wake. Following requests from state and local associations, OMB officials, working with the Vice President's office, instituted weekly phone calls with state and local organizations about specific concerns that federal guidance raised. The calls included representatives of 14 associations including state governors, budget officers, and auditors. The GAO also sat in as observer, providing feedback from their extensive monitoring of ARRA implementation in 16 states. Officials from GAO and state and local organizations commended OMB for their openness and responsiveness in dealing with emerging concerns. One state official noted that OMB never showed up at their conferences before ARRA, but now were anxious to attend to talk with state and local officials.

The budding real time relationships with states not only helped OMB gain state support and learn from problems on the ground, but also served as a feedback loop on the federal agencies themselves. OMB would learn, for instance, about the parallel existence of separate federal agency reporting requirements imposed on the states through such back channels. The development of relationships with states complemented OMB's traditional primary relationships with federal agencies. Consequently, OMB's role shifted to become a mediator or broker between the federal agencies and the states for ARRA purposes. Importantly, the regular phone calls did not include federal agencies – OMB was the primary representative for the federal interest.

Given their unique responsibilities, OMB decided to establish their own de facto field network to gain feedback on prospective and actual problems experienced with Recovery Act accountability provisions. To compensate for their lack of formal field networks, OMB organized an initiative in August, 2009, deploying Forest Service officials to state capitols to report back on implementation problems directly from states, bypassing federal agency networks. Establishing a separate network enabled OMB to gain independent data from the field as the new federal reporting regime under Section 1512 of ARRA was about to be rolled out.

Intergovernmental partnerships instituted by the Vice President and OMB marked a new chapter in intergovernmental management. Like Johnson and Nixon earlier, OMB formed alliances with like-minded generalists in state and local governments, based on shared interests in fiscal and policy control over program specialists and bureaucracies at both levels of government. These "topocrats" represented a new accountability network that had largely remained dormant for federal programs for many years, as noted earlier in this chapter.

While significant, it remains to be seen whether these new relationships will be sustained for other programs and in other periods. The regular calls on ARRA were discontinued in the Summer, 2010, although ad hoc discussion and meetings still take place. OMB's level of commitment to working with state and local governments falls far short of what it was in the 1970's. In those years when the federal grant system was being established,

OMB had a full division devoted to grants management and was responsible for overseeing a network of Federal Regional Councils across the nation designed to bring together federal, state and local officials to deal with grant related problems. Today, intergovernmental initiatives are managed largely by the Controller's office along with numerous other responsibilities.

The Recovery Act experience has prompted continuing interest by senior OMB officials in gaining state involvement in certain management initiatives. In implementing the "War on Waste", OMB's effort to reduce improper payments has included representatives for states and localities given their critical role in managing many high risk programs such as Medicaid and Unemployment Insurance.

However, the commitment to intergovernmental management has still failed to become institutionalized. OMB established a new interagency committee on federal assistance to provide greater visibility to these issues, but the council failed to include state and local representatives.

Federal Agencies

The management of ARRA funds posed unique management and accountability responsibilities over and above the normal tasks that federal grants and contracts demand. First, OMB required that ARRA funds be separately reported and tracked with separate Treasury account identification numbers. This requirement was fundamental for the Administration to be able to readily report on the obligations and outlays specifically attributable to ARRA programs. Second, other unique ARRA reporting provisions had to be satisfied. Most importantly, notwithstanding existing agency reporting systems, the Recovery Act established new recipient based reporting for ARRA which called on agencies to very quickly review submissions by recipients and subrecipients - a task that was closely monitored by numerous overseers from the Vice President and OMB to Congressional watchdogs ready to pounce on the errors that, predictably, occurred.

The compliance with these and other accountability expectations absorbed disproportionate amounts of time and attention among federal agencies. Consistent with the heightened stakes and political attention at the center of the Administration, federal agencies stepped up their administrative oversight of grants as well. Program oversight, traditionally under the purview of individual program offices, was centralized within each major federal department. The Department of Transportation exercised unusual operational control over highways and other grants for ARRA purposes, standing up a team to monitor weekly implementation for DOT programs. Operational issues such as definition of jobs created, rates of grant obligations and other administrative issues were raised to the top of the department, leading to more uniform policies applying to the diverse programs as a result.

Federal program managers used risk assessment to mitigate their exposure to fraud and negative audit findings. Inspections and monitoring of grantees were increased. Federal highway staff used a national level review team to visit individual states on a continual basis to monitor implementation. The Federal Transit Administration used a risk

assessment to compile ratings of potential risk for each grantee, which became the basis for agency identification of recipients in need of additional help or monitoring.^{xxviii}

The challenges of ARRA were mitigated when established programs were used along with their long standing networks. Whether it be highways or Title I education, the Recovery Act took advantage of the institutional knowledge and established networks across governments that had evolved over many years.

While using established programs helped promote more effective and expeditious implementation, the asymmetrical attention and unique accountability provisions limited the real integration of administration that could have been realized by using existing funding channels. In the world of tradeoffs, the tracking and separate identification of ARRA achievements trumped administrative efficiencies that could have been realized by common administration of regular and ARRA grants. Indeed, some managers suggested that accountability for regular grants suffered in the process, as scarce federal management resources were disproportionately focused on standing up the new stimulus programs. One state comptroller reported that he spent over 80 percent of his time dealing with Recovery Act issues during the first quarter following its passage, to the detriment of other pressing oversight and management concerns^{xxix}. Off the record, one federal accountability official tartly observed concluded that those intent to commit fraud should choose regular grant programs, not ARRA funds which were swarming with attention and audits.

Accountability for ARRA within existing programs became far more challenging when the magnitude of ARRA funds overwhelmed the funding levels ordinarily provided to the program. The DOE weatherization program was a classic case in point where federal funds of \$6 billion far exceeded the \$200 million that characterized program funding in the past. The higher funding and additional program requirements escalated expectations and managerial challenges that tested the ability of this small program to deliver.

Accountability was also challenged even in existing programs when the expanded funding cascaded to engage more local recipients than ever before. Florida transportation officials say that ARRA's major infusions of funds resulted in more local governments receiving funds, with responsibility for new program requirements under ARRA such as reporting. Local governments sometimes were not ready to implement new transportation projects as expeditiously as was required.

Accountability for new ARRA programs became far more difficult. Lacking established networks, agencies were hard pressed to establish basic management procedures and controls to pass down money for new projects and programs lacking established networks and routines. The Commerce Department's NTIA, for instance, was hampered in implementing ARRA Broadband programs because it had no experience previously working with grants, forcing it to engage NOAA as the administering agent.

State and Local Governments

The Administration recognized that state and local officials would be instrumental in delivering federal programs to blunt the recession, leading to new forms of collaboration between the White House, OMB and the states not seen for 30 years, as noted above. The alliances between topocrats, already described above, had a major impact on state implementation. The National Governors Association hosted meetings of Recovery Act leads in the states which led to changes in the reporting of jobs information by states and other administrative changes.^{xxx}

The growing role of gubernatorial offices for federal assistance was prompted by the same high level of attention and political vulnerability that sparked high level topocrats to become involved at the federal level. An audit rich environment prompted high level state officials to protect themselves against pressure from federal audits, the Vice President and several state audit offices – the state auditor, the internal auditors of state agencies, state legislative oversight committees among others. Governors and other state officials were on the recovery hot seat, with the potential to become the scapegoat of a failed recovery effort in the same way that the nation’s banks did for the financial crisis.

The ARRA statute facilitated expansive roles for Governors. Whether it be highways or education, traditionally the state developed plans for federal funds through state agencies or independently elected state chief state schools officers. ARRA thrust the governors into a role of certifying state programs, giving governors new found leverage as topocrats in dealing with program specialists.

ARRA also promoted stronger gubernatorial and state legislative interest by virtue of the flexibility provided for a substantial portion of federal funds. Tim Conlan found that there were nearly 100 grant programs in ARRA, comprising \$287 billion.^{xxxi} About \$130 billion provided flexible funds that states could use to plug budget gaps from higher federal Medicaid funding and the new State Stabilization program for education.

The nation’s Governors became engaged in ARRA program implementation in ways that far exceeded their traditional oversight and involvement with federal programs. Nearly all states set up recovery task forces or “czars” to coordinate state policies and responses to the new outpouring of federal funds and guidance. The state task forces hosted recovery web sites for their states, facilitating citizen access to information on program implementation and location.^{xxxii} These state leaders not only coordinated state agencies but also established new networks with their counterparts in other states. The new funds engaged state legislative oversight as well – California’s legislature made requests for 25 audits of ARRA funds by the state auditor.

Virginia centralized grants management to a far greater extent under ARRA than before. Central state officials set up tracking system to feed a statewide Recovery web site. State officials were intent on “doing this right”. State officials secured greater visibility and traceability of ARRA funds by creating separate state appropriations for each ARRA grant program.

In California, Governor Schwarzenegger appointed a special inspector general for Recovery funds, Laura Chick. The Governors' Recovery Task Force coordinated state agencies' reporting and accountability for ARRA funds. Among the primary tasks undertaken was readiness reviews of state agencies to assess their internal controls and potential vulnerability to problems under ARRA's deadlines. The Task Force reviewed all state agency reports under Section 1512 before they were sent to the federal government – a significant centralization of grant accountability.

In Florida, the Governors office instituted weekly calls with agencies with the state Inspector General sitting in as an observer. State budget and program officials report that they spent more time on ARRA accountability than they did for state funds.

In addition to reviews to cover state political stakes, state recovery task forces helped to facilitate networks across state agencies in applying for and using ARRA funds.. In California, the Governor's Recovery Task Force played an instrumental role in developing the state's plan for Broadband by engaging the authority of state agencies to secure right of way and work with private service providers to extend service to new areas of the state.

Ultimately, however, the Governors' new found involvement came up against the realities of a fragmented bureaucracy at the federal and state and local levels. California officials characterized the implementation of ARRA was “silos on steroids”. The state remains plagued by the lack of centralized fiscal data systems and the absence of a centralized grant system. California did away with its Recovery website in 2011, as did most other states as ARRA began to wind down.^{xxxiii}

Unlike their federal counterparts, states and localities did not receive additional administrative funding for oversight and accountability work under ARRA. Only federal audit organizations were funded by Congress . The extraordinary burdens of carrying out ARRA reporting and oversight within states occurred against the backdrop of record cuts in spending and layoffs of state and local administrative staff. There was a modest effort led by OMB, GAO and state associations to execute a workaround by enabling state and local governments to use a small portion of funds allocated for indirect costs under grants for oversight – a solution that facilitate shifting of existing funds rather than provision of new funding.

Incipient conflicts between states and localities surfaced . Of course, local governments argued in Washington to bypass the states by sending money directly to them. However, states countered that this poses problems for accountability due both to the uneven capacity of local governments and the challenges in coordinating state funded programs with direct federal grants to local governments.^{xxxiv}

Auditors

The auditors were significant winners under the Recovery Act. Federal auditors received augmented funding, as Congress and the Administration placed hopes on these institutions to protect the new programs from waste, fraud and mismanagement. While managers are ultimately responsible, auditors were viewed as providing independent capability to assure a restive nation that the large investment would not be squandered.

The new funding provided to federal auditors was significant at a time of austerity in federal budgets. Inspectors General received \$245 million in additional funds, while the GAO was increased by \$25 million. A new federal agency – the Recovery and Accountability Transparency Board (RAT) was established to both promote auditing by Inspectors General and to establish a new ARRA reporting system. RAT received \$84 million to cover these costs. These funding levels dwarfed the \$50 million that Congress provided for a special inspector general to oversee the \$700 billion bailout of the financial system, the Troubled Asset Relief Program. The asymmetrical emphasis on auditing was reflected in the fact that federal managers did not receive any additional funds, nor did state and local managers or auditors.

The augmented resources for GAO and the IG's not only enabled them to achieve greater coverage of the ARRA funds but also prompted shifts in their traditional roles in the administrative process. Both GAO and the IG's felt empowered to spend their new funds to stage a far more proactive role in monitoring implementation. Rather than wait for the programs to accumulate a track record to audit and evaluate, both GAO and the IG's issued reports and guidance to agencies, the Congress and the public at the outset of ARRA's implementation warning of potential vulnerabilities that might be expected. These reports often recommended proactive steps to be taken by managers to head off problems before they occurred. Some IG's went beyond their traditional reporting roles to issue memos to the agencies and public providing updates on ARRA implementation in their realms.

The GAO role was particularly noteworthy in that it was mandated by the Congress to report on ARRA every two months. GAO selected 16 states to visit and report on selected issues during this period. The study was among the most extensive in GAO's history, as was the investment in audit staff time. Reports were issued monitoring federal and state administrative roll outs of ARRA programs, containing both national data and detailed reports on the 16 states GAO selected for their continuous monitoring effort. All told, GAO issued 167 Recovery act reports from 2009 through 2012.

The Inspector Generals became a major force in not only the post audit but also in the early planning of their departments for Recovery implementation. As of June 2011, the IGs received over 7,000 complaints of wrongdoing associated with Recovery funds, opened over 1,500 investigations, and completed over 1,400 reviews of activities intended to improve the use of Recovery Act funds. In addition, IGs have provided over 2,000 training sessions to almost 139,000 individuals on the requirements of Recovery

Act programs, how to prevent and report fraud, and how to manage grant and contract programs to meet legal and administrative requirements.

State auditors also provided advance assessment of program vulnerabilities. Florida's inspector general developed scoring criteria to rate the potential vulnerability of all ARRA programs received by the state as implementation unfolded. The scoring sheets and assessments gained considerable attention as state leaders and managers began to roll out programs. California's state auditor issued reports like her federal counterparts that highlighted vulnerabilities in programs receiving ARRA funds at the outset of program implementation.

A stronger role for auditors was advised to balance the impetus for expedited spending. However, given the faster pace of decisions under ARRA, audit institutions had to adjust and accelerate their reporting cycles. GAO's mandated bimonthly reporting cycle far exceeded the traditional pace for that agency and the challenge of completing complex data collection across 16 states was particularly daunting. Inspectors General stretched to report findings more quickly through development of new reports. The DOT IG, for instance, issued ARRA Advisories that provided early findings of its studies.

Existing accountability networks served well to link audit institutions in understanding and managing their enhanced responsibilities. The GAO convened a meeting of Inspectors General at the outset of ARRA's passage to discuss their respective roles in oversight and ensure a minimum of duplication and burden on managers. The federal inspectors general formed collaborative partnerships by using their existing Council – the Council on Integrity and Efficiency. Moreover, as will be discussed below, the newly created RAT Board staged collaborative task forces across the IG's to deal with cross cutting accountability issues posed by ARRA such as recovery fraud, and oversight of grant reporting .

ARRA stimulated the formation of strengthened collaboration between federal management and audit officials. GAO and OMB officials both reported constructive consultations and dialogue on such issues as reporting guidance and single audit issues. Such constructive partnerships between ostensibly independent institutions had mutual advantage to both parties. Auditors gained an audience with key policymakers which gave them better insights into the questions that studies needed to address, as well as better access to those officials responsible for taking action on their findings. Managers got the ability to shape auditor's perspectives and provide input into the design of studies which were guaranteed to have high visibility. While post implementation audit reports can generate conflicts between the two groups, managers welcomed partnerships with auditors in deterring or preventing fraud and waste at the outset.

The federal relationship with state and local audit officials, on the other hand, became somewhat strained under ARRA. The intergovernmental audit networks did prove useful to promote coordination and adaptation. State auditors and inspectors general report getting help from GAO in particular to help them understand the unique auditing requirements under ARRA.

However, state and local government auditors received no additional federal funding like their counterparts in Washington. State and local auditors faced the same intensified pressures for expedited reporting and focus on ARRA, all the while having to sustain oversight of other federal and state programs. Some state auditors were able to broker one time allocations for the budget office to accommodate the increased workload, while others worked with OMB to use a portion of the overhead funds from existing grants to pay for oversight costs. However, there was no uniform or easy solution to this financial mismatch.

The pressures of ARRA on the accountability community also caused new tensions between federal and state auditors. Traditionally, federal IG's were to build on state and local single audits whenever they needed to do audits of individual programs in the intergovernmental arena. However, with the increased audits performed directly by federal IG's, state officials report that they were not informed when federal auditors did work in the state on issues already covered by state audits. Unlike the councils of auditors in Washington, state auditors said that no such networks existed in the federal regions where federal Inspectors General are located to do work on intergovernmental programs.

Notwithstanding these special investigations and audits, the single audit remained the mainstay for ARRA accountability. While this process had stood the test of time, it's flaws became more glaring under the ARRA spotlight. As noted in the section describing the single audit, the late issuance of reports and the failure of the broad scale audits to focus sufficient attention on specific federal programs became more significant. The GAO urged changes in the scope to better ensure that these audits would focus on programs of high risk, including the Recovery Act. The agency also urged OMB to require earlier reporting by state and local auditors on the internal controls applying to ARRA funds. Such earlier reports might be issued up to six months earlier than the final audit reports, thereby enabling federal and state officials to gain greater insights on the capacities and weaknesses of the state and local management systems used to deliver ARRA programs.

OMB followed suit with additional guidance on audit coverage and with a pilot in 16 states to produce earlier reports on internal controls issued nine months rather than twelve months following the end of the fiscal year. In the initial trial of these pilots, states reported over 70 internal control deficiencies related to ARRA including subrecipient monitoring and documentation for payments. While these innovations were helpful, many federal and state managers remained wary over the capacity of the single audit to address federal oversight needs in general. One state audit official said that even the single audit pilots added little value – nine months after the end of the state fiscal year was still too late to provide useful information to federal and state managers on the accountability hot seat. Florida decided to opt out of the pilot due to duplication between the pilot report and the final audit report, indicating they communicate issues found in their audits to state officials long before the nine month deadline for the pilot.

Resolving the concerns about the single audit has prompted new divisions and conflict within the federal accountability community. One senior official commented that GAO and OMB tried to work together to resolve the coverage and timing issues for ARRA, but that they could never get on the “same page”. While OMB made some changes, these were not sufficient to strengthen an audit process that some regard as having been reeling even before ARRA. For instance, one 2009 report noted that nearly one half of the single audits failed to pass a peer review of audit quality. The weaknesses of the single audit were magnified by the failure of federal officials to provide sufficient funding to enhance the capacity of the state and local audit community to undertake these major new responsibilities.

The Recovery and Accountability Transparency Board

The high stakes associated with accountability were reflected by the establishment of an entirely new audit institution within the Executive Office of the President. Not satisfied to use existing accountability institutions such as the Council on Integrity and Efficiency to coordinate the federal audit presence, Congress reached for a new organization to symbolize their commitment to accountability and demonstrate that the unprecedented federal stimulus dollars would be safeguarded after all by redundant layers of audit coverage. The President also embraced the new institution, sitting the chair of the RAT Board, Earl Devaney, next to the First Lady at the State of the Union address.

The RAT Board had a dual mission – to improve the coverage of ARRA across the federal auditing community and to establish a new federal grant reporting system to bring more transparency to ARRA spending. On the one hand, RAT was an extension of the federal IG’s, with a board of 12 IG’s and the appointment of an existing IG, Earl Devaney, to head the institution. The Board was given new funding to perform crosscutting studies and investigations highlighting potential abuse of funds in both ARRA programs.

In its audit role, the Board practiced collaboration with the Inspectors General. While it appeared that the board had authority to perform its own audits on ARRA funds, the organization decided to avoid conflicts with the IG’s and state auditors by assisting them in their own work. This was despite pressures from members of Congress to exercise independent legal powers to investigate spending. A Recovery Operations Center was established applying new document matching and data mining techniques to spotlight areas of potential fraud in such major assistance programs as Medicaid that had heretofore gone undisclosed.

While the President appointed Devaney because he appeared to “look the part” of an IG, in fact the new RAT Board Chair chose to lead as the hub of a network rather than the apex of a hierarchy. He viewed their role as a clearinghouse and laboratory rather than a cop on the beat. The fact that the Board consisted only of IG’s made it far more cohesive than if it also included agency Deputy Secretaries and OMB, as its successor the Government Accountability Board did.

However, the Board was also mandated to establish a reporting system – an executive management function that is traditionally outside the scope of audit institutions. Standing up a reporting system brought the Board into the role of managing the governmentwide implementation of ARRA that was nominally the province of the OMB and Vice President’s office. Originally, this reporting function was to be assigned to OMB, along with the funding – a logical choice given that agency’s critical role in ARRA oversight and accountability. However, when the proposed Deputy OMB Director for Management failed to gain confirmation, Congressional actors moved the funding and responsibility to this new independent entity.

Becoming a founder of the ARRA reporting system gave RAT a stake in ARRA’s success and a rooting interest in championing the Administration’s highest priority. Indeed, Devaney testified to the success of the ARRA in pushing funds out with minimal fraud.^{xxxv} Questions might be raised about the compatibility of locating a high visibility administrative function in an audit office that must remain independent. At the very least, RAT had to balance resources between the all consuming tasks of establishing ARRA reporting systems and its audit role.

Since the RAT board is scheduled to expire, the Administration continued it through an executive action creating its successor – the Government Accountability and Transparency Board. Unlike RAT, the membership of GAT includes not only auditors but senior managers from the federal agencies and OMB. Tension has already erupted over reporting and data issues, as OMB attempts to assert its authority over grant administration and accountability. While auditors and managers formed constructive partnerships in overseeing ARRA funds, the broader policy issues facing GAT called forth conflicts in institutional roles and positions between the two communities.

The conflicting perspectives are illustrated by the conflict over the Data Act between OMB and the transparency community. The version passed by the House in the Summer of 2012 would create an independent commission along the lines of the RAT board for federal assistance. OMB and the agencies object to placing power to set accountability and reporting standards in an independent commission weighted toward auditors and other members of the transparency community. Their fear is that, unlike federal line managers and OMB, this commission would not be crosspressured by concerns over burden of reports and implications for program efficiency of their recommendations.

Public Transparency

Perhaps the most significant governance legacy of ARRA will be the unprecedented public transparency provisions – a form of “fire alarm” oversight as discussed earlier. Ultimately, it was hoped that more transparency would prompt “citizen ig’s” to track spending in their own backyards. While transparency was trumpeted as a new technology in action, in reality fire alarm oversight is already used as the primary way that federal goals are monitored in intergovernmental management given inherent limits on federal oversight resources.

Earl Devaney calls transparency the “force-multiplier” that drives accountability. He credits heightened transparency for the low rate of fraud – with investigations for only one half of one percent of all grants, contracts and loans issued under ARRA.

Unlike the Federal Funding Accountability and Transparency Act of 2006, cosponsored by the then Senator Barack Obama, ARRA bypasses federal agencies by requiring all grantees and contractors, as well as the first level of subrecipients, to report their quarterly data from one third of ARRA programs directly to an on line web site.^{xxxvi} This new process has produced a veritable bow wave of information that will be searchable down to specific communities on electronic maps.

Indeed, substantial improvements have become evident. Data is publicly available for oversight in a far more accessible and timely way than before. This has made a difference to publics and to managers. In Florida, for instance, ARRA reports were the first centralized source of information on federal grants and contracts available in the state. Local governments and subrecipients were encouraged to report more uniformly than before. Ironically, because of the emphasis on ARRA reporting, data on federal funds is far more advanced in that state – and many others – than data on state spending for its own funds.

Ultimately, its success rests on whether the information disclosed is both reliable and meaningful. As Earl Devaney noted, the public reporting of inaccurate data will set transparency back. Indeed, the first round of recipient reports showed significant problems with data reporting and quality, according to the GAO. The 640,000 jobs reported included numerous inconsistencies and apparent errors caused by confusion over federal guidance among other factors, although substantial improvements appear to have been made since then.^{xxxvii}

Whether accurate or not, the data reported is inherently limited in addressing the major questions about ARRA. First it only applies to programs funded through the discretionary portion of the budget, leaving out programs and projects funded through entitlements such as TANF or Medicaid. Second, it only follows federal funds to the first subrecipient, not all the way down through many layers in our system to the ultimate service delivery point. This is understandable given the complexity of our federal system and the lack of clarity about how many subrecipients actually exist for any one program. Third, federal agencies played a more limited role than usual in entering the data and were given only ten days to review the information entered by recipients before it went “live” on the website. Some in the transparency community believe that shifting reporting and data entry responsibility to recipients has ultimately improved accuracy, while federal agencies feel that many subrecipients lack the information to provide quality reporting.¹

¹ Federal agency officials have data on federal award amounts, funds disbursed and other data that can improve accuracy of reports, according to GAO. See Gene Dodaro, *Government Transparency: Efforts to Improve Information on Federal Spending* (Washington, DC: GAO, GAO-12-913T, July 1, 2012)

Finally, the recipient reported jobs data – even when accurate – was not able to directly address a central question about the impact of this stimulus on job creation and retention. Grantee reports and audits alone are well suited to capture factual evidence of programmatic impacts, but not their broader economic impact. The jobs reported are only direct jobs not the indirect multiplier effects of creating the first tier of jobs. Moreover, the recipient reported data cannot assess the counterfactual — what would have happened in the absence of these new funds to jobs in various sectors? This is why the data reported on ARRA by recipients tells only part of the story. One must look at the reports of the Council of Economic Advisers and the Congressional Budget Office to capture the comprehensive effects of these programs on the economy.

The most important feature to monitor will be the response of our system to this new information deluge. Various interest groups will not be shy about highlighting those data that support their views. An eager media and a vast array of blogs will become preoccupied with a daily diet of fresh incidents to follow and highlight.

Advocates of programs hoped that open data would promote greater appreciation for the impacts that ARRA was making in their communities' lives. We have learned that it is not citizens, but the numerous organized groups who are the big winners from transparency. Thus, empowering organizations representing program clients with more real time information might be expected to strengthen the outside the beltway coalition supporting ARRA. In addition to official federal overseers, there is a virtual army of nonprofit organizations acting as unofficial watchdogs of the Recovery Act. The Coalition for an Accountable Recovery, an umbrella of 35 nonprofit advocacy organizations, has made its presence known in monitoring ARRA guidance, reports and web sites.

However, those who oppose the stimulus and specific programs were delighted to select data that suits their own biases. Senator Coburn led a Congressional ARRA oversight initiative that specialized in highlighting projects that seemed on their face to be outrageous or wasteful.

The question about transparency is how to interpret the mountains of data being released from the ARRA reports. At worst, transparency constitutes a “data dump” which are difficult to understand without having broader context. Reports revealed that ARRA funds paid for cotton candy machines, interactive art exhibits featuring electric fish and breakfast at Fuddruckers – all items that had programmatic rationales that were not readily apparent from the data excerpted by opponents.^{xxxviii} Churchill's quote of some 60 years ago is more true today: “a lie gets halfway around the world before the truth has a chance to get its pants on.”

The question raised by this is whether public managers will play a role in interpreting and providing context to the welter of data released. In some respects, the transparency movement makes managers' institutional knowledge and expertise even more critical. However, some advocates advance the concept of “crowdsourcing” where the judgments

of managers and other experts are supplanted by an undefined community, challenging the autonomy of professional managers of any stripe or calling.^{xxxix}

Certainly, the agenda of managers and political officials alike will at the very least be reshaped to respond to vast outpouring of information to the public, and the responses that this engenders. ARRA is the latest chapter in the evolving story of how our bureaucracy squares potential competing notions of responsiveness with broader stewardship responsibility to act on behalf of broader interests and values in our system, including those not expressed in blogs. Harlan Cleveland used to say that public administrators are the "get-it-all-together profession". This has never been more true than today.

Conclusions: The Legacy of ARRA for Accountability

Stimulus programs are intended to have short term effects on the economy. But the size and scope of ARRA guaranteed that this stimulus would foster underlying institutional changes that could very well become sustained over the longer term.

Some accountability and oversight actions were in fact short term in nature and have already disappeared – the Vice President no longer plays a role and most Governors have dismantled their recovery offices.

However, other ARRA practices have the potential to change the way governments and networks interact for the longer term. The ARRA demonstrated that recipient reporting on grants is a viable and longer lasting accountability strategy. The ARRA reporting institutions led the way in accountability at the state and local level, and is now the basis for new federal legislation, the proposed Digital Accountability and Transparency Act (DATA Act) that has passed the House this summer. Among other things, the legislation would institutionalize the RAT Board by extending its life as an independent commission. ARRA has stimulated broader interest in federal grants management – a field that had long been neglected at the federal level since the abolition of the Advisory Commission on Intergovernmental Relations in 1995. OMB now has convened an interagency Council focusing on federal grants, and Congressional oversight committees have recently requested significant new grant oversight work by the GAO.

The extensive focus on accountability seems to have paid dividends for ARRA itself. Given its size and stakes, ARRA would have been a tempting target for fraud and corruption were it not for the network of intergovernmental accountability institutions engaged in oversight. Indeed, there were significant issues with noncompliance and waste but senior audit officials indicated that these problems were characteristic of the underlying programs used to deliver Recovery funds, not unique events caused by ARRA. Earl Devaney and some state officials report actual fraud to be far lower for ARRA than the norm for complex federal programs, although the ultimate record remains to be assessed once all the funds have been spent.

Much of the credit for what amounts to an uneventful result can be chalked up both to the extraordinary attention devoted to ARRA itself and to the use of existing networks.

Crises tend to focus the collective mind and provide the commitment and resources that are necessary to solve short term problems. However, what is not known is whether the asymmetrical attention to ARRA caused a reduced focus on accountability for other programs outside of the ARRA orbit.

However, the higher federal accountability profile has raised concerns for the accountability community itself and for management of complex intergovernmental programs. Ironically, while relying on well established existing accountability networks, ARRA inspired the fragmentation and fracturing of that same community. In a very real sense, accountability under ARRA became too important to be ruled by traditional accountability institutions and norms.

As the higher stakes of ARRA prompted the emergence of new accountability institutions and actors such as the RAT Board and Vice President, existing audit institutions had every incentive to become more proactive to keep their footing in the political environment. These new roles and pressures caused new fissures with state and local accountability actors. Ironically, at the very time that high level officials needed an accountability process to cover political risks, the single audit lost its relevance and appeared out of step with the demands of a fast paced policymaking process. Its underlying conceptual and operational weaknesses exposed, this bedrock accountability process may need not an incremental face lift but a fundamental reform to reclaim its relevance to public officials and managers alike. Pressed to respond early to heightened interests in program performance, federal Inspectors General felt compelled to perform their own audits of sensitive grants long before the single audits were completed.

ARRA illustrated the heightened pressures on political leaders, managers and auditors to be accountable for delivering effective public policies at a time when publics have ratcheted up their expectations for immediate results. A partnership between managers and auditors makes sense to marshal the institutional knowledge of all serious officials in designing programs that have the greatest chances to succeed in a more demanding society.

Constructive engagement appears to be healthy but there are potential pitfalls. As they collaborate more closely with managers – and even assume management responsibilities as the RAT Board did for reporting - auditors need to be careful to protect their independence that is the fundamental underpinning for their enhanced role.

The challenges to managers at all levels of government from ARRA were particularly complex and vexing. On the proverbial hot seat, they faced pressure from a wider range of political leaders, auditors and advocates than they ever had before. Auditors emerged as a well funded and cohesive network that served as both partner and challenger to managers in implementing these high stakes programs. In fact, it was clear that the President and Congress had elevated auditors to a preeminent status in the federal management community as reflected in additional funding and the creation of an independent RAT Board. Faced with these pressures, managers could not be blamed if

they lost their confidence, anxious to avoid the numerous critics that became newly empowered with information, funding and top level political support either in the White House, Congress or both. Managers need to listen to auditors but they alone have the responsibility to balance advice from accountability professionals with the numerous other values and interests from their unique political, programmatic and managerial environment.



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^{iv} U.S. Government Accountability Office, *Performance and Accountability Report, FY 2011* (Washington, D.C.: GAO, 2011)

^v U.S. GAO, *Inspectors General: Reporting on Independence, Authority and Expertise*, GAO-11-770, September, 2011.

^{vi} Paul L. Posner, "The Continuity of Change: Public Budgeting and Finance Reforms Over 70 years", *Public Administration Review*, Nov/Dec, 2007, pp. 1018-1029

^{vii} Paul C. Light, *Monitoring Government*, p. 187.

^{viii} Mark Christensen, Susan Newberry, Bradley Potter, "The Role of Global Epistemic Communities in Enabling Accounting Change"

<https://aaahq.org/GNP/MeetingPapers2010/TheRoleOfGlobalEpistemicCommunities.pdf>

^{ix} Jeffrey L. Pressman and Aaron Wildavsky, *Implementation* (Berkeley, Calif.: University of California Press, 1973)

^x Martha Derthik, *New Towns In-Town* (Washington, D.C.: Urban Institute, 1972); Helen Ingram, "Policy Implementation Through Bargaining: The Case of Federal Grants-in-Aid", *Public Policy* 25:4 (Fall 1977), pp. 499-526.

^{xi} Helen Ingram, "Policy Implementation Through Bargaining", p. 509.

^{xii} Paul E. Peterson, Barry G. Rabe, and Kenneth K. Wong, *Making Federalism Work* (Brookings Institution Press, 1986); Robert Stoker, *Reluctant Partners: Implementing Federal Policy* (University of Pittsburgh Press, 1991).

^{xiii} See Paul L. Posner, "The Role of Accountability Institutions in the Policy Process", *OECD Journal on Budgeting*, Vol. 5, No. 3 (2006), 75-101.

^{xv} U.S. Government Accountability Office, *Single Audits: Refinements Can Improve Usefulness* (Washington, D.C., 1994, AIMD-GAO-94-133)

^{xvi} U.S. Government Accountability Office, *Single Audits: Refinements Can Improve Usefulness* (Washington, D.C., 1994, AIMD-GAO-94-133)

^{xvii} McCubbins and Schwartz. 1984. Congressional oversight overlooked: Police patrols versus fire alarms. *American Journal of Political Science* 28: 16-79.

^{xviii} Matthew D. McCubbins and Thomas Schwartz, "Congressional Oversight Overlooked: Police Patrols and Fire Alarms" *American Journal of Political Science* 28 (February 1984) 165-179.

^{xix} Paul L. Posner, "Accountability Challenges of Third Party Government" in Lester Salamon, *The Tools of Government* (New York: Oxford Press, 2002)

^{xx} G. Edward DeSeve, *Managing Recovery: An Insider's View* (Washington, IBM Center for the Business of Government, 2011)

^{xxi} U.S. Government Accountability Office, *Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed*, GAO-09-1016

^{xxii} Department of Transportation Inspector General, *American Recovery and Reinvestment Act of 2009: Oversight Challenges Facing the Department of Transportation* (Washington, D.C.: DOT IG, MH-2009-46, March, 2009)

^{xxiii} U.S. Government Accountability Office, "Hurricanes Katrina and Rita Disaster Relief" Statement of Gregory Kutz, GAO-07-418T, January 29, 2007.

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- ^{xxiv} Charles D. Maestas, Lonna Rae Atkeson, et. al., “Shifting the Blame: Federalism, Media and Public Assignment of Blame Following Hurricane Katrina”, *Publius*, Vol. 38, No. 4, 609-632.
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- ^{xxvi} Memo to Heads of Executive Departments and Agencies, “Ensuring Responsible Spending of Recovery Act Funds”, White House, March 20, 2009.
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- ^{xxxv} Earl Devaney, Testimony before the House Committee on Government Reform and Oversight, June 14, 2011
- ^{xxxvi} Tax and entitlement programs, including Medicaid, are not covered by public reporting requirements.
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