

RECOVERY INDEPENDENT ADVISORY PANEL

RECOMMENDATIONS TO THE RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD

FEBRUARY 2011

Note: The following recommendations have been made by the Recovery Independent Advisory Panel, an advisory committee established by the American Recovery and Reinvestment Act of 2009, Public Law No. 111-5. The Recovery Independent Advisory Panel was created to make recommendations to the Recovery Accountability and Transparency Board (Board) on actions the Board could take to prevent fraud, waste, and abuse relating to Recovery funds. These recommendations have not been reviewed for approval by the Board. Hence, the contents of these recommendations do not necessarily represent the views and policies of the Board, nor of other agencies in the Executive Branch of the federal government.

Background to the Recommendations

The Recovery Independent Advisory Panel (Panel) to the Recovery Accountability and Transparency Board (Board) believes that the Board has done an exemplary and expeditious job of bringing a high degree of transparency to the spending associated with the contracts, grants, and loans elements of the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Panel also believes the Board has developed innovative approaches to identifying recipients of contracts, grants, or loans worthy of special scrutiny with respect to the risks of fraud, waste, and abuse. Finally we note, as a result of several excellent presentations made to the Panel by State officials, the collaborative and concurrent efforts to provide transparency on these funds at the local level.

We note the statement made in the Board's 2010 Annual Report that "[i]n the first year-and-a-half of the Recovery program, fraud, waste, and mismanagement have been kept to a minimum. . . . [T]he evidence is clear that the Board and its partners have been able to prevent widespread misuse of taxpayers' dollars."¹

We recognize that much extraordinary and successful work has already been done in order to protect the integrity of the Recovery funds. We think there is more work to be done, however, to meet the Board's important goals of transparency and accountability.

¹ Recovery Accountability and Transparency Board, 2010 Annual Report, p. 12.

Recommendations

- (1) We recommend that the Board should further develop the Recovery.gov website in order to create a similar level of transparency with respect to the tax and entitlement elements of the Recovery Act as it has for the contracts, grants, and loans portion. We recognize that there are limits on how specific disclosure can be in these two areas, but urge the Board to strive for a significantly higher level of disclosure in these areas, within the limits of what is legally permissible. More specific recommendations in this regard follow.
- (2) The sections of the Recovery.gov website covering the tax and entitlement elements should be organized in a fashion to enable the public to readily comprehend the various distinct provisions of the Recovery Act in these segments, their relative scope and magnitude, and the manner of funds distribution. With these enhancements, the public should be readily able to discern how much has been disbursed for each major category of tax credits and entitlements. Creative summaries and graphics should make this information easily accessible, obviating the need to hunt through agency reports.
- (3) All audit reports published by relevant agency Inspectors General (IGs) (or by other government agencies) relating to Recovery Act tax and entitlement provisions should be linked and available within Recovery.gov in such a way as to enable the public to see the extent and results of audit activity surrounding each aspect of Recovery funds.
- (4) Where Recovery funds augment an existing program, and are essentially merged with other funding sources, Recovery.gov should identify and provide links to the most relevant and recent audit reports relating to the integrity of those existing programs.
- (5) We believe that the Board, as it continues to conduct analyses on recipients of grants, contracts, and loans, should incorporate forthwith a random or representative sampling component to its audit selection, and should forge an agreement among the Board members (IGs) to ensure rapid and rigorous audits based on such random or representative selection. The Panel views this as an essential mechanism for affording the Board a broader view of the nature and scope of possible losses, and for providing in time a surer foundation for the Board's claims to have held fraud, waste, and abuse rates to low levels.
- (6) We further recommend that the Board consider any component of Recovery funding expected to exceed \$1 billion in total cost and for which there are no valid estimates of overpayment rates available a matter for urgent Board attention and remedy. Such components of Recovery funding should be prominently listed on Recovery.gov as areas for priority attention.

- (7) Finally, we believe that the Board should determine, and should disclose on Recovery.gov, whether valid annual estimates of overpayment rates, as envisaged by the Improper Payments Information Act of 2002, are available for each of the component programs within the tax and entitlement provisions of the Recovery Act. Where such overpayment rate estimates are available, the latest loss-rate estimates should be referenced on Recovery.gov and the source documents describing the audit methodology and findings should be available as links. Where such overpayment rate estimates are not available, for any reason, this fact should be disclosed publicly, and any reasons for this departure from the mandated norm should be declared.

Conclusion

The Panel congratulates the Board for the important work which has been accomplished in providing transparency in the contracts, grants, and loans programs of the Recovery Act. As the Board considers these recommendations, the Panel urges the Board to pursue its continued development of Recovery.gov—and its broader reporting in relation to fraud, waste, and abuse within the Recovery funding—by developing a broader and richer picture in relation to the risks inherent in various Recovery Act programs.