

# **Recovery Independent Advisory Panel**

## **Public Meeting Summary**

The Recovery Independent Advisory Panel (Panel) convened its public meeting at 9:00 am on January 25, 2011, at the Miller Senate Building, Annapolis, Maryland. In accordance with the provisions of the Federal Advisory Committee Act, the meeting included time for the public to address the panel at approximately 4:00 pm.

### **Panel Members Present:**

Chris Sale, Chair  
Malcolm Sparrow, Vice-Chair  
Steven Koch  
Edward Tufte

### **Recovery Accountability and Transparency Board Members Present:**

1. Russell George, Treasury Inspector General for Tax Administration  
Mary Kendall, Acting Inspector General, U.S. Department of the Interior  
Calvin Scovel, Inspector General, U.S. Department of Transportation  
Kathleen Tighe, Inspector General, U.S. Department of Education

### **Staff of the Recovery Accountability and Transparency Board Present:**

Glen Walker, Executive Director  
Edward Pound, Director, Communications  
Michael Wood, Director, Recovery.gov  
Jennifer Dure, General Counsel  
Nancy DiPaolo, Assistant Director, Congressional and Intergovernmental Affairs  
Jeanine Keay, Web Manager, Recovery.gov  
Cynthia Williams, Manager, External Reporting

### **Others Present:**

Martin O'Malley, Governor of Maryland  
Beth Blauer, Director, StateStat  
James Apperson, Director, Arizona Governor's Office of Recovery  
Gary Bass, Founder and Executive Director, OMB Watch  
Steven T. Miller, Deputy Commissioner for Service and Enforcement, Internal Revenue Service  
Verlinda Paul, Director Earned Income Office, Internal Revenue Service  
Fred Schindler, Recovery Act Accountable Official, Internal Revenue Service  
R. David Holmgren, Deputy Inspector General for Inspections and Evaluations, Office of Treasury Inspector General for Tax Administration  
Michael R. Phillips, Deputy Inspector General of Audits, Office of Treasury Inspector General for Tax Administration

### **State of Maryland Recovery Experience**

The meeting opened with an introduction of Maryland Governor Martin O'Malley, who addressed the Panel regarding the impact of the Recovery Act on the state of Maryland. Governor O'Malley informed the Panel that the Recovery Act provided funds which protect critically important state services such as public education, public safety, and public health. Governor O'Malley also provided a live demonstration of the StateStat program, which is used to collect and report on Recovery fund data. Beth Blauer, Director of StateStat for the Governor's Office, explained how the system provides transparency and accountability of state Recovery funds. Ms. Blauer explained that the system is used to report on critical service initiatives, solve problems, and create a circle of accountability.

The Governor and his staff responded to questions regarding the sustainability of processes resulting from Recovery Act implementation and efforts to combat fraud, waste, and abuse of Recovery funds. Governor O'Malley emphasized the collaborative efforts among state agencies. Governor O'Malley informed the group that the state has created a SharePoint site to share successes, lessons learned, and Recovery accountability information with the states. Ms. Blauer reported that to date only one instance of potential fraud on the federal level had been reported and it was referred to the Recovery Board for examination and follow-up. Governor O'Malley also extended an invitation to the Panel to participate in a discussion of the impact of the Recovery Act at the upcoming Democratic Governors Association meeting which will convene in Washington, D.C. in February.

Panel Chairperson Chris Sale thanked Governor O'Malley for his informative presentation. Ms. Sale introduced the Panel members and provided a brief overview of the Panel's mission. She stated that the Panel was extremely interested in testing the idea that transparency has deterred fraud, waste, and abuse in the Recovery Act program. Ms. Sale added that to accomplish this, the Panel must get a sense of what is happening at the state and local levels.

A copy of Governor O'Malley's remarks is located at [www.recovery.gov](http://www.recovery.gov).

### **State of Arizona Recovery Experience**

James Apperson, Director of the Governor's Office of Recovery in Arizona, provided an overview of the Recovery Act impact and the dire economic challenges facing Arizona. Mr. Apperson informed the Panel that the economic recession has devastated the state budget. He replied that the Recovery Act has provided a short-term solution but acknowledged that the state continues to have a multitude of budget concerns.

Mr. Apperson addressed Recovery-related issues and problems experienced in Arizona. Some of the issues included reporting of jobs data, timeliness of the Office of Management and Budget (OMB) rulemaking and guidance memoranda, and reporting submission timelines. He discussed his state's participation in the Government Accountability Office (GAO) audit of Recovery programs in 16 select states.

Mr. Apperson also reported low levels of fraud, waste, and abuse detected in Arizona's Recovery programs. He attributed the low levels to the strong messages that were sent to all employees and the tight focus placed on the funds. He also reported that Arizona had issued a resource guide to all state employees outlining procedures to combat fraud, waste, and abuse of Recovery funds. This comprehensive guide included methods to detect and track fraud and steps to perform once fraud is suspected.

A copy of Mr. Apperson's presentation is located on [www.recovery.gov](http://www.recovery.gov).

### **Observations on Transparency and Accountability of the Recovery Act**

In discussing transparency and accountability issues, Gary Bass, the founder and executive director of OMB Watch, praised the Recovery Board for its development of Recovery.gov and its oversight program. He noted that the detailed reporting by recipients of Recovery Act funds was the first time that recipient reports were filed in an electronic and timely fashion on a government website and added that the absence of any systemic patterns of fraud, waste, or abuse in the Recovery program was a significant feat. He further surmised that Recovery.gov could well become the model for how government agencies report on spending, but noted that the Recovery Board needed to do more to achieve full transparency and accountability.

Mr. Bass described the top three challenges for the Board as the need to collect and post information on the ultimate recipient of taxpayer funds, the need for deeper reporting, and better agency oversight of data quality. He also acknowledged the need for additional information on jobs data, noting that there is not enough information to make policy judgments. Additionally, he discussed the lack of information on entitlements and tax benefits, reiterating the importance of providing information on the entire Recovery program.

There was significant discussion by the Panel and Mr. Bass regarding how to define the ultimate recipient, the framework for providing the public with increased accountability over entitlement and tax information, and logical next steps. Mr. Bass emphasized the need for greater and continued dialogue in order to devise the right strategic plan. He reminded the Panel that what is accomplished by the Board has significant implications for what other government agencies do.

A copy of Mr. Bass's presentation is located on [www.recovery.gov](http://www.recovery.gov).

### **Treasury Inspector General for Tax Administration Recent Reports on Recovery Funds Regarding Fraud, Waste, and Abuse**

J. Russell George, Treasury Inspector General for Tax Administration and a member of the Recovery Board, provided the Panel with a detailed outline of the work his office has performed to detect and deter fraud, waste, and abuse in the Recovery program. Mr. George reported that since September 2009, TIGTA has issued 19 final reports addressing various aspects of the Recovery Act. These 19 final reports have made 40 recommendations to address identified waste, fraud, and abuse, involving more than \$189 million in cost savings, increased revenue and revenue protection, and taxpayer rights and entitlements. Additionally, Mr. George indicated

that TIGTA expects to finalize another nine Recovery Act audits during Fiscal Year 2011. The total body of work affects some 13.5 million taxpayers.

Specifically, Mr. George informed the Panel that audits of the First Time Homebuyers Tax Credit found that more than 14,000 taxpayers had received erroneous credits totaling nearly \$27 million dollars. Additionally, other audits conducted by TIGTA found that procurement contract oversight of Recovery Act funds might be at risk. Mr. George noted that while, overall, the IRS has done its best to implement this complicated new law in record time, it has proven to be a significant challenge for the agency.

Michael Phillips, Deputy Inspector General of Audits for TIGTA, then provided detailed information on the nine audits in process for fiscal year 2011. Mr. Phillips reported that four of the nine audits specifically concentrate on the controls in place for issuing and enforcing the repayment of the First Time Homebuyers Tax Credit, while the others focus on various other Recovery Act program provisions, such as Qualified Motor Vehicle Tax Relief: Residential Energy Credit, Higher Education (HOPE) Credit, additional procurement work, and a review of high risk indicators of the IRS Build America Bond program.

David Holmgren, TIGTA's Recovery Accountable Official and Deputy Inspector General of Inspections and Evaluations, explained the methodology used to determine which areas receive reviews. He described the main factors of the process, which include total cost, size, and number of taxpayers impacted by the provisions; high risk or new programs; expert judgment; and referrals. Mr. Holmgren also described TIGTA's aggressive internal investigative processes as well as the efforts in place to ensure a transparent operation. He discussed the newly formed Strategic Enforcement Data Integrity Division, a cross-functional group that performs a comprehensive review of major audits and investigations. Additionally, Mr. Holmgren discussed the improvements in the amount of time required to disseminate and publish completed reports.

Several members of the Panel questioned Mr. George and staff on the use of random sampling in audits of Recovery Act funds. Mr. George and several of the Inspectors General (IGs) present described the use of random sampling as a tool used sparingly by most IGs. It was noted that due to the amount of resources needed to conduct effective random sampling, a cost analysis is typically performed to determine its feasibility.

A copy of Mr. George's remarks to the Panel is located at [www.recovery.gov](http://www.recovery.gov).

### **Tax-Related Recovery Funds - Controls over Fraud, Waste, and Abuse and Results to Date**

Steven Miller, Deputy Commissioner for Service and Enforcement, Internal Revenue Service, provided background on the controls implemented by IRS to detect and deter fraud, waste and abuse. Mr. Miller described the education and outreach efforts initiated by the IRS, the creation of a new strategic steering committee focused on early planning to identify and allocate Recovery funding, and collaborative upfront work with stakeholders and sister agencies such as the Department of Housing and Urban Development (HUD) and Social Security Administration (SSA). Mr. Miller noted that the IRS's goal is to detect fraud before any funds are allocated.

Verlinda Paul, Director of the IRS Earned Income Office, discussed the challenges faced by the IRS and the successes achieved in two Recovery Act provisions. The first, the Making Work Pay provision, impacted approximately 100 million taxpayers and resulted in a payment of \$50 billion in tax credits. Ms. Paul detailed the agency's quick and efficient response to the changes resulting from the provision. She also commented that the complexity of the interaction between the Making Working Pay Credit and two other Recovery Act provisions presented enormous challenges for the agency. The agency, she added, initiated massive outreach efforts and developed several well-received web tools in response to the challenges.

The second provision discussed by Ms. Paul was the First Time Homebuyers Tax Credit. She informed the group that this provision affected over three million taxpayers and resulted in approximately \$23 billion in taxpayer credits. Ms. Paul described the compliance strategy implemented by the IRS, which includes screening filters that identify high risk returns for audits, math error tools, and examinations. She informed the group that there were over 300K math errors corrected and processed, and 400K examinations of the most egregious tax refund cases. She also described the IRS's comprehensive recapture and repayment strategy.

Fred Schiller, Recovery Act Accountable Official for the IRS, discussed the agency's transparency and accountability efforts. Mr. Schiller informed the Panel that although Section 6103 of the Internal Revenue Code prohibits the IRS from disclosing specific taxpayer information, it does not stop the agency from reporting aggregate Recovery information. He noted that the IRS plays a major role in the transparent reporting of tax information at the aggregate level. He further informed the Panel that the IRS produces a confidential schedule for the Recovery Act Office which provides aggregate Recovery statistics. This tax data is utilized by the Office of Management and Budget and is published on Recovery.gov. It was noted that this data includes real-time data and data estimates.

Mr. Schiller also discussed several major Recovery Act provisions which helped states and local governments as well as taxpayers and businesses. These are: the Build America Bonds, COBRA Premium Subsidy, and the Expanded Carryback Provision. He informed the committee that both TIGTA and GAO reviews of these programs validated the effectiveness of IRS risk-based filters and controls and found no indications of fraud.

### **Recovery.gov**

Edward Tufte conducted a discussion of the Recovery.gov site, which focused on the potential to increase the amount of users of the website as well as increase information throughput and analytic capability of the website. Mr. Tufte indicated that the fundamental purpose of the design of any website should be to provide information and support the cognitive tasks that are necessary for people to understand and use that information. Hence, he recommended that the navigation, administrative functions, and design features be replaced with content about the Recovery Act. He believes that the goal should be to create a site that is more than 90% content.

Mr. Tufte noted several aspects that he believes are "impediments" to the site's goal. These include: inadequate use of prime sections of the site, use of language not easily understood by those "outside the Beltway," use of codes and legends that impede learning, segregation of

information by mode of production, and the use of multiple layers which facilitate the need to drill down to get information. Mr. Tufte compared the design of the Recovery.gov site with that of the New York Times, Wall Street Journal, and Google News websites. He noted that the techniques employed by these sites are all designed to attract users.

Mr. Tufte made the following suggestions to the Recovery Board:

- Create a new set of website templates for the Recovery.gov home page and back page using the three sites reviewed at the meeting as a guide.
- Develop these mock templates without the constraints typically imposed on a federal website.
- Assess and document how the templates are compromised by federal regulatory requirements.
- Improve the analytical throughput (intelligence) of Recovery.gov by standardizing the numbers included on the site and providing more analytic capabilities.

Mr. Tufte acknowledged the extraordinary accomplishments of the Recovery Board in developing the existing site and noted that incorporating the types of changes discussed above would create a website that could last beyond the Recovery Act.

### **Adjournment**

As there were no public attendees who wished to speak, the meeting was adjourned at 4:10 pm.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.



Chris Sale  
Chair  
Recovery Independent Advisory Panel