

# **SOLUTIONS FOR ACCOUNTABILITY AND TRANSPARENCY: UNIFORM GOVERNMENTWIDE AWARD ID NUMBER**

## **INTRODUCTION**

In February of 2009, the American Recovery and Reinvestment Act of 2009 (Recovery Act)<sup>1</sup> became law, providing Americans with more than \$787 billion in stimulus funding. In addition to providing more than \$512 billion in tax benefits and entitlements, the Recovery Act appropriated \$275 billion to be awarded as contracts, grants, and loans, which are the primary funding instruments used by the government. To prevent fraud, waste, or mismanagement of stimulus dollars, the Recovery Act created the Recovery Accountability and Transparency Board (Recovery Board) to coordinate and conduct oversight of the covered funds. To further ensure that Recovery funds would be spent properly and transparently, Section 1512 of the Recovery Act requires recipients of contracts, grants, and loans to submit quarterly reports on their use of those funds. The quarterly reports are made public by the Recovery Board on its public-facing website, Recovery.gov. One of the data elements that recipients are required to report is the award number assigned to the federal contract, grant, or loan.

The 28 agencies that have received Recovery Act appropriations – and, in fact, all government agencies – have distinct coding schemes for their awards. As this paper explains in further detail, these disparate award-numbering schemes make the task of reviewing and checking award data unnecessarily arduous and inefficient for those with oversight responsibility. Indeed, the federal government’s lack of a standard award identification number scheme is the most identifiable obstacle to transparency and accountability of federal funds.

## **CURRENT SITUATION AND INHERENT DIFFICULTIES**

### *Agencies’ Creation of Award IDs*

An award identification number (Award ID) is the number that agencies – including sub-units within agencies – assign to contracts, grants, and loans. The Award ID is usually alphanumeric, and may contain other characters, such as spaces or hyphens. This number is critical in many ways:

- It is used by agencies to collect information for finance and budget reasons.
- It helps federal program managers and grants, contracting, and loan officers keep track of the progress of the award and whether recipients are meeting award program requirements and award terms and conditions.

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<sup>1</sup> Pub. L. No. 111-5, 123 Stat.115 (2009).

- It is used by recipients on invoices (in the case of contracts), payment requests (in the case of grants), or payments (in the case of loans) in order that the recipient may receive a payment or – for loans – credit for making a payment.
- In the instance of funds awarded under the Recovery Act, the Award ID is reported by the recipient as one of the required data elements under Section 1512 in order to identify awards across fiscal quarters.

Overall, the use of the Award ID throughout the lifecycle of the award makes the Award ID a core piece of data that is used internally and externally for management purposes.

### Guidance for Award IDs

Government guidance on the creation of Award IDs are administered differently between the federal grants and contract communities. Guidance on the creation of Award IDs for contracts can be found in the Federal Acquisition Regulation (FAR)<sup>2</sup> and the contract numbering guidelines established by the Joint Financial Management Improvement Program (JFMIP). For example, the FAR currently requires agencies to have a process that ensures that their procurement instrument identifiers are unique across the government and consist of alphabetical characters in the first positions to indicate the agency, followed by alphanumeric characters identifying bureaus, offices, or other administrative subdivisions.<sup>3</sup> The current FAR rule is lacking, however, in that it provides no specificity and leaves much up to each individual agency.

Federal grants are the largest funding instrument used by the government. There are almost 1,000 grant programs administered by the federal government, and these programs make up more than half a trillion dollars in annual funding. Grant Award IDs are not prescribed through a central regulation source such as the FAR for federal contracts. Rather, each agency assigns a grant Award ID based upon that agency's internal policies and procedures for creating coding schemes for the funding program. Grants and loans are directly related to agency programs, and the assigned Award IDs clearly identify the program from which the grants and loans are made.

One other factor that distinguishes grants from contracts is the lack of a standard award document for grants that are discretionary in nature. Unlike contracts, which use standard award documents as prescribed in the FAR, grant-making agencies use their own award documents. Thus, recipients who receive grant awards may find a different name on the document for an Award ID – *e.g.*, grant number, document number, etc.

These existing regulations and guidance permit a wide range of Award IDs. And, more importantly, there is *no* requirement that Award IDs be standard across the federal government. For example, agencies and even subunits of agencies, pursuant to their own policies, may have

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<sup>2</sup> See FAR 4.605(a) (“Procurement Instrument Identifier (PIID)”).

<sup>3</sup> See FAR 4.605(a).

Award IDs of varying lengths, some of which may include spaces or hyphens. These agency- or subunit-specific Award IDs were most likely created to conform to each agency's internal financial, budget, and management systems. In most cases, those systems are configured in accordance with guidance generated from within the agency or issued to the agencies by OMB or the Department of the Treasury. In many agencies, there is no direct link or continuous use of one standard Award ID between systems or offices. The link is often broken because there are no or few electronic interfaces, and agencies often rely on paper processes. The result can be a decentralized classification structure resulting in disparate Award IDs that are not only inconsistent within the federal government, but are also frequently inconsistent within agencies.

### *Problems With Inconsistent Award IDs*

This lack of a standard Award ID structure creates obstacles to transparency and accountability, and this problem has been raised repeatedly in recent months. For example, six agencies' Inspectors General (IGs) recently conducted a data quality review of Recovery Act recipient reporting and, according to the resulting memorandum issued by the U.S. Department of Agriculture (USDA) Office of Inspector General (OIG), found that "there was no consistent system of unique identifier codes for Recovery Act awards that would facilitate an easy methodology for matching recipient-reported award data in FederalReporting.gov with data in each agency's system(s)."<sup>4</sup> The memorandum further indicated that discrepancies between what Recovery recipients entered into FederalReporting.gov – the Recovery Board's inbound recipient-reporting website – and the actual Award ID "made it difficult for agencies and their respective OIGs to cross-check by matching the recipient-reported award numbers on FederalReporting.gov with the agency-reported award numbers on the agencies' control lists."<sup>5</sup> Further, USDA OIG stated that "[t]he disparities were, in many cases, the result of agencies or recipients including superfluous information (such as extra prefixes/suffixes, hyphens, or leading zeros) or erroneous data in the award-number field or embedding the award number in an unrelated field."<sup>6</sup> The USDA OIG recommended to the Recovery Board that a "uniform, consistent Governmentwide award numbering system, in conjunction with the agencies, for all Recovery Act recipients" be established.<sup>7</sup>

The Award ID is central to making Recovery Act data transparent. However, because of the disparate numbering schemes used by agencies, the ability to quickly link data from an agency's system to recipient-reported data becomes an arduous task. Electronic applications can help match and link data quickly and efficiently, but only when key pieces of data are used the same way and recorded the same way by agencies and recipients. As noted earlier, agencies are

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<sup>4</sup> Memorandum from Phyllis K. Fong, Inspector General for USDA, to the Recovery Accountability and Transparency Board, at p. 5 (June 25, 2010), *available at* <http://www.recovery.gov/About/board/Documents/070110%20Fong%20508C%207%201%2010.pdf> (hereinafter "USDA OIG Memorandum").

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at p. 8.

not using the same Award ID even internally because of possible disconnects between systems. Therefore, a grant, contract, or loan award document can be produced from one system and be recorded completely different in the agency's management and financial system. An Award ID may not be able to link the recipient's report to data being captured in an agency's management system, causing a data quality issue and limiting transparency.

The lack of a uniform Award ID structure is not unique to Recovery Act programs, however. The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006, and requires information on federal awards to be made available to the public via a single, searchable website: USASpending.gov. Lack of a uniform Award ID creates similar obstacles under FFATA as it does under the Recovery Act. The FAR Council<sup>8</sup> acknowledged these problems in a recent Federal Register notice proposing a new rule relating to Award IDs. Specifically, the FAR Council stated that "the lack of specific policies and procedures necessary to ensure standardization of unique [identification numbers] . . . causes numerous issues with our Governmentwide systems *i.e.*, procurement and finance, and for related posting and reporting systems, resulting in duplication, errors, and discrepancies."<sup>9</sup> To address these concerns, the FAR Council has proposed that agencies be required to adopt Award IDs that are unique across the government for all contracts and procurement instruments. While the proposed rule would be a step in the right direction by creating unique identifiers, it would not create a governmentwide *uniform* Award ID system, nor would it apply to federal grants or loans. Those limitations would be serious shortcomings, especially considering the large amount of federal funds distributed by grants and loans.

## **THE SOLUTION: A UNIFORM GOVERNMENTWIDE AWARD ID**

### *Standardizing the Award ID Can Improve Overall Data Quality and Reporting*

Inconsistent Award IDs have hampered the work of the Recovery Board and other oversight entities, leading to delays in the government being able to provide transparency to the public on Recovery Act recipients who are not complying with the Section 1512 reporting requirements, as well as those who have significant reporting errors and omissions. Trying to resolve Recovery Act recipient-reporting errors has cost the government both time and money. Therefore, there is an immediate need to standardize the use of an Award ID for processing and reporting federally funded awards in an effort to improve data quality and information management across the federal government.

The creation of a uniform, governmentwide Award ID will assist the federal government's push for transparency and contribute to its ongoing efforts for accountability of

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<sup>8</sup> The FAR Council is composed of officials from OMB, the Department of Defense, the General Services Administration, and the National Aeronautics and Space Administration.

<sup>9</sup> 75 Fed. Reg. 50,731, 50,732 (Aug. 17, 2010). While this proposed rule would not require a governmentwide standardized Award ID system, it would impose restrictions in order to achieve a more uniform approach to identifying awards.

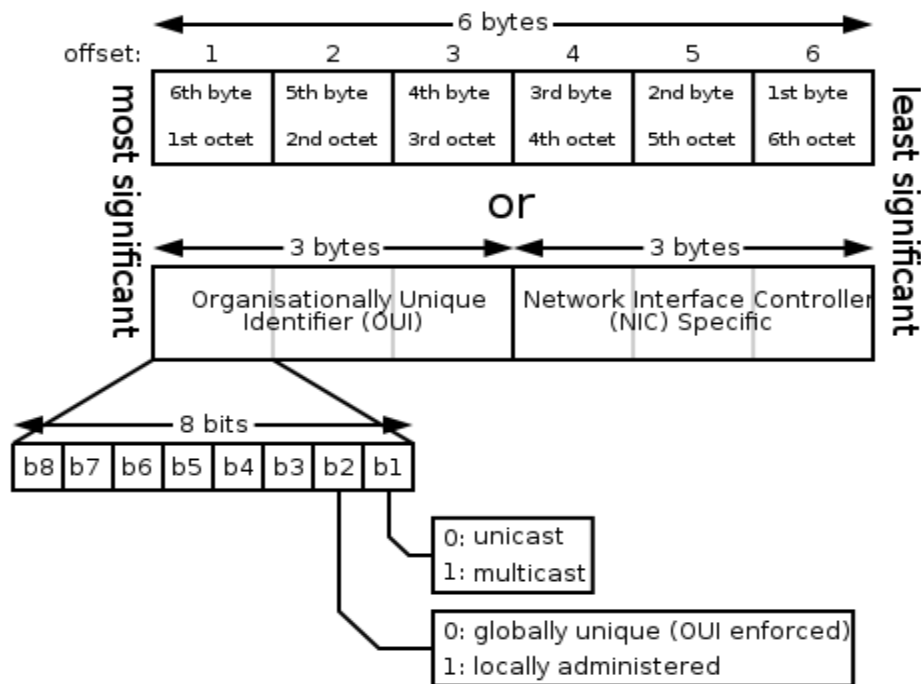
taxpayer dollars. This need for standardization transcends just Recovery Act funding. A standardized Award ID will make it easier for all those charged with oversight responsibility – auditors, investigators, program managers – to track award progress and, where reporting is required, to cross-check reported award numbers against agency control lists. This will hasten the process of determining whether reported data on federal awards is accurate, and whether those required to report have fulfilled their reporting obligations in the first place. Further, the problems addressed both in the USDA OIG memorandum and the preamble to the FAR Council’s proposed rule can be ameliorated by the adoption of a uniform Award ID convention across all federal agencies.

Practical Solutions for Creating Uniform Award IDs

Fortunately, there are several well-established, working examples that the federal government can draw on. Most of these systems employ a central registry in which a “registrar” is responsible for assigning structured numbers or a block to an organizational entity:

- **Media Access Control (MAC) Address**

MAC addresses are universally administered by the Institute of Electrical and Electronics Engineers. A MAC address is a unique identifier employed worldwide to identify network adapters in computer systems. As depicted in the diagram below, the first 24 bits (3 bytes) of the MAC address are used to identify the organizational ID, which may be a registered vendor, manufacturer, or other organization. The remaining 24 bits are used to identify the specific network adapter.



- **Bank Card Numbering Scheme**

Bank-issued cards use a slightly different scheme, which allows for check sum calculations. In accordance with the International Organization for Standardization 7812, the first digit of a credit card is the Major Industry Identifier (MII), followed by the first six digits of a credit card number (includes MII), six-digit Issuer Identifier Number, account number, and a check digit. The MII represents the type of entity that issued the credit card. For example, many credit card numbers begin with the number “4,” which represents “banking and financial.” The last digit of a credit card issued under this scheme includes a check digit. This number is calculated using the Luhn Algorithm, which is a simple checksum formula used to validate a variety of identification numbers, including bank card numbers.

There are numerous other, well-known examples which may prove instructive (*e.g.*, Social Security Numbers, telephone numbers, vehicle identification numbers).

Once there is agreement upon the need for a governmentwide uniform Award ID, the next step is determining the process for such standardization. There are a number of possible approaches, including the establishment of a governmentwide Award ID system that reflects required funding, program, and other data within an Award ID number. This system could be automated, with agencies submitting their proposals and awards to a central reporting point and then receiving the system-generated Award ID. This could be done governmentwide or by a central component within an agency. At the very least, the federal government could establish Award IDs for unique funds that requires special oversight, *e.g.*, Recovery Act funds.

Likewise, the USDA OIG memorandum included suggestions for creating a uniform Award ID. For example, there could be an Award ID “consisting of the agency code, a code for the agency subunit, and a sequence number (i.e., an award given by an agency might have the number 06010004, where 06 represents the agency, 01 represents the subunit within the agency, and 0004 represents the fourth award given by the agency or subunit).”<sup>10</sup> While there may be some challenges with trying to make an Award ID represent various data elements (*e.g.*, how would the number indicate multiple agencies giving an award, or the fiscal year where the award spanned two or more years), it is clear that a solution is possible.

One recommendation that would likely ease future reporting would be a standard Award ID structure with no hyphens or spaces. In addition, requiring that any alphabetical characters be capitalized and refraining from using any zeros or “O”s in the Award ID would help to stave off reporting mistakes. Admittedly, human error will always be present; individuals can still mistakenly transcribe numbers, just as is occasionally done with credit card or telephone numbers. However, standardization of Award IDs should significantly reduce such errors by limiting the types of errors that could be made.

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<sup>10</sup> USDA OIG Memorandum at p. 8 n.9.

Further, for a uniform Award ID number to fulfill the dual purposes of transparency and accountability, agencies must adhere to its use throughout their management and financial systems, as well as providing the Award ID to central management oversight agencies (for example, the Department of the Treasury, OMB, and the Recovery Board for monitoring grant, contract, and loan funding).

## **CONCLUSION**

To date, the Recovery Board has taken several actions to improve the data quality and accuracy of either the agency- or recipient-reported information on Recovery awards. For example, the Recovery Board has requested that OMB provide a governmentwide master Award ID list to the Recovery Board to validate recipient reporting. The Recovery Board has also implemented hard-logic checks on certain data elements to prevent recipients from reporting clearly erroneous information. As each successive reporting period has passed, however, it has become clear that the single biggest impediment to the kind of transparency that the Recovery Act envisions is the lack of a standardized award identifier. Although [Recovery.gov](http://Recovery.gov) may eventually cease to exist – Recovery Act appropriations are required to be obligated by the end of fiscal year 2010, and the Recovery Board terminates in 2013 – the issue of Award IDs will not. This problem also impacts [USASpending.gov](http://USASpending.gov), [Data.gov](http://Data.gov), and other means of displaying information on federally awarded funds.

This hurdle must be cleared if the government wishes to fully demonstrate the transparency it so enthusiastically espouses. We therefore recommend that the Chief Financial Officers (CFO) Council's Grants Policy Committee establish a new policy and implementing guidelines regarding use of a uniform, governmentwide Award ID for federal financial assistance awards. We recognize the fact that each agency may use its own unique document for grant awards, but – regardless of what that document looks like or what data it contains – the uniform governmentwide Award ID should be prominently displayed on it. We further recommend that the FAR Council strengthen its current proposed rule calling for a unique governmentwide procurement instrument identifier and demand that the Award ID convention be standardized across all agencies. Importantly, it is imperative that the CFO Council's Grants Policy Committee and the FAR Council work together to ensure consistency between the two groups' approaches.