TESTIMONY OF MR. MICHAEL WOOD,
EXECUTIVE DIRECTOR, RECOVERY ACCOUNTABILITYAND TRANSPARENCY BOARD
BEFORE THE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT ORGANIZATION, EFFICIENCY AND FINANCIAL MANAGEMENT
UNITED STATES HOUSE OF REPRESENTATIVES
February 7, 2012

Mr. Chairman and members of the Committee, I want to thank you for the opportunity to appear before you today to discuss improper payments made by the Federal Government and potential solutions to reduce these improper payments based on work done by the Recovery Board.

The American Recovery and Reinvestment Act of 2009 created the Recovery Accountability and Transparency Board - tasked in part with preventing fraud, waste and abuse of Recovery funds. Last summer, the President issued an Executive Order calling for the creation of a Government Accountability and Transparency Board, or GAT Board, to make recommendations based on lessons learned from Recovery Act implementation and the Board's successes, applying these approaches across Government spending. At the same time, Congressman Issa and Senator Warner introduced legislation – the DATA Act - that among other things, would create a new independent agency, the Federal Accountability and Spending Transparency Board, to provide accountability and transparency to federally funded activities.

Even before the creation of the GAT Board and the DATA Act, the Recovery Board realized a key lesson, that transparency drives accountability. The tools we built for these dual purposes have proved useful both from a program and an oversight perspective. Along with Recovery.gov, the Board has received wide acclaim for building our Recovery Operations Center, or ROC, which combines traditional law enforcement analysis with sophisticated software tools, government databases, and open-source information to identify high-risk recipients. This accountability solution provides an in-depth fraud analysis capability to identify non-obvious relationships between parties, and provides a predictive-analysis model, useful in focusing limited government oversight resources.

The Board is now conducting pilots on fraud-prevention tools with agency personnel as well as Offices of Inspectors General via the Board's new FederalAccountability.gov web portal. This framework has the potential to open the ROC tools and approaches more fully to investigators and practitioners throughout the Federal government. Our goals are to help agencies in performing their own risk evaluations before awarding Federal funds, and to help enforcement officials conduct reviews in order to prevent and detect fraud, waste, and abuse in Federal spending. Pilots with agency procurement, grant, and financial officials just began. With our expanded 2012 appropriations language, Congress provided some flexibility for us to develop and test new applications on non-Recovery funds and we plan on broadening the scope of those pilots.

FastAlert, a new application within the FederalAccountability.gov framework, provides awarding officials the ability to quickly assess risk factors associated with entities that seek or have received Federal funds. The Board feels that FastAlert can be applied to all federal spending from pre-award to payment phases.

Our work on FederalAccountability.gov and FastAlert is in keeping with the GAT Board's December report to the President, which noted the ROC "has been instrumental in keeping fraudulent actors from attacking Recovery Act programs, using cutting edge forensic technology to protect taxpayer interests. This technology has applications across government, and that is why the GATB recommends that agencies work together to create a centralized framework that leverages the ROC and similar technologies, allowing us to share data and coordinate our efforts to detect and prevent fraud."

Payments resulting from fraudulent activity are only a subset of the wider problem of improper payments. However, the Board's tools would assist in identifying questionable entities in the preventive pre-award phase, and as a review prior to payment. In consulting with the Office of Management and Budget and the Department of Treasury, we have incorporated features like batch searches and program specific databases to better meet agency needs.

Realizing full implementation of FastAlert is complicated by some common problems that Congress, agencies and executive leadership must solve. The computer matching provisions of the Privacy Act may restrain oversight activities; a problem that is solved by the DATA Act. True data management also requires that the government standardize data and provide more modern open access to databases. Agencies are reluctant to share databases, often due to fear of violating the Privacy Act, leaving gaping inadequacies in payment and awarding tools. We have the technology and know-how, and with your help, the governance, access, and data issues can be swiftly solved.

That concludes my prepared remarks and I will be happy to answer any questions you have of me.

<u>Michael Wood</u> - Bio

Michael Wood is the Executive Director of the Recovery Accountability and Transparency Board. He coordinates the Board's activities working with the Board, OMB, Congress, federal agencies, the states, award recipients, and the public to ensure the Board carries out its transparency and accountability missions in overseeing the $840 billion dollar recovery program.

Prior to this, he served as Director of Recovery.gov for two years. In that role he provided executive leadership for development and implementation of the Board's award winning web systems, FederalReporting.gov and Recovery.gov, as well as the technology behind the innovative Recovery Operations Center. Among the many firsts for these systems was the successful collection of sub-recipient information and the first government wide system migrated to a cloud environment.

Mr. Wood is a senior executive with over 30 years of experience with the federal government. He has managed IT activities at three federal agencies. He holds Masters Degrees in Technology Management and in Environmental Biology. He worked as an environmental manager for 25 years with the Environmental Protection Agency where he led a number of enforcement and compliance programs, managed databases for the pesticides and toxics programs, and led the compliance effort for the Toxic Relief Inventory under the Emergency Planning and Community Right-to-Know Act. He has worked in the inspector general community for seven years serving as the Chief of Staff to the Inspector General for the Department of the Interior. At DOI, he helped the IG's Office integrate innovative proactive critical point evaluations into their approach to evaluating development of large programs. He also concentrated on information assurance and established new technically oriented approaches for evaluating the Department's information assurance efforts.

Mr. Wood has experience with Web 2.0 technologies and launched the IG community's first Wiki. He managed the Recovery Board's use of on-line technology for the recent NAPA forum regarding technological solutions for Recovery.gov and has led the effort regarding use of social networking capabilities to promote government transparency. At the Recovery Board, Mr. Wood led the effort to design, implement and deploy two major systems in less than three months. The Recovery.gov site has won a series of awards and is the preeminent transparency site for the government. FederalReporting.gov provides web based data collection and its uses beyond Recovery are under study.