

Policy Brief 24

AMERICAN RECOVERY AND REINVESTMENT ACT:
HAS EVALUATION BEEN LEFT BEHIND?

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The mandate for transparency and Accountability trumps even the necessity of speedy funding disbursement.



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The words “transparency” and “accountability” figure prominently in the rhetoric associated with the American Recovery and Reinvestment Act (ARRA), the highly-publicized 2009 stimulus package crafted by the new Administration. In the midst of vocal support from the President – for example, in statements related to the Freedom of Information Act¹ -- federal agencies have deferred to these criteria as they’ve begun implementing the ARRA legislation. They have also heeded the President’s call to act quickly in infusing money into the economy, in support of several priorities:

- Preserving and creating jobs
- Funding improvements in infrastructure
- Supporting initiatives in energy and science
- Providing assistance to the unemployed, and
- Supplying fiscal resources for stabilization at the state- and local-level.

The mandate for transparency and accountability trumps even the necessity of speedy disbursement, however. Government agencies are investing in an array of mechanisms to account for, and track, ARRA funding streams that pass from the U.S. Treasury to the agencies at the state and local level which will actually use the money.

Guardianship of these funds doesn’t rest with a single entity, but is spread across tiers of oversight.

The Accountability Hierarchy:

CONGRESS: Whether or not it occupies a position at the top tier, Congress will play a substantive role in oversight, both through hearings on issues of concern and review of reports. For example, ARRA stipulates that the Council of Economic Advisers is to report semi-annually on the impact of ARRA-funded programs. In addition, the congressional watchdog entity, the Government Accountability Office (GAO)², received an increased allocation for oversight of ARRA activities.³ The amount -- \$25 million spanning February 2009 to September 2013, or roughly \$15 million annually -- supplements its standard operating budget.

FEDERAL ADMINISTRATION: Within the President’s office, the Office of Management and Budget (OMB) will have an ongoing role in working with federal agencies on ARRA implementation. For example, in early April OMB posted the Implementing Guidance that outlines policies for federal departments and agencies charged with disbursing ARRA funds.⁴ This also includes

¹President Obama, “Memorandum for the Heads of Executive Departments and Agencies.” Downloaded April 29, 2009 from http://www.whitehouse.gov/the_press_office/FreedomofInformationAct/

²General Accounting Office. “American Recovery and Reinvestment Act: The GAO’s Role in Helping to Ensure Accountability and Transparency. Testimony before the Committee on Homeland Security and Government Affairs, US Senate.” Downloaded April 21, 2009 from <http://www.gao.gov/new.items/d09453t.pdf>

³Senate. American Recovery and Reinvestment Act of 2009. 111th Congress. 1st Session. 2009. H.R. 1. Accessed April 30, 2009 at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf

⁴Office of Management and Budget. “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009.” Downloaded April 15, 2009 from: http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-15.pdf

guidelines on how the agencies should report on expenditures and other activities. A focus of such reporting is the newly established web-site, Recovery.gov, which provides a searchable database where any interested person can look for information on how ARRA funds are being used.⁵

This website is the responsibility of the Recovery Act Accountability and Transparency Board (RAATB). ARRA allotted \$84 million through September 2013 to support board oversight activities. Chaired by the Inspector General of the Department of the Interior, with inspectors general from other departments as board members, it is charged with deterring “fraud, waste and abuse,” as well as reporting to Congress and the President on the use of ARRA funds.⁶

FEDERAL AGENCIES AND DEPARTMENTS: Federal agencies and departments have individualized OMB’s Implementing Guidance by developing guidelines of their own. The terms cover the range of acceptable projects for which ARRA funds can be used; criteria for awarding funds; timing in the release of awards; and specifications for reporting. Agencies tend to post their weekly progress reports on their websites, so that anyone can view how and when decisions are made. Like the GAO, the inspectors general for each agency received additional funding to accommodate ARRA activities, and are expected to work closely with the GAO. Amounts range from \$1 million to cover a roughly 2-1/2 year period, to \$22.5 million for nearly 5 years. Not all agencies specify the responsibilities of the Inspector General, but most call for “oversight and audit of programs, grants, and projects” funded by the respective departments.

In reality, however, accountability and evaluation are separate endeavors with distinct end products and different benefits.

STATES: As the principal recipients of ARRA monies, states have taken a variety of steps to ensure accountability and transparency. Missouri has established multiple systems for this purpose:

- The Missouri Accountability Portal will be the primary mechanism for tracking stimulus funds received and expended. It’s accessible to the general public at: <http://mapyourtaxes.mo.gov/MAP/Portal/Default.aspx>
- The state auditor website itemizes funds received and corresponding expenditures: http://www.auditor.mo.gov/fedstim/federal_stimulus.htm
- The governor’s office maintains a site (<http://transform.mo.gov/>) which lists stimulus draw-downs, including the source, where the money was deposited and what it was used for.

LOCAL: Money distributed to the states will be routed to projects. The majority will be in the hands of contractors awarded the funding based on competitive bidding and the source of much of the information passed up, in one form or another, through the “accountability hierarchy” to Congress. This is also the place where other considerations – beyond accountability -- should come into play.

Speaking of “Buzzwords”

In the rush to ensure fiscal management and put in place the internal controls that provide systematic safeguards, the broader implications of “accountability” have fallen by the wayside. Terms which were previously the mantra of funders and the potential signifiers of program effectiveness – e.g., “outputs,” “outcomes,” “impact” – seem to have ceded their former unassailable position.

In fact, that is not the case. While less-publicized than accountability and transparency, these concepts remain part of the Administration’s mandate for responsible use of ARRA funding. Closer inspection of the OMB’s “Implementing Guidance” reveals that

⁵ <http://www.recovery.gov/>

⁶ <http://www.recovery.gov/?q=node/258>

⁷Office of Management and Budget. “Implementing Guidance.” See especially pp. 18-19, but other references appear at the following pages: 1, 29, 32, 34, and 47.

agencies receiving ARRA funding are required to define measures for outcomes and obtain evaluations.⁷

Is There Really Any Difference?

From the perspective of funding recipients, the difference between accountability and evaluation could seem purely semantic. Regardless of the terms used, they constitute an obligation to prove to a funder that its money is being well spent.

In reality, however, accountability and evaluation are separate endeavors with distinct end products and different benefits. As Table 1 shows, with accountability and transparency the benefits tend to come to the funding recipient indirectly, by virtue of meeting funder requirements. In contrast, evaluation provides benefits both to the funder and fundee, with the funding recipient experiencing them more directly. These benefits may include, but not be limited to, data compiled on outcomes and outputs, recommendations for program improvement and situation analyses to help a program understand the influence of the environment in which it operates on its progress in serving a target population.

What Are the Implications?

Among the prevalent themes in the Implementing Guidance, risk management is one of the more prominent. In an effort to minimize risk, for example, OMB recommends that agencies channel funding to projects that have already demonstrated their effectiveness, with the expected impact on innovation.⁸ In the absence of the time required for more rigorous scrutiny, known quantities undoubtedly offer a measure of security. This doesn't minimize the need to demonstrate performance, outcomes or impact, any more than it does to comply with requirements of accountability and transparency.

As federal agencies and states consider funding awards and local organizations initiate ARRA projects, those involved should ask themselves: what are the risks of confusing an auditing and oversight function with evaluation? We can learn, too late, that it's possible to spend a large amount of money, knowing its location every step of the way, satisfying ourselves that it was spent as intended, without seeing the hoped-for return on investment. Despite the intimidation that evaluation provokes in those who are subjected to it, it can focus an organization's attention beyond the results of an audit to questions of purpose, objectives and the best way to achieve those objectives – essentially the work that it was funded to do.

⁸Muro, Mark, et al. "Metro Potential in ARRA: An Early Assessment of the American Recovery and Reinvestment Act." Washington, D.C.: Brookings Institutions Metropolitan Policy Program, March 2009. Downloaded May 8, 2009 from <http://www.brookings.edu/projects/blueprint/about.aspx>

Table No. 1: Contrast between Accountability, Transparency and Evaluation

	ACCOUNTABILITY	TRANSPARENCY	EVALUATION
Definition	In the context of the ARRA, agencies are charged to use government funds responsibly, in ways that will not violate the public trust	A concept that derives support from the Freedom of Information Act. According to President Obama, accountability is achieved through transparency. He has encouraged all agencies to act with a “presumption in favor of disclosure.”	A popular view of evaluation focuses on the term “value.” Evaluation research answers questions related to the value that a program or initiative has for its “stakeholders” – i.e., the individuals or entities who are most intrinsically involved in, or affected by, a program’s success or failure
Primary Beneficiaries	Funders Public	Funders Public	Funders Funding recipient Public
End Product	Funds can be traced from point of origin through project budgets and other planning documents, to allowable expenses recorded in financial statements, ⁹ audits and routine reporting documents	Funder and public access to documentation related to all stages in the disbursement of funds – from grant awards to the specifics of how funds were used.	There are various products, depending on the context. Here are some of the more common: 1. Judgments of “merit and worth” : Has the program demonstrated its effectiveness and impact to the extent that it justifies prior and continued support? 2. Recommendations for program improvement : How might the program improve its operations to enhance its effectiveness and make more of an impact? 3. An objective view of processes : How do processes contribute to the program’s outcomes? How could processes be adjusted to improve outcomes?
How funding recipients benefit	By demonstrating accountability, a funding recipient: 1. Increases its credibility with the public, and strengthens its reputation 2. Manages risk to its ongoing viability 3. Fulfills funder requirements and increases the likelihood of subsequent funding	Through an attitude of open disclosure, a funding recipient: 1. Reassures its funders and the public of its good business practices 2. Encourages further investment in its operation	Evaluation gives a funding recipient opportunities to: 1. Obtain information suitable for use in upgrading operations – among them systems for ensuring accountability 2. Examine relationships with funders in-depth, beyond issues of accountability 3. Tailor evaluation questions to specific needs that the program feels it should address 4. Involve stakeholders in activities that can make them feel more invested in the program 5. Identify and compile data on outcomes that can demonstrate program success or effectiveness 6. Identify and address areas of potential risk 7. Demonstrate to funders and the public the viability of the program and its value as an investment
Disclosure	www.recovery.gov	www.recovery.gov	http://mapyourtaxes.mo.gov/MAP/Portal/Default.aspx

⁹ Funding recipients are expected to use fund accounting to maintain ARRA funds. This entails maintaining money from different revenue streams in separate accounts, as opposed to commingling all income in a single pool.

TITLE XV: Accountability and Transparency – starts 173

SEC. 1514. INSPECTOR GENERAL REVIEWS. (a) **REVIEWS.**—Any inspector general of a Federal department or executive agency shall review, as appropriate, any concerns raised by the public about specific investments using funds made available in this Act. Any findings of such reviews not related to an ongoing criminal proceeding shall be relayed immediately to the head of the department or agency concerned. In addition, the findings of such reviews, along with any audits conducted by any inspector general of funds made available in this Act, shall be posted on the inspector general’s website and linked to the website established by section 1526, except that portions of reports may be redacted to the extent the portions would disclose information that is protected from public disclosure under sections 552 and 552a of title 5, United States Code.

SEC. 1515. ACCESS OF OFFICES OF INSPECTOR GENERAL TO CERTAIN RECORDS AND EMPLOYEES. (a) **ACCESS.**—With respect to each contract or grant awarded using covered funds, any representative of an appropriate inspector general appointed under section 3 or 8G of the Inspector General Act of 1978 (5 U.S.C. App.), is authorized—(1) to examine any records of the contractor or grantee, any of its subcontractors or subgrantees, or any State or local agency administering such contract, that pertain to, and involve transactions relating to, the contract, subcontract, grant, or subgrant; and (2) to interview any officer or employee of the contractor, grantee, subgrantee, or agency regarding such transactions. (b) **RELATIONSHIP TO EXISTING AUTHORITY.**—Nothing in this section shall be interpreted to limit or restrict in any way any existing authority of an inspector general.

- p. 174 Council of Economic Advisers – Reports
- p. 175 Recovery Accountability and Transparency Board
- p. 181 Recovery Independent Advisory Panel