

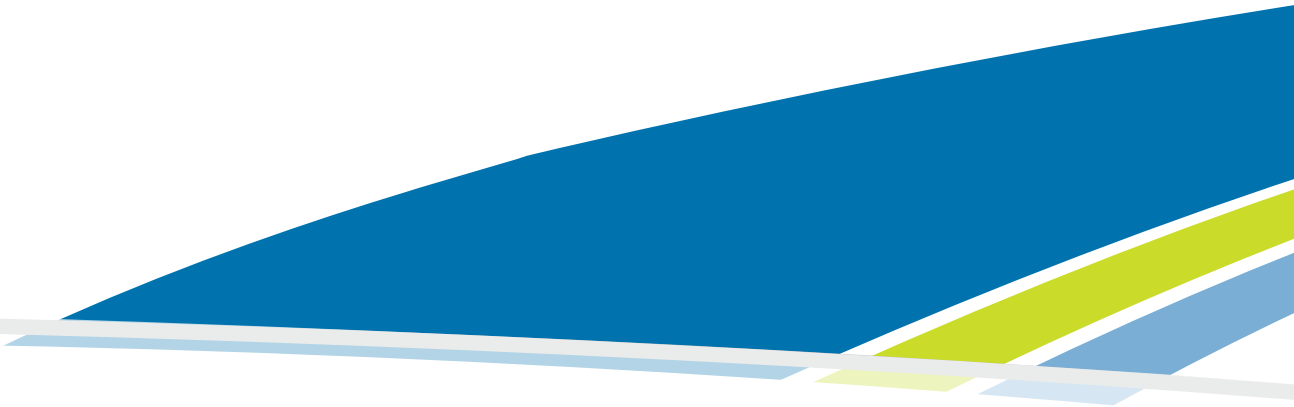


An EcoSys White Paper

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# Financial Management's Role in the Recovery Act

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## Financial Management's Role in the Recovery Act

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### The Recovery Act and its Challenges

The *American Reinvestment and Recovery Act of 2009* (Recovery Act) is a \$787 billion economic stimulus package intended to jumpstart the economy, create and retain American jobs and help the nation continue to thrive. Implementation of the Recovery Act is set against a backdrop of rigorous internal controls and oversight mechanisms designed to provide an unprecedented level of transparency and accountability, ensuring the American public that every taxpayer dollar is well spent.

The added accountability from the Recovery Act is essential to meeting the Administration's goals, of not only having a more open and transparent government, but also to improve government's ability to link planning and execution processes to business results—demonstrating that nexus through reporting—and using the information generated to make better business decisions.

Historically, government data has been difficult to access, and even more difficult to use or analyze. Pages upon pages of government collected data reside in Microsoft® Excel spreadsheets or in homegrown data systems, rather than utilizing solutions that enable macro-/micro-level analysis and visualization. Without the capabilities to effectively use the data reported on Recovery.gov—to understand the links between program investment and performance—the information will simply become another government data call. Transparency and

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openness may be achieved, but the twin goals of increased efficiency and effectiveness will go unrealized.

### Government Recovery Act Reporting Requirements

Agencies will have a number of additional reporting requirements, beyond traditional reporting compliance, for projects and programs that use Recovery Act funding. The Recovery Act requires reporting to be in plain language, accessible to the public at large and Web-friendly as all reporting will be posted on Recovery.gov.<sup>1</sup>

Reporting requirements under the Recovery Act also apply to any entity that receives funding via an award using Recovery Act monies, including state, local and tribal governments, as well as non-profit organizations and for-profit awardees.

All single audit reports filed with the Federal Audit Clearinghouse (FAC) ending fiscal year September 30, 2009 or later, will be made publicly available on the Internet with links through Recovery.gov. Additionally, federal agencies must submit synopses of single audit findings to the Office of Management and Budget (OMB) related to any obligations and expenditures of Recovery Act funding.<sup>2</sup>

### Government Contracts and Grants Recovery Act Reporting Requirements

The Recovery Act calls for many measures beyond the standard practice that awarding agencies must incorporate as they plan contracts using Recovery Act funds. Some of these measures include:

- Mitigating schedule, cost and performance risk
- Defining contract requirements that deliver meaningful and measurable outcomes consistent with agency plans and the goals of the Recovery Act
- Obtaining maximum practicable competition
- Expeditiously awarding contracts using available streamlined flexibilities
- Applying sufficient and adequately trained workforce to responsibly plan, execute, award and monitor contracts
- Ensure adequate number of qualified government personnel are available to perform inherently governmental functions during the acquisition lifecycle
- Provide appropriate agency oversight at critical decision points<sup>3</sup>

President Obama reiterated and strengthened this theme in his memorandum on March 4, 2009, which addressed contracts and stressed that agencies should

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determine acquisition objectives and contract award evaluation criteria, structuring acquisitions to result in meaningful and measurable outcomes that are consistent with agency plans to promote the goals of the Recovery Act. The evaluation criteria for award should include metrics that focus on the measurement and likelihood of achieving these outcomes.<sup>4</sup>

The President continued to stress the need for quality government performance and better business practices through the creation of the Chief Performance Officer (CPO) position. CPO Jeffrey Zients stated in his Congressional nomination testimony that he plans to focus on five areas that the President has emphasized: creating an outcome-oriented measurement system, helping transform the federal workforce, improving acquisition practices, ensuring Recovery Act dollars are spent quickly and wisely, as well as achieving unprecedented transparency and accountability through government operations.<sup>5</sup>

With these many new reporting requirements moving the government toward more transparent and open accountability standards, additional oversight mechanisms are contained in the Recovery Act mandates to ensure funding is properly allocated and metrics are reported accurately.

### Oversight and Risk Management

The Administration has issued guidance calling for agencies to pay special attention to maintain strong internal controls over Recovery Act funds. Programs stemming from Recovery Act funds inherently have additional oversight by the Recovery Accountability and Transparency Board, as established by the Recovery Act.

The Board, Congress and OMB will monitor many areas, including:

- Progress against program schedule and objectives
- Qualifications and number of acquisition grants and program management staff
- Timeliness of award
- Dollars obligated and expended

There are also specific risk areas all agencies must include as part of their risk mitigation process, providing greater scrutiny than required via non-Recovery Act funded projects. If an agency is not meeting these accountability objectives, such as effectively mitigating fraud, this may be considered to compromise the broader goals of the Recovery Act. Agencies should continue this enhanced scrutiny of funding throughout a program's lifecycle including the pre-award period, performance period and post-performance period.

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To meet these ends the Recovery Act calls for senior management to assess its agency's ability to support the Recovery Act via personnel, processes and technology to determine where it may need to deploy and coordinate additional resources to meet the demands.<sup>6</sup>

### Efficiently and Effectively Meeting Open Government Mandates

As the nation moves toward a new process of government, one that opens its business practices to the public and to additional scrutiny, it is imperative that government has a better way to manage finances to track trends and make the best possible decisions regarding funding.

To ensure that data reported through the Recovery Act provides the information agencies need to make better business decisions and improve performance, agencies should invest in a financial management IT solution that utilizes a Web-based and enterprise platform to enable decision-makers to visualize problems, provide support for business decisions, and easily distribute that information in real-time. Financial management IT software can meet agencies' needs to provide accurate, transparent and accountable data, but also can track performance trends and reduce labor time in reporting and calculating metrics. The Recovery Act provides funding for IT systems to help properly manage accountability and compliance.

EcoSys Financial Manager™ provides federal agencies with a consolidated Commercial-Off-the-Shelf (COTS) platform for integrating financial management, performance management, project management and capital planning. Financial Manager™ allows agencies to meet key tracking and reporting requirements under the Recovery Act, facilitating data submissions into Recovery.gov, as well as allowing agencies to easily analyze how their budgets are being used at the micro and macro levels, creating more budgetary transparency to government leadership and the public. Financial Manager™ supports the capture of data according to the Recovery.gov Recipient Reporting Data Model and supports Excel and XML reporting according to Office of Management and Budget (OMB) guidance for Recovery Act recipients.

Financial Manager™ goes beyond accounting to align department, program and agency goals to project and operational execution while integrating performance metrics with budget processing, in an easy-to-read, Web-based format supporting performance-based and transparent government initiatives. It seamlessly integrates with current systems and allows for management from the most compartmentalized project to macro agency or cross-agency program management.

Financial Manager™ supports open government goals while allowing for decreased time for data collection and calculation. It ultimately provides government leadership

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and the taxpayer with more accurate information to make government run more efficiently and effectively, allowing government to spend its time implementing projects and programs that best serve the public good.

### About EcoSys

EcoSys is the leader in enterprise project and operations financial management solutions for large organizations in both the public and private sector. Founded in 2000 by designers of the Primavera enterprise project management suite, EcoSys has worked with over 150 organizations to deliver integrated management solutions that bridge corporate strategy with tactical execution through project and operations management. For more information about EcoSys, please visit our web site at [www.ecosys.net](http://www.ecosys.net).

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1. Memorandum for the Heads of Departments and Agencies, M-09-15, from Peter Orszag, Director, Office of Management and Budget, Appendix I, April 3, 2009, page 72.

2. Memorandum for the Heads of Departments and Agencies, M-09-15, from Peter Orszag, Director, Office of Management and Budget, April 3, 2009, page 50.

3. Memorandum for the Heads of Departments and Agencies, M-09-15, from Peter Orszag, Director, Office of Management and Budget, April 3, 2009, page 52.

4. Memorandum for the Heads of Departments and Agencies, Subject: Government Contracting, from President Obama, March 4, 2009.

5. Statement of Jeffrey D. Zients, Nominee to Serve as Deputy Director for Management of the Office of Management and Budget, Before the Committee on Homeland Security and Governmental Affairs, U.S. Senate, June 10, 2009.

6. Memorandum for the Heads of Departments and Agencies, M-09-15, from Peter Orszag, Director, Office of Management and Budget, April 3, 2009, page 30-31, 33.