MAXIMIZING THE VALUE OF ECONOMIC STIMULUS FUNDS
TRANSPARENCY AND ACCOUNTABILITY IN GOVERNMENT AGENCIES
The American Recovery and Reinvestment Act (ARRA) was a dramatic action designed to quickly stimulate an economic recovery in the United States. From 2009 to 2014, billions of dollars will be spent on programs in areas such as education, infrastructure, technology, healthcare, sustainable energy, and public assistance.

ARRA also marks the start of a new era in the regulation, oversight, and accountability of the use of public funds. Agencies at all levels of government will be challenged to maintain their focus on developing programs that achieve long-term results for constituents while ensuring that these programs adhere to the complex requirements for stimulus funds.

This SAP Executive Insight examines some of the major challenges agencies face with respect to this stimulus plan. Further, by answering the following questions, it describes how governments can transform their organization to devote more resources to achieving program goals and less on administrative overhead.

- How can my agency measure performance and report outcomes associated with ARRA funds?
- How can I ensure the required levels of transparency and accountability?
- How can I effectively manage project resources and fulfill the program requirements of stimulus-based initiatives?
Goals of the American Recovery and Reinvestment Act

On February 17, 2009, President Obama signed into law the $787-billion American Recovery and Reinvestment Act (ARRA). The objectives of this far-reaching legislation and stimulus plan include:

- **Job creation.** Develop and preserve jobs to promote economic reinvestment.
- **Citizen and community assistance.** Provide for citizens most impacted by the recession, and promote community service through volunteerism.
- **Technology investment.** Invest in technological advances in science and health to increase economic efficiency.
- **Budget stabilization.** Support state and local budgets to minimize or avoid reductions in essential services.
- **Long-term domestic benefits.** Invest in programs, such as environmental protection and transportation, that provide long-term domestic benefits.

President Obama has made it clear that every taxpayer dollar spent on the economic reinvestment will be subject to unprecedented levels of transparency and accountability. ARRA directs federal agencies to post spending and performance data to a government Web site dedicated to the economic recovery (www.recovery.gov). Further, the Office of Management and Budget (OMB) has issued guidance to government agencies on how to monitor and spend stimulus funds. These combined guidelines allow citizens to hold the government accountable and require federal agencies to implement mechanisms to accurately track, monitor, and report on taxpayer funds.

Challenges for Government Stakeholders

Agencies are discovering that ARRA funds come with complex requirements that must be addressed as part of participating in the program. Increasingly, they realize that they need to take action early on to administer large programs while conforming to the president’s mandate to use taxpayer funds effectively. Key areas of concern include:

- **Maximum use of funds.** Agencies must manage ARRA funds to optimize the benefit provided to individual citizens, the community, and the overall economy of the United States.
- **Visibility of spend.** As funds are disbursed, agencies need complete visibility into spending across programs and projects to ensure that taxpayer money is properly allocated in line with the administration’s goals.
- **Program execution.** With the large number of projects and programs that will be in place, program leaders must manage an extensive portfolio of recovery initiatives in an effective manner.
- **Outcome versus output.** To determine success, taxpayers and the administration will be looking for measurable results. Programs need to shift from output-focused projects to outcome-focused projects.
- **Compliance and risk.** With strict and evolving federal requirements attached to ARRA funds, transparency is absolutely critical. Agencies must be able to mitigate risk and report on their program status and use of ARRA funds.

Enable a Management Infrastructure to Achieve Value

Technology is seen as a critical enabler for the federal, state, and local agencies implementing the stimulus plan. ARRA includes approximately $100 billion of funding specifically for technology to be spent incrementally between 2009 and 2014. Technology can help government agencies see, think, and act more clearly as they develop and execute the strategies to:

- **Measure and report on outcomes.** Agencies must accurately measure and report the outcomes of funded programs. To do so effectively, they must first define the metrics to be monitored and establish the proper measurements for quantifiable and qualitative benefits.
- **Ensure transparency and accountability.** An open government is one of the president’s key objectives for his administration and the recovery plan. Specifically, agencies are advised to employ technologies that enable them to put information about their operations and decisions online, to be available to the public.
- **Provide consistent management of stimulus initiatives.** In response to today’s mandates, agencies should consider a shift from a project-centric management style to one that is optimized for the challenges of an extensive program portfolio. This approach can provide consistent management of current stimulus-based initiatives as well as future public-policy programs.
Choosing the Right Technology

IT solutions can help agencies achieve positive and collaborative outcomes and support the measurement guidelines of ARRA. These include software applications for enterprise performance management; governance, risk, and compliance; business intelligence; and resource and portfolio management. Integrated, comprehensive performance optimization and project management solutions such as these enable agencies to:

- Implement cascading strategies, plans, and consistent measurement factors throughout the organization – connecting policies to programs and programs to projects
- Gather accurate, timely, and unified information spanning multiple sources to provide actionable insights and accelerate decision making
- Monitor key performance indicators to measure the efficiency, effectiveness, and outcomes associated with stimulus-funded initiatives
- Instill and improve governance through role-based access and built-in process controls
- Monitor and detect improper payments or fraud and identify expenditures for projects not affiliated with ARRA funding

Such solutions can help ensure that program information and spending are accurate, reliable, and aligned with various guidelines and regulations – and pertinent to different government stakeholders, particularly the public.

What to Measure

ARRA and OMB guidelines require government agencies to measure and report the outcomes of stimulus-funded programs. As a result, agency leaders should carefully consider what to measure, how to measure, and which enabling IT functions provide the best support. Defining what to measure is a critical first step.

ARRA puts the public value proposition center stage – focusing on tangible benefits for citizens, businesses, and society in general. ARRA-funded programs should also show financial returns, such as cost savings or cost avoidance, and these results should have public visibility. However, due to the unique nature of government, measuring performance, return on investment, and value is multidimensional. For example, the value from programs that create new jobs also can include reduced welfare rolls, fewer foreclosures, and increased consumer spending.

To ensure positive outcomes for citizens, governments, and the private sector, a comprehensive method for measuring the value of government spending should consider factors such as:
- Financial effects on income, asset values, liabilities, and risks
- Social impact on families and community relationships
- Realized benefits from government actions and policies
- Potential influence on the public’s view of government’s stewardship, public trust, integrity, and legitimacy

How to Measure

Simply recording outputs has far less impact than achieving outcomes. The difference is fundamental to meeting ARRA objectives. Output typically describes the creation, production, or completion of goods or services, and it is usually measured in terms of quantities or units. Outcome, on the other hand, describes the result, impact, and culminating performance of an effort. With respect to ARRA, outcomes are the benefits or long-term changes that are sought from a policy, program, or individual project. These benefits will be achieved through the utilization of outputs. Government agencies must initiate programs that have targeted outcomes with measurable benefits that can be used to gauge success.

Taking this further is the concept of collaborative outcomes. In the public sector, collaborative outcomes occur when two or more government organizations share responsibility for delivering a quantifiable or qualitative improvement. Collaborative outcomes can knit together data as well as functions, services, and business processes that take place at any level of government and across agency boundaries. However, to combine these activities effectively, agencies must leverage common solutions, processes, and technologies whenever possible.

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ENSURING TRANSPARENCY AND ACCOUNTABILITY
THE BEGINNING OF A NEW ERA

Understanding the Compelling Event

Even before ARRA legislation was passed, policy was established to usher in a new era of government relationship with the citizenry. In a memorandum titled “Transparency and Open Government,” President Obama stated:

“Government should be transparent. Transparency promotes accountability and provides information for citizens about what their Government is doing. Information maintained by the Federal Government is a national asset. My Administration will take appropriate action, consistent with law and policy, to disclose information rapidly in forms that the public can readily find and use. Executive departments and agencies should harness new technologies to put information about their operations and decisions online and readily available to the public. Executive departments and agencies should also solicit public feedback to identify information of greatest use to the public.”

The administration has made it clear that recipients of federal dollars – now and through subsequent budgets and policy initiatives – are required to operate as clear enterprises. All levels of government, as well as private industry, must meet stringent new mandates for public transparency and accountability in the stewardship of federal spending for the public benefit. With the passage of ARRA, the OMB has issued new guidance that starts with the implementation of these new requirements.

To provide long-term support for compliance, agencies should establish an effective information-management strategy based upon proven principles. For example, transparency should be:
- Enabled as closely as possible to the system of record
- Enhanced with an open process for improving data quality that includes feedback from data users
- Implemented as a utility-grade service with a commitment to long-term data persistence, historical data, feeds, availability, reliability, security, and nonrepudiation
- Enabled with minimal encumbrances to maximize reuse of data
- Accomplished with common, cross-government technical and data standards

It is important to note that responsibility for accuracy and transparency resides with the owner or steward of the data. Further, the transparency should support innovation and performance improvement by both governmental and nongovernmental actors.

Establishing Effective Enterprise Management Infrastructures

As of October 2009, there are significant new quarterly reporting requirements for any organization deemed to be a “prime recipient.” These direct the designated public or private organization to report the following types of data:
- Receipt and use of federal funds at agency and subcontractor levels
- Federal obligations and expenditures by program, type, state, and agency
- Information on the competitiveness of contracting processes
- Findings from audits, inspectors general, and U.S. Government Accountability Office

ARRA outlines a vision where the goals and strategies of government agencies and their individual programs are linked directly to the goals and strategies of the stimulus plan. Further, the results and outcomes of these programs must be defined and measured clearly at all levels. Such requirements will demand enterprise architecture support to effectively manage the performance, results, and outcome data that must be maintained.

Agencies and organizations that implement a plan now for integrated enterprise solutions for business intelligence, analytics, and enterprise performance management will be better prepared for this new era of transparency and accountability.

“Again, it [transparency at the source] requires an enterprise level focus by governmental actors and larger private entities to insure proper adoption and implementation of cross cutting standards, frameworks, and where appropriate shared technology.”


Shifting the Focus to Programs

A large number of agencies and organizations will receive ARRA funding for the implementation of programs consisting of multiple projects within a state or local district. Such programs include rebuilding road and transportation infrastructures, renovating K–12 school systems, and implementing IT projects for security purposes. Many agencies, however, are currently project-centric in their management approach.

Often, organizations have strong processes, solutions, and technologies in one area – such as contract management – but need their larger program management capabilities enhanced and strengthened. This is particularly important when programs span long time frames.

Managing an extensive project portfolio requires a complete management infrastructure to handle the range of tasks: from the initial processes of project prioritization and resource allocation to award and contract management. Moreover, to ensure that public outcomes were achieved, these processes must be tied in with accountability and performance measurements.

Responding to Requirements

ARRA requirements – including the federal audit infrastructure – mandate that projects be properly managed. This includes:
- Minimizing or eliminating cost overruns and change orders
- Mitigating and reducing fraud, waste, and abuse
- Awarding contracts on a competitive basis
- Making timely payments and eliminating improper payments
- Ensuring that project progress and conformance to requirements can be inspected and verified

However, the majority of government agencies have concerns that their current program management processes and technology will not be able to support the government’s new reporting requirements. A fully enabled enterprise management capability can help agencies meet ARRA audit requirements in a timely, consistent, and traceable manner.

Building Long-Term Management Benefits

Taking a holistic management approach to a project portfolio helps ensure that public money is spent for its intended purpose and that quantifiable benefits are achieved. Without an effective enterprise program management structure, executives can find it difficult to manage multiple projects that compete for limited resources. Further, project managers lack the ability to effectively manage overallocated or underfunded resources.

Agencies and organizations that will be most successful in managing both current and future public-policy investment programs will start to enhance the functionality of their internal systems now. Implementing management-focused solutions can transform the organization into a more program-centric enterprise.

“The Recover.gov project approach takes an enterprise view . . . to emphasize a shared detailed understanding of required business processes and data.”

Today all levels of government are under tremendous pressure to display unprecedented accountability and transparency, fulfill performance and program management goals, and ultimately deliver higher value to the public. In response, governments must:

- **Optimize efficiency and collaboration** in an increasingly complex program-management environment
- **Increase accountability** to support stakeholder demands and ARRA mandates to run programs in a sustainable and transparent manner while delivering impactful outcomes

To meet these challenges, agencies must see clearly, think clearly, and act clearly. Only those organizations with the visibility to act effectively and decisively will achieve ARRA objectives. To become clear enterprises, agencies must be:

- **Transparent and accountable** by improving insight to reflect performance and results, demonstrating ARRA compliance and sustainable business practices, and helping restore public confidence by measuring and reporting performance against both quantifiable and qualitative metrics
- **Strategic and responsive** by refocusing programs from being output oriented to being outcome based
- **Citizen-centric and collaborative** by driving outcomes within and beyond the organization that reflect the value of government to the public

Clear governments understand what is going on across their organizations and programs. They operate with speed, relevance, and accuracy. They are prepared for risk and uncertainty, and they adjust their operations as regulatory conditions change.

To achieve clarity and transparency, best-run federal, state, and local agencies use the SAP for Public Sector solution portfolio to overcome functional silos and optimize the performance of all programs – whether or not they are related to ARRA. This portfolio delivers industry-specific solutions to help agencies close the gap between strategy and execution by delivering:

- **Insights** to improve performance, assess programs, identify initiatives with the most impact, and enable an outcome-based program management approach
- **Efficiency** to optimize resources (people, time, and funds) and fulfill program requirements
- **Flexibility** to respond quickly across organizational borders to ever-changing legislation, policies, regulations, and constituent expectations

SAP solutions can help governments respond immediately to ARRA and holistically manage stimulus-fund investments. A clear enterprise – with broader insight, improved efficiency, and increased flexibility – allows governments to address accountability objectives; demonstrate and quantify results; prioritize, monitor, and measure programs; establish rigorous internal controls and oversight mechanisms; and effectively deploy resources.

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**Further Reading**


You can also contact your SAP representative about the following documents:

- **Collaborative Outcomes in the Public Sector: An Innovative Way for Delivering Public Value – SAP white paper**
- **Collaborative Outcomes in the Public Sector: Processes and Architecture – SAP white paper**