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OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPUTY DIRECTOR
FOR MANAGEMENT

April 6, 2010

MEMORANDUM FOR SENIOR ACCOUNTABLE OFFICIALS OVER THE QUALITY OF
FEDERAL SPENDING INFORMATION

FROM: Jeffrey D. Zients 
Deputy Director for Management

SUBJECT: Open Government Directive – Federal Spending Transparency

As detailed in the Open Government Directive issued by the Director of the Office of Management and Budget (OMB) on December 8, 2009, transparency is a cornerstone of an open government. This Administration is committed to making federal expenditures of taxpayer dollars transparent to the public by providing readily accessible, complete, accurate, and usable federal spending data.

Full and easy access to information on government spending promotes accountability by allowing detailed tracking and analysis of the deployment of government resources. Such tracking and analysis allow both the public and public officials to gauge the effectiveness of expenditures and to modify spending patterns as necessary to achieve the best possible results. Transparency also gives the public confidence that we are properly managing its funds. This memorandum is a major step, building on the achievements of and the lessons learned from implementing the American Recovery and Reinvestment Act (Recovery Act), toward further instilling a culture of transparency in federal spending.

As required by the mandates set forth in the Open Government Directive, this memorandum provides guidance by:

- Establishing an October 1, 2010 deadline for Federal agencies to initiate sub-award reporting pursuant to P.L.109-282 the Federal Funding Accountability and Transparency Act (Transparency Act) and provide a timeline for additional guidance to assist in meeting the goals established therein;
- Initiating new requirements for Federal agencies to maintain metrics on the quality and completeness of Federal spending data provided pursuant to the Transparency Act;
- Announcing the release of the new USAspending.gov website.

The Transparency Act required OMB to “ensure the existence and operation of a single searchable website” for Federal awards. Since January 2008, Federal agencies have been submitting Federal spending information to USAspending.gov on Federal contracts, grants,

cooperative agreements, loans, and other financial assistance. This information has provided more transparency into the Federal government's spending than was previously available. Despite this progress, further steps are necessary to enhance transparency and meet the important mandates of the Transparency Act. An important goal is to improve the quality of the data currently available. Much more needs to be done to ensure the accuracy and the completeness of the data. Today's memorandum requires Federal agencies to take steps that will produce significant improvements in data quality.

A clear lesson from the Federal government's experience with the Recovery.gov website is that, given the numerous stakeholders involved in the federal spending process and the complexity of underlying systems, all efforts to improve transparency must include thoughtful consideration of the costs and benefits of various implementation approaches. This consideration should be guided by a long-range vision of how optimal transparency will be achieved.

In order to foster additional collaboration and partnership with the public, we will solicit input on current transparency initiatives, the challenges and burdens faced by stakeholders in increasing transparency, technical and logistical obstacles, and additional efforts to improve federal spending transparency. OMB will ask for ideas and recommendations on how interested parties outside the government and the various professional disciplines within the Government – policy, budget and appropriations, procurement, finance, and technology operations – can best work together to define and develop a long-range vision for optimal transparency. This dialogue will be vital to inform the next steps in the Administration's effort to promote transparency.

We look forward to working with you as we implement the key actions outlined in the guidance to achieve our mutual goals. If you have any questions regarding this memorandum, please contact Debra Bond, Deputy Controller of the Office of Federal Financial Management/OMB.

Attachment

Guidance for Federal Spending Transparency

This guidance sets forth transparency requirements that Federal agencies must meet for Federal spending information reporting, including the implementation of sub-award reporting and quarterly steps for monitoring data quality improvements.

A. General Overview

1. What are the main components of this guidance?

The guidance focuses on three areas:

1. Implementation of a policy to require the collection and reporting on sub-award data. To date, agencies have reported contract or award information only at the prime level for transparency purposes. Under this guidance, sub-award information will now be required to be collected and reported.
2. Improvement to the data quality of information on Federal awards. Agencies will be required to improve the timeliness, completeness, and accuracy of Federal spending information. Quarterly metrics on the data quality of the Federal government's spending website, USAspending.gov, will be displayed publicly.
3. Enhancement of the technological capabilities of USAspending.gov. OMB will launch new tools and capabilities that will be available to users to view and analyze Federal spending data.

2. What requirements under the Open Government Directive and the Federal Funding Accountability and Transparency Act of 2006 are being met by this guidance?

OMB Directive M-10-06 tasked OMB with issuing separate guidance on Federal spending transparency by April 7, 2010, to include addressing the Transparency Act and the Recovery Act requirements, as well as requiring quarterly reporting on agency progress towards improving information quality. This guidance does both by requiring sub-award reporting, beginning on October 1, 2010, through a single searchable website, USAspending.gov, and defining metrics agencies will use quarterly to measure progress towards improving data quality.

3. What is the governance structure for Federal spending transparency?

Governance for Federal spending transparency is a shared responsibility of OMB and agencies. Beginning in April 2010, OMB will convene the Senior Accountable Officials (SAOs) over Federal spending data quality, as well as key representatives from the Chief Acquisition Officer and grants communities as the overarching Federal Steering Committee on Spending Transparency. OMB will convene sub-working groups across these communities on the key elements in this guidance.

B. Sub-award Data Reporting

1. What is the requirement for sub-award reporting and when will recipients be expected to comply?

All agencies shall implement the requirement to collect sub-award data by October 1, 2010. Recipients, sub-recipients, contractors, and sub-contractors should be prepared to report on applicable grants¹, contracts, and orders awarded, as soon as practicable after the sub-grant or sub-contract (or a subsequent change to the sub-grant or sub-contract) has been made, but no more than 30 days after that event.

2. Does the requirement for sub-award reporting apply to existing and new awards?

The guidance only applies to new grants, new contracts, and new task and delivery orders that are awarded after October 1, 2010. In addition, some contracts types (e.g., IDIQ contracts) may need modification to require sub-award reporting.

3. What types of awards are subject to sub-award reporting?

Sub-award reporting will apply to sub-grants and sub-contracts for the first-tier sub-awards. The following example illustrates a first-tier sub-grant. The Department of Energy awards a grant to the State of Arizona and the State of Arizona awards a sub-grant to the city of Phoenix. In this example, the Department of Energy currently submits information to USAspending.gov on the Federal award to the State of Arizona. The new requirement to collect information on sub-awards will now require the submission of information on the sub-grant from the State of Arizona to the city of Phoenix and subsequent posting of that data onto USAspending.gov. In the case of a federal contract, a first-tier subcontractor is any supplier, distributor, vendor, or firm that furnishes supplies or services directly to a federal government prime contractor. For

¹ For the purposes of this guidance, the terminology “grants” also includes cooperative agreements.

example, a federal agency enters into a contract with ABC, Inc. who, in turn, awards a subcontract to XYZ, Inc. to assist ABC in fulfilling their federal contract. ABC, Inc. is the prime contractor, solely responsible to the government for fulfillment of the contract. XYZ, Inc. is a first-tier subcontractor responsible to ABC, Inc. for their sub-contracted effort. The new requirement to collect information on first-tier sub-contracts will now require ABC, Inc. to collect and report information from XYZ, Inc. Beginning in FY 2011, sub-award reporting will be required for all recipients awarded grants or contracts valued over \$25,000² pursuant to upcoming OMB or FAR regulation and guidance.

In accordance with the Transparency Act, “[a]ny entity that demonstrates to the Director of the Office of Management and Budget that the gross income, from all sources, for such entity did not exceed \$300,000 in the previous tax year of such entity shall be exempt from the requirement to report subawards...until the Director determines that the imposition of such reporting requirements will not cause an undue burden on such entities.”

During FY 2012 and in consultation with Federal agencies and non-Federal stakeholders, OMB will consider whether additional categories of financial assistance, such as loans, should be subject to first-tier sub-award reporting.

4. How is the term sub-award defined for the purpose of this guidance?

A sub-award generally means a monetary award made as a result of an award to a grant recipient or contractor to a sub-recipient or sub-contractor, respectively. The term includes first-tier sub-awards, and does not include awards made by a first-tier sub-recipient or sub-contractor to a lower tier sub-recipient or sub-contractor.

5. What are the required data elements in the Transparency Act, as amended?

The Transparency Act, as amended identifies the following data elements:

- Name of the entity receiving the award;
- Amount of the award;
- Information on the award including transaction type, funding agency, the North American Industry Classification System code or Catalog of Federal Domestic

² The \$25,000 threshold has been established to align with the Transparency Act’s definition of “Federal award” which “does not include individual transactions below \$25,000.”

- Assistance number (where applicable), program source³, and an award title descriptive of the purpose of each funding action;
- Location of the entity receiving the award and the primary location of performance under the award, including the city, State, congressional district, and country;
 - A unique identifier⁴ of the entity receiving the award and of the parent entity of the recipient, should the entity be owned by another entity;
 - The names and total compensation of the five most highly compensated officers of the entity if--
 - (i) the entity in the preceding fiscal year received—
 - (I) 80 percent or more of its annual gross revenues in Federal awards; and
 - (II) \$25,000,000 or more in annual gross revenues from Federal awards;
 - and
 - (ii) the public does not have access to information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986;
 - Other relevant information specified by the Office of Management and Budget in subsequent guidance or regulation.

6. When will OMB issue guidance to clarify the administration, technology, and processes for the collection of sub-award reporting?

May 2010 – OMB will issue interim final guidance requiring agencies to add a new standard award term and condition on the collection and reporting of sub-grant information through the first-tier sub-recipient. OMB will also modify existing standard forms and other documents as appropriate. These modifications will be subject to the Paperwork Reduction Act and the Privacy Act, as applicable.

In addition, the Federal Acquisition Regulation (FAR) Council will issue an interim rule to include a new clause in federal contracts to capture sub-contractor information and to provide additional guidance to agencies.

July 2010 – OMB will issue an enterprise architecture of how existing systems, platforms, business processes, databases, and technologies will be used to report, collect, or pre-populate sub-award information. To leverage existing capability, several systems may be used to collect

³ For the purposes of reporting to USAspending.gov, ‘program source’ is defined as the ‘Treasury Account Symbol (TAS)’, as it has been documented in previous guidance regarding FFATA reporting, [M-09-19](#).

⁴ For the purposes of reporting to USAspending.gov, the “unique identifier” is defined as the entity’s DUNS number, as it has been documented in previous guidance regarding FFATA reporting, [M-09-19](#).

sub-grant and sub-contract data. However, it is anticipated that the sub-grant and sub-contract data will be reported into a single website, hereby known as USAspending.gov/reporting, whether directly reported into the solution or uploaded by feeder systems. As a guiding principle, OMB will look to build off existing platforms in developing an integrated approach in order to ease burden and leverage existing investments (e.g., FederalReporting.gov, the Electronic Subcontractor Reporting System (eSRS), etc.). Agencies will have until December 2010 to comply with the requirements outlined in the architecture guidance, including necessary system modifications and testing.

As necessary, OMB will also issue a set of instructions and requirements on the access and registration protocols for reporting. In addition, OMB will verify the data standards and reporting specifications already in use or update them as necessary. The requirements will also include the information on data standards and structure to promote consistent reporting across agencies. OMB will leverage existing registration processes to minimize associated administrative burden.

August 2010 – OMB will finalize necessary guidance, regulations, forms, and other documents, as appropriate. OMB will also finalize any necessary changes to existing data standards and reporting specifications. To optimize pre-population, OMB will issue guidance on the data elements and definitions within a Federal spending data model that would enable source data to be used wherever possible. This guidance will also address data quality requirements and expectations for sub-award information.

September 2010 – Agencies must complete revisions to their guidance, as appropriate.

7. Will the USAspending.gov/reporting site have data pre-population?

Yes. One of the key lessons learned from Recovery Act implementation with respect to data quality was the need for pre-population of key data elements. The goal for USAspending.gov/reporting is to provide the pre-population of some data fields to ensure quality data and minimize unintended data entry errors by sub-recipients. Using currently available agency data through feeder systems will maximize pre-population.

C. Data Quality for Federal Agency Reporting on USAspending.gov

This section applies to the quality of Federal agency data submitted to USAspending.gov, as outlined in the memorandum issued by OMB's Deputy Director for Management on February 8, 2010, [Open Government Directive – Framework for the Quality of Federal Spending Information](#). This section does not apply to the data quality of sub-recipient or sub-contractor

data addressed in Section B of this guidance. The responsibilities for data quality of sub-recipient or sub-contractor data will be addressed in separate guidance from OMB.

1. What metrics will be used to determine the quality of information on USAspending.gov?

OMB will require agency reporting on three key metrics: timeliness, completeness, and accuracy⁵.

2. What is the overall data quality goal and when will agencies be expected to achieve it?

The goal is to move toward 100% of awards data being reported on time, complete, and accurate (free of error) by the end of fourth quarter FY 2011, with interim milestones.

In order to achieve this goal, and as required in the memorandum issued by OMB's Deputy Director for Management on February 8, 2010, Open Government Directive – Framework for the Quality of Federal Spending Information, Federal agencies will establish a data quality framework for Federal spending information, including a governance structure, risk assessments, control activities, communication strategy, and monitoring program. Each agency will submit to OMB a plan addressing these components of the data quality framework. Each plan must also include a section on the current internal controls over the information Federal agencies submit to USAspending.gov.

OMB will work with agencies to establish a baseline metric of the timeliness, completeness, and accuracy of data currently submitted to USAspending.gov. Once a baseline has been established, the agencies will be required to submit a supplement to their data quality plans addressing actions the agencies will take to improve the internal control framework over the data submitted to USAspending.gov and to improve the quality of the actual Federal spending information submitted to USAspending.gov. Additional information on the metrics, baseline, and supplement to the data quality plans will be forthcoming.

3. What are the key deliverable dates and milestones for data quality with respect to USAspending.gov?

⁵ In general, timeliness is the percentage of transactions reported within 30 days, completeness is the percentage of transactions containing all data elements required by the Transparency Act, and accuracy is the percentage of transactions that are complete and do not have inconsistencies with systems of record or other authoritative sources (e.g., CFDA and program source). More detailed definitions of the metrics will be available in separate guidance. For more information, see Question 4, Section C of this guidance.

- April 14, 2010 – Agencies submit data quality plans to OMB, including a section on information submitted to USAspending.gov
- April 30, 2010 – OMB provides feedback on plans
- May 14, 2010 – Agencies finalize first data quality plans with SAO certification
- Quarterly beginning in FY 2011 - Agencies will achieve at least a 10% improvement in data quality for each metric

4. What are the agency requirements for establishing baseline performance metrics for data quality?

In an effort to improve the quality of information submitted to USAspending.gov, a dashboard containing metrics for timeliness, completeness, and accuracy will be publicly displayed (after the baseline has been established) and updated quarterly. The public dashboards will be displayed beginning in FY 2010 for each agency and each type of award, including Federal contracts, grants, loans, and other financial assistance.

The initial baseline of data quality metrics will be available on OMB's MAX system. Each Federal agency will need to review its baseline metrics. Any discrepancies that an agency identifies with the data on OMB's MAX system should be communicated to OMB as soon as possible since the baseline will be used for the public dashboard and provide the basis for the supplement to the data quality plans. The dashboard will provide the public the ability to monitor agencies' progress in improving the timeliness, completeness, and accuracy of Federal awards information. Agencies will be expected to provide interim milestones and targets in the supplement to the data quality plans such that the agencies will meet the data quality targets outlined in Question 3 of Section C. OMB will monitor the agencies' progress on meeting their milestones.

D. Technology Enhancements to USAspending.gov

1. What is USAspending.gov?

USAspending.gov is a platform that will enable Federal compliance with the Transparency Act and enable future growth of reporting on federal spending. It was launched in January 2008, and currently has information on grants and contracts at the prime award level.

2. What is the plan for upgrading USAspending.gov?

In coordination with GSA, OMB will launch a new USAspending.gov platform in a cloud environment to enhance the usability of the information posted and accommodate the significant future growth expected for the site, including sub-award reporting. The new site will also include new dashboards for presentation of the data by agency, by recipient, or by location. The site will also greatly improve the ability of members of the public to download raw data to perform their own analysis. OMB will launch a new version of USAspending.gov in the spring of 2010.

3. What is the governance of USAspending.gov?

Beginning in April 2010, OMB will establish the USAspending.gov Control Board. The purpose of the Board is to coordinate the policies and systems that support the collection and presentation of data on federal contracts, grants, loans, and other spending. This Board will consist of the Federal CIO, who is responsible for representing the technology community and enterprise architecture; the Federal Controller, who is responsible for representing the financial management and grants community; and the Administrator for Federal Procurement Policy, who is responsible for representing the procurement community. The Board will ensure that the USAspending.gov system meets the intent of the Transparency Act and considers the needs and interests of the functional communities, such as contracts, grants, and loans communities. The Board will seek to better align USAspending.gov reporting with source data. The functional owners will consult with their community advisors to ensure their interests are adequately and accurately reflected. As needed, a Change Control Board will be developed to implement the decision and modifications agreed to by the Control Board.