

Testimony Of
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At Hearing

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Challenges Facing States, Local Governments

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Introduction and Overview

Chairman Towns, Ranking Member Issa, and Members of the Committee, thank you for inviting me to testify today before you with this distinguished panel about oversight of the American Recovery and Reinvestment Act of 2009 (ARRA). My name is Mike Pickett and I am the Chief Executive Officer at Onvia, a 12-year-old, NASDAQ-traded information services company based in Seattle, Washington.

Simply stated, our business provides a comprehensive view of government spending to companies that desire to sell their goods and services to government agencies around the country. We were purpose-built to track government purchasing events in the Federal, State, Local and Education marketplace and are the widely recognized leader in this space.

Our business at Onvia is comprised of two distinct parts. On one side, we facilitate procurement and vendor management for State, Local and Education agencies through an eProcurement portal. We have more than 6,000 government users and more than 50,000 business users, and we drive procurement compliance via both technology and process. As an aside, this part of our business was started with a small Department of Commerce grant many years ago to help disadvantaged business gain access to government contracts.

On the other side, we have an information subscription service that is designed to assist companies that do business with the government. In total, we cover more than 89,000 Federal, State, Local and Education entities each day and have more than 8,000 paying subscribers. We also partner with organizations such as local Chambers of Commerce to provide government contract visibility for their members.

Our products contain information about government spending, built up from millions of goods and services transactions from across every industry from Construction, Engineering, and Architecture to Healthcare, Energy, Water, and Information Technology.

My remarks will focus on transparency, or the real time tracking of the stimulus money as it is being spent in order to measure the impact of the recovery investment as well as to help prevent fraud, waste and abuse, rather than discover it after the fact.

I am not in government nor have I ever worked for government. However, I am a specialist in government spending and a trained auditor. For the past 9 years, I have guided Onvia into its current position as a recognized leader in government contracting information and for 14 years served as an auditor for Deloitte and Touche. In my past, I also ran a company that employed more than 3,000 people and grew from a small regional business into a global operation in the technology industry. Because of my range of experience, I may be uniquely qualified to provide insight into the challenges and possible solutions to the imperative of the Administration and the Congress to provide the American people with visibility into where the money is going while it is going.....that is Transparency.

The President signed the ARRA on February 17, 2009 in Colorado. In his remarks that day the President said, and I quote:

“With a recovery package of this size comes a responsibility to assure every taxpayer that we are being careful with the money they worked so hard to earn. And that's why I'm assigning a team of managers to ensure that the precious dollars we've invested are being spent wisely and well.

Governor Ritter, Mayor Hickenlooper, we're going to hold governors and local officials who receive the money to the same high standard.

And we expect you, the American people, to hold us accountable for the results. And that's why we created Recovery.gov, a Web site so that every American can go online and see how this money is being spent and what kind of jobs is being created, where those jobs are being created. We want transparency and accountability throughout this process.”

When the Congress wrote the legislation providing for the spending of \$787 billion to stimulate the economy out of a very serious decline and to create and save millions of jobs, Congress recognized that spending this amount of money quickly was a risky yet necessary act, and thus provided for an unprecedented standard of transparency and oversight. In the Act, Congress created the Recovery Accountability and Transparency Board (Board), and provided that the membership of that Board be comprised of the distinguished Inspectors General from 10 agencies of the Federal government. The President appointed the distinguished Earl Devaney to lead that Board. In general, the Act states that the Board was established to “coordinate and conduct oversight of covered funds in order to prevent fraud, waste and abuse.”

The clear intent of the Congress was prevention of fraud, waste and abuse, and the means to accomplish this prevention was through transparency of the contracting process. The President also voiced the opinion that "... every American will be able to see how and where we spend taxpayer dollars by going to a new web site called Recovery.gov. Because I firmly believe with Justice Brandeis that sunlight is the best disinfectant, and I know that restoring transparency is not only the surest way to achieve results, but also to earn back that trust in government without which we cannot deliver the changes the American people sent us here to make."

The Act also provided for Transparency and Accountability to be the cornerstone of a new Federal government website, Recovery.gov. The Act stated "The Board shall establish and maintain, no later than 30 days after enactment of this Act, a user-friendly, public-facing website to foster greater accountability and transparency in the use of covered funds."

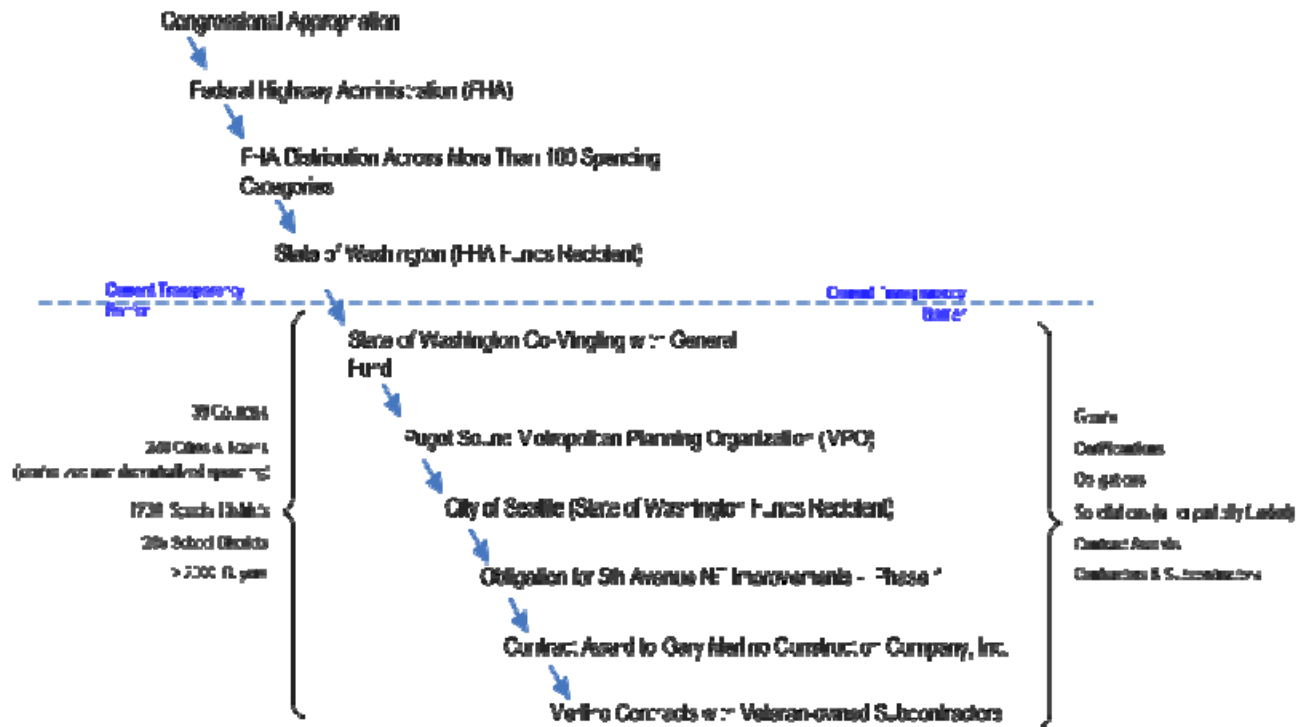
In short, the President and the Congress pledged to the American people that they would be able to observe the contracting process from obligation to contract award, from Recovery.gov.

Accountability and Transparency

Accountability is a clear reference to the responsibility of recipients and sub-recipients to spend ARRA money wisely and in accordance with the purpose and expectation of the Act. The members of the Board are intimately familiar with the term and the accounting requirements that are necessary to audit and report on accountability. I'm confident that the Board will aptly carry out its responsibilities for accountability. In addition, I am confident that the Government Accountability Office (after all it changed its name from the General Accounting Office to the Government Accountability Office for that very reason) and the state auditors will be aggressive in finding waste, fraud and abuse in their auditing processes. But the Act calls for Prevention of fraud, waste and abuse. By definition, prevention means stopping something before it happens. Discovering fraud, waste and abuse after it has been perpetrated, is not prevention. For prevention, we need to have Transparency. And to be an effective deterrent to fraud, waste and abuse, this transparency must be timely and easy to access. Citizens and businesses with easy access to information about pre-solicitation through award, as the contracting process unfolds, it is argued will be the whistle-blowers of potential waste, fraud and abuse before it happens. In

order to make this a reality, Recovery.gov must provide nearly real-time visibility into all pre-solicitations, bid solicitations, amendments etc., as well as award information. Cradle to grave, no matter how many sub-, sub-sub-, or sub-sub-sub- recipients there are; all the way down to recipient vendor and sub-vendor.

Consider the example below of a typical capital flow from Congress to local subcontractors:



Tracking cradle to grave appears to be a nearly impossible task as Office of Management and Budget (OMB) in its guidance has limited the reporting requirements to cover only to the sub-recipient level, who very likely are agencies still several times removed from the final award. (The Coburn-Obama Act that created USASpending.gov also required posting of spending through the state and local level by January 1, 2009 which has yet to be accomplished). As it is, the Act's reporting requirements have been placed on the states and local agencies by the Federal government. I would leave it to the state officials testifying at this hearing to opine on the sufficiency of the available funding, but suffice it to say, additional tax dollars are being spent to track spending of additional tax dollars, and that doesn't create jobs.

And as for the timeliness requirement for prevention, reporting spending 100 days after the spending occurs does not prevent spending that is fraudulent, wasteful and abusive. Near real-time reporting is possible and should be required.

Job Creation and Savings

The ARRA focused predominantly on job creation from government spending. OMB directives require recipients and sub-recipients to report on their estimate of jobs created or saved as a result of ARRA spending. It is necessarily loose on definition, basically leaving interpretation up to the reporting agency. I applaud this approach at this time. However, job creation comes from businesses winning government contracts and thereby hiring or retaining employees to perform on the contract. Any estimate of job creation and savings must include “indirect and induced” job (currently excluded by OMB directives), and must consider that the jobs were created or saved when the contract was awarded, not before.

For example, Onvia is currently tracking \$90,081,281,992 of spending over 21,931 projects. (By the way, you might be interested to know that spending is accelerating. Only 4 weeks ago, there was only \$59 billion in the contracting pipeline, and the majority of the increase is in the RFP and Award phase. That could be a good sign for unemployment.) Applying Congressional Budget Office (CBO) and Council of Economic Advisors (CEA) job creation/saving formulas to this number projects between 540,486 and 981,883 jobs WILL be created or saved as a result of the spending now in process. Of the \$90,081,281,992 currently in the spending process, there have been 2,918 awards worth \$21,432,752,383. If contracts-awarded is a good measure of jobs that have been created or saved, using the CBO/CEA formulas would present very different numbers of between 128,596 and 233,617 jobs.

Due to the speed and lack of real-time transparency of the spending, it is likely that the funds will mostly go to existing large government contractors. Yet, the largest job losses have occurred in small businesses (it has been reported that small businesses employ greater than 50% of all Americans and have suffered over 80% of the job losses). If we want to save the small businesses of America, we need to give them real-time access to the ARRA contracting opportunities in an easy to use manner. Our goal should be to help small business owners and

their employees save their jobs and their businesses by giving them real-time information on RFPs and awards, so they can compete for work created from the ARRA spending. Informing them of these opportunities 100 days after an award has been made is too late and in fact in most cases a sub-contractor needs to participate in the bid with the prime contractor in order to be successful. Small business owners are suffering the most. They are losing their businesses, homes and retirements. Real-time transparency can make a difference and can provide the desired/intended stimulus to the economy. Onvia is tracking 6,813 projects worth \$17,007,763,546 that are currently in the Request for Proposal pipeline that all American businesses should be able to easily find and bid on if they chose. Think of the benefit to them as well to the government in generating more competitive and lower costs bids.

Recovery.Gov

Recovery.gov should track ARRA spending while it is actively in the contracting process for the reasons I have mentioned above. I have heard people say that it can't be done. And there is a natural transparency barrier. The market is highly fragmented: there are more than 89,000 Federal, State, Local and Education entities across the country and an estimated 20,000 of these will receive a portion of funds from ARRA. In addition, there are hundreds of thousands of officials at these agencies who will have a role in procuring goods and services with ARRA funds, and there are more than three million businesses that are qualified to bid on ARRA-funded projects. You can see from these numbers how the sheer magnitude quickly creates an intractable problem, especially when placed on an aggressive timeline.

The transparency barrier that exists between the Federal government and State and Local governments has been exposed with the passage of the ARRA and with the speed at which these funds are being approved and disbursed. This week the Association of Government Accountants released its annual survey of agency Chief Financial Officers where some executives of state governments believe their "systems are ill equipped to meet requirements to track funds from the American Recovery and Reinvestment Act of 2009 down to the program and local levels."

But tracking funding real time can be done. Onvia created Recovery.org to demonstrate what can be done to support the Administration and Congress' desire for transparency and to try to do our

part to help in the recovery. Our data comes directly from government agencies, the same agencies and likely the same individuals who will be providing the same information to Recovery.gov, months later. Because of our advanced use of technologies and processes and our sophisticated taxonomies, we are able to capture nearly 4,000 new contracting events each day across 89,000 government agencies, standardize them, field them in a database and make them available (transparent) to our clients the next day.

Our approach isn't likely to meet the requirements of post-award auditing procedures. Auditors will require more data and will need the evidence of spending, like contracts and disbursement checks to meet their accountability requirements. (By the way, I'm not sure why existing auditing processes can't do the same). But in the near-term, Recovery.org does provide, at no charge, the near real-time transparency that can reduce fraud, waste and abuse, and provide our nation's businesses with fast and easy access to information about RFPs that can save their businesses and the jobs of their employees. It can also provide better visibility into jobs that actually HAVE BEEN created or saved. The proof of the need for this kind of service can be found in the organizations whose people regularly visit Recovery.org for information on ARRA spending. When you exclude ISPs like AOL etc., 13 of the top 15 organizations who regularly visit Recovery.org are Federal government agencies and departments as follows:

- #1 – US Army
- #2 – US House of Representatives
- #3 – US Navy
- #4 – US General Services Administration
- #5 – US Department of Agriculture
- #6 – US Air Force
- #7 – US Senate
- #8 – US Department of Transportation
- #9 – US Government Accountability Office
- #10 – Supplies distribution business
- #11 – US Environmental Protection Agency
- #12 – US Department of Veterans Affairs

#13 – Communication Products distributor

#14 – US Department of Health and Human Services

#15 – Federal Emergency Management Agency

While we are pleased to provide this service to the federal government, it seems rather ironic that some of the same people responsible for transparency choose to malign our data while many others within their organization are reliant on it. Let me repeat that the data we obtain is from the **VERY SAME SOURCES** that government auditors will be using....the difference is that we have the technology and the processes already in place to make this information more useful to businesses by providing it in a much more timely and user friendly manner.

We are proud of our contribution to our Nation's recovery efforts and to the well-being of millions of small and medium sized, as well as disadvantaged businesses, and I must add, we did it without hundreds of pages of directives and millions of dollars of administrative costs. The Congress should encourage the Administration to make this data available to businesses, government employees and taxpayers by utilizing Recovery.org's approach to transparency on its own website, Recovery.gov. In the spirit that the President and Congress created the ARRA, improved access to this information on a timely basis would accelerate job creation, economic recovery and would save tens of thousands of businesses as well as improve the chances of preventing fraud, waste and abuse at the front end of the procurement process.