Key Actions That Contribute to Successful Program Implementation

Lessons from the Recovery Act

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Richard Callahan
University of
San Francisco

Sandra O. Archibald
University of Washington

Kay A. Sterner
University of Washington

H. Brinton Milward
University of Arizona

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Richard Callahan
Associate Professor
University of San Francisco

Kay A. Sterner
Academic Professional Writer
Evans School of Public Affairs

Sandra O. Archibald
Professor and Dean
Evans School of Public Affairs

H. Brinton Milward
Providence Service Corporation Chair
and Director
School of Government and Public Policy
University of Arizona

With contributions from members of the Case Study Development Workshop:
Carolyn Brown, Ann Comer, Ed DeSeve, Constance Gillam, Henry Hensley, Jacqueline Hillian-Craig, Andrew Kvam, James Miner, Patrick Phillips, Paul Rauch, Teresa Thomas, Kristi M. Tunstall, Colin Walsh, Cynthia Williams, and Sandra Westin

IBM Center for
The Business of Government

Table of Contents

Foreword

On behalf of the IBM Center for The Business of Government, we are pleased to present this report, *Key Actions That Contribute to Successful Program Implementation: Lessons from the Recovery Act,* by Richard Callahan, Sandra O. Archibald, Kay A. Sterner, and H. Brinton Milward.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed by President Obama on February 17, 2009, providing more than $787 billion in tax benefits; grants, loans, and contracts; and entitlements in more than 250 appropriation accounts in 28 departments and agencies.

Jonathan D. Breul

Historically, spending under stimulus legislation tends to peak *after* a recession is over. To avoid this, the Recovery Act mandated tight timeframes for spending, with 70 percent of the money required to be spent within 17 months to generate jobs. There was significant concern that this rapid spending might result in an estimated $50 billion in waste, fraud, or abuse. Accordingly, there were stringent transparency and accountability requirements embedded in the law.

These requirements posed significant challenges to federal executives, who responded by seeking out different models for program design, development of implementation procedures, and ways of engaging stakeholders and funding recipients. This report examines how federal managers met these challenges. It is based on a series of case studies and interviews with program-level managers who were personally engaged with implementing specific programs.

Dion Rudnicki

Based on these interviews, the authors identified a set of common actions taken by these federal managers to meet the Recovery Act's challenges of implementing programs and provisions on time and ensuring the funds were properly spent in ways that created or saved jobs across the economy.

This report is one of a series examining the implementation of the Recovery Act, which was the largest post-World War II effort undertaken by the federal government, nearly doubling federal discretionary spending in the 17-month period after its enactment. Other reports in the series include:

- *Managing Recovery: An Insider's View,* by G. Edward DeSeve

- *Virginia's Implementation of the American Recovery and Reinvestment Act: Forging a New Intergovernmental Partnership,* by Anne Khademian and Sang Choi

- *Federal Spending Transparency: Learning from the State Experience Under the Recovery Act*, by Francisca M. Rojas

The authors of this report found that various programs authorized by the Recovery Act were implemented very differently than those authorized by stimulus legislation in past recessions. There was a corresponding air of electricity throughout much of the government. From our perch in Washington, the speed of funding disbursements was unbelievable. We saw federal employees who were truly committed to making it work. They pulled together collectively, putting aside their regular work to ensure success. Retired executives and other specialists were brought out of retirement to help. The speed with which they had to work to meet deadlines often meant they couldn't bring contractors on board to help design their new approaches. They were largely on their own. There were few if any new administrative resources and the new Obama administration political appointees were largely not yet in place. The bulk of the work was done by career federal employees, led by senior career executives.

This report provides an insight into how the federal government came together around a common goal—to help the economy recover. While the Recovery Act pressured agencies to spend large amounts of money quickly, the implementation of the act provides insights for how government can do business differently in the future, especially given the prospect of long-term fiscal austerity in many agencies.

Since austerity often causes agencies to rethink how they deliver services, we trust that the insights from this report will help government executives manage future challenges that reach across program boundaries under tight time constraints.
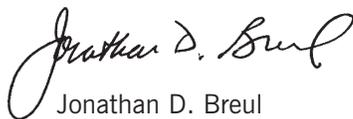
Jonathan D. Breul
Executive Director
IBM Center for The Business of Government
jonathan.d.breul@us.ibm.com

Dion Rudnicki
Vice President, Federal Civilian Agencies
Global Business Services
rudnicki@us.ibm.com

Executive Summary

Less than a month after taking office, President Obama signed the American Recovery and Reinvestment Act, a $787 billion piece of legislation that provided temporary dollars to 28 agencies through more than 200 programs. This was equivalent to doubling domestic discretionary spending over the following year.

The Recovery Act also set tight deadlines—70 percent of the money had to be committed by September 30, 2010 or it would expire. It also contained a number of unprecedented transparency and accountability provisions as well as a number of new programs that would have to be designed and deployed, often with few additional staff resources. Furthermore, since it was the beginning of a new administration, few political appointees were in place. In fact, only 14 percent of top-level appointees were in place by the end of the first 100 days of the administration.[1]

So how did federal agencies manage this massive implementation challenge?

This report is based on nine case studies prepared by federal agency executives and interviews with federal agency staff involved in implementing the Recovery Act. The challenges faced by these agencies spanned the spectrum of challenges faced by other agencies. One agency—the Public Buildings Service—saw its construction budget increase fivefold. Another agency—the Department of the Treasury—had to develop guidance for, and implement, a $60 billion new bond program for states and localities, which set precedents for the next 30 years. And the Department of Labor found itself reengineering worker protection programs to streamline approval and certification processes so the Department of Transportation could authorize transit construction grants to states and localities.

In some cases the new approaches developed to manage Recovery Act implementation were temporary and agencies returned to their standard operating procedures. But in a majority of cases, agencies adopted the newly developed processes as their standard way of doing business. Examples include the streamlined contracting processes developed by the Department

Project Participants

This report is a product of both the authors and members of the Case Study Development Workshop: Carolyn Brown, Ann Comer, Ed DeSeve, Constance Gillam, Henry Hensley, Jacqueline Hillian-Craig, Andrew Kvam, James Miner, Patrick Phillips, Paul Rauch, Teresa Thomas, Kristi M. Tunstall, Colin Walsh, Cynthia Williams, and Sandra Westin. Parts of the text reflect the work of the case study authors. In addition, John Kamensky of the IBM Center for The Business of Government provided editorial support for the final report.

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1. U.S. Congress, Committee Report 112–24, Committee on Homeland Security and Governmental Affairs. "Presidential Appointment Efficiency and Streamlining Act of 2011." June 21, 2011, p. 2. http://www.gpo.gov/fdsys/pkg/CRPT-112srpt24/pdf/CRPT-112srpt24.pdf

of Veterans Affairs and the place-based reporting system developed by the Department of Housing and Urban Development.

The case studies and interviews undertaken for this report revealed shared practices in how federal career executives responded to the myriad challenges imposed by the requirements of the recovery. The following action steps could serve as future guides for executives who find themselves facing similar challenges:

- **Action Step One: Set deadlines to create a sense of urgency.** Statutory deadlines focused agency leadership on key priorities and fostered entrepreneurial behaviors to find ways around traditional operating practices. Self-imposed interim deadlines maintained momentum.

- **Action Step Two: Create dedicated project teams**. Most agencies created project offices so senior executives could devote full-time attention to meeting program demands.

- **Action Step Three: Use technology to track progress.** Off-the-shelf technology provided departmental secretaries and program managers in the field access to real-time data that had never before been available.

- **Action Step Four: Anticipate bottlenecks and streamline processes**. Existing processes would not work because they were too slow. Agency executives quickly identified potential bottlenecks and redesigned processes, often by centralizing efforts in the project leadership offices.

- **Action Step Five: Build in transparency and accountability.** The Recovery Act created new expectations, governance structures, and tools. It also provided significant funding to track spending and progress. These were largely web-enabled approaches not used on this scale before.

- **Action Step Six: Identify risks and manage them.** The law explicitly required risk identification and risk management techniques with a focus on prevention of fraud and abuse, rather than the traditional approach of catching malfeasance after the fact. This was made possible by the transparency tools noted in Action Step Five.

- **Action Step Seven: Foster real-time learning**. As implemented, the Recovery Act placed a strong emphasis on sharing experiences across programs and levels of government to spur real-time learning. Although not a statutory element, this was a basic operating premise adopted by the Vice President's Recovery Implementation Office and replicated across agencies.

- **Action Step Eight: Create horizontal networks.** Cross-agency networks were a hallmark of the Recovery Act's implementation, again fostered by the operating premises embraced by the Recovery Implementation Office.

- **Action Step Nine: Embrace adaptation as a mindset**. Agency career executives found themselves largely on their own, given that only a few political appointees were in place. The Recovery Act's urgency encouraged career executives to innovate and improvise in ways that ran counter to traditional operations, but were appropriate given the circumstances.

Notably, agencies did not apply these action steps individually. Their strength came from being used in combination. Viewing these nine action steps as linear—one occurring after another—underestimates the iterative process of how they were actually applied. Only when taken together did they advance the chances of successful program implementation.

While the case studies and action steps observed were in the context of the urgency of the Recovery Act's deadlines, they do offer federal executives fresh insights into approaching their regular missions. They offer the potential to serve as both a checklist for public managers and executives to assess current efforts, as well as a map to navigate uncertain terrain in launching future initiatives.

Part I:
The Story of the Recovery Act

Introduction: Understanding the Recovery Act*

On February 17, 2009, President Barack Obama signed into law the American Recovery and Reinvestment Act of 2009 (the Recovery Act, or ARRA), allocating $787 billion of recovery funds to jumpstart the economy.

The purpose of the Recovery Act was to combat the deepest and steepest recession since the Great Depression. As Figure 1 shows, the economy was in a major state of contraction, losing almost four million jobs in the six months preceding passage of the act. In the first quarter of 2009, the economy was losing an average of more than 750,000 jobs every month.

Figure 1: Steepest, Deepest Recession since the Great Depression
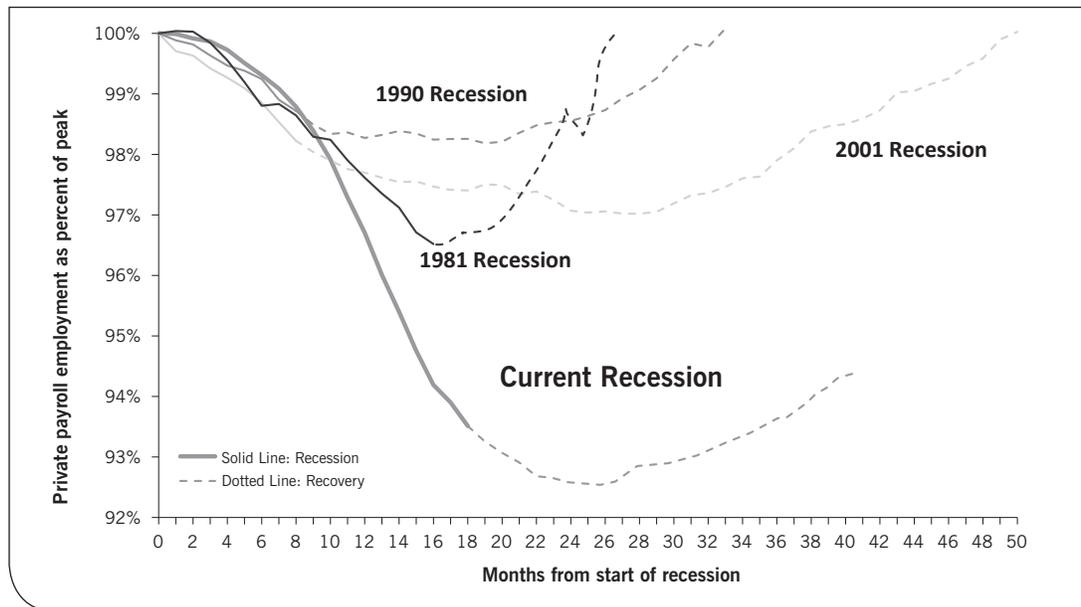
Source: G. Edward DeSeve, *Managing Recovery: An Insider's View,* IBM Center for The Business of Government (2011), p. 10.

The Recovery Act contained three major components:

- Tax cuts (about $288 billion)

- Grants, loans, and contracts (about $275 billion)

- Entitlement payments to individuals (about $224 billion)

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* This chapter includes material developed by Ed DeSeve as part of the case study development workshop.

Each component featured major implementation challenges. Tax cuts and entitlement payments (e.g., a $250 one-time payment to eligible veterans) had to be implemented rapidly without significant error. Grants and construction contracts had to be announced, competed where necessary, awarded, and obligated according to a timetable that would have 70 percent of all Recovery Act funds outlaid and distributed by September 30, 2010, including tax and entitlement benefits. This amounted to $551 billion of the $787 billion initially appropriated.

In comparison, the entire non-defense discretionary budget for FY2009 was $580 billion. For many programs, the Recovery Act represented a multifold increase in funding. For example, funding for the Department of Energy's home weatherization program provided a total of $5 billion over a three-year period in which Recovery Act money was available. This was in addition to $210 million per year received in regular funds in fiscal year 2010.[2]

In addition to the significant amount of money allocated to over 200 programs—some new, most preexisting—the Recovery Act put in place a set of oversight provisions to ensure that the monies would not be wasted or subject to fraud. Specifically, the Recovery Act provided about $340 million for oversight by the Government Accountability Office and agency inspectors general. It also created a temporary oversight board comprising inspectors general whose agencies received the largest amounts of money from the Recovery Act. The Recovery Accountability and Transparency Board would be responsible for tracking the dollars appropriated under the Recovery Act and sharing that information publicly on a quarterly basis. To help track the dollars, the Recovery Act stipulated that all funding under the act would be segregated into separate Treasury accounts so it could be tracked separately from all other federal spending.

Against this backdrop, President Obama made it clear that misspending would not be tolerated. In a February town meeting with mayors shortly after the Recovery Act was passed, he said:

> … So I want to be clear about this: We cannot tolerate business as usual—not in Washington, not in our state capitals, not in America's cities and towns. We will use the new tools that the Recovery Act gives us to watch the taxpayers' money with more rigor and transparency than ever. If a federal agency proposes a project that will waste that money, I will not hesitate to call them out on it and put a stop to it.[3]

Obama turned to Vice President Joe Biden to lead the implementation effort. This might seem an unusual task for a Vice President whose primary expertise was on the judiciary and foreign affairs committees in his time in the Senate. However, the President believed that it was necessary to demonstrate the extraordinary importance of Recovery Act implementation by placing responsibility for it at the highest level of government possible. Ron Klain, the Vice President's chief of staff, was instrumental in implementing this decision and the Executive Office of the President moved quickly to organize and staff Recovery Act implementation.

Recovery Act as a Model for Implementing Large Initiatives

The range of case studies in the implementation of the Recovery Act addresses the following questions:

- How did federal central management agencies (such as the Office of Management and Budget), federal program agencies (such as the Department of Labor), states, localities, nonprofits, and the private sector work together to fulfill the purposes of the Recovery Act?

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2.   U.S. Government Accountability Office. "Recovery Act: Progress and Challenges in Spending Weatherization Funds." GAO-12-195, December 2011, p 5.

3.   Barack Obama, White House Press Office, Remarks by the President and the Vice President at Meeting with the Nation's Mayors, February 19, 2009. http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-and-Vice-President-at-Meeting-with-Nations-Mayors/

- What should be done to ensure accountability for financial and program results and to mitigate the potential for waste, fraud, and abuse?

- How can speed of funds distribution be balanced with the need to provide clear guidance on how actions will take place?

- How would the Recovery Act's extraordinary requirements for transparency be implemented across the broad agency and recipient communities?

Many Recovery Act programs did not receive increased direct administrative funding or oversight funding. This was particularly acute for funding recipients at the state and local levels. And the party-line split in enacting the bill meant that political support was not uniform across Congress or across the jurisdictions receiving funding.

Additionally, the governance and accountability framework for implementation of the Recovery Act were expected to be temporary and needed to be flexible. Using traditional structures for implementation and oversight had drawbacks that might cause confusion and delays, as existing policies and procedures occasionally came into conflict with the mandates of the Recovery Act. For example, existing policies for planning and environmental reviews ran counter to the Recovery Act's intent to create jobs by obligating dollars quickly on construction projects.

Broadly stated, there was great need for:
- Collaboration

- Accountability

- Results

- Speed

- Transparency

The question was how to do all of these things simultaneously against the backdrop of a deteriorating economy and serious partisan differences about the direction of the Recovery Act.

Organization of the Report

This report examines the experiences of federal agencies as they implemented provisions of the Recovery Act. It is based on a series of interviews and case studies conducted by federal employees under the guidance of experienced academic authors. Part I of the report examines the common challenges agencies faced in implementing the Recovery Act, along with a summary of widespread practices and behaviors that seemed to contribute to their success. Part II provides a summary of nine case studies of individual agencies' efforts to implement the Recovery Act and how they addressed specific challenges in meeting the Recovery Act's requirements for speed, job creation, transparency, and accountability.

Methodology: Federal Executives Tell Their Stories

The practices and behaviors described in this report reflect insights that emerged from a research partnership between academics and practitioners, resulting in the nine case studies listed here. The process began when Edward DeSeve, who coordinated the implementation of the Recovery Act, invited four directors and deans of schools of public management, policy, and administration to coach federal executives in writing federal agency case studies. More than 20 federal agencies sent representatives to the two-day workshops.

The faculty brought a range of experience in case study writing, including developing cases for the Electronic Hallway, an online repository of case studies at the Evans School of Public Affairs of the University of Washington (http://hallway.evans.washington.edu/recovery-act-case-studies). Each of the four faculty members also had significant personal experience in the challenges of administration and executive leadership in both higher education and in public service.

The case writers engaged the participating federal managers in a structured experience of reflective practice. Each of the case writers were, at the time of writing, federal managers who interviewed their peers.

A range of research over the past 30 years finds that reflection by professionals about their practice advances professional and organizational performance. Recent empirical research on successful executives in the private sector reinforces the pivotal role of reflection on work events as an ongoing practice (Buckingham 2005). Research on high reliability organizations finds as a shared value the honest discussion on past performance to advance future performance where lives are at risk (Weick 2006). Reflection on current experience within an organization can create the shared meaning needed to lead effectively (Bennis 1989). And capturing the perspectives of practitioners in action offers an opportunity to understand the creative knowledge generated by professionals (Schon 1983).

The authors found that the Recovery Act seemed to change the norms for how a number of government agencies operate. For example, there now seems to be a greater use of transparency and accountability, especially in better managing programmatic risks. In addition, efforts to streamline grant and contract processes under the Recovery Act may well become models for broader grant and contract systems. Likewise, the use of real-time learning and collaborative networks may be adapted more widely as ways to cope with tighter budgets.

List of Case Studies Summarized in Part II

Managing a Spending Spike in Existing Programs

- **Case Study One: U.S. General Services Administration**
  The Public Building Service's "Billion Dollar Week."
  By Kristi M. Tunstall, Director of Operations, General Services Administration

- **Case Study Two: U.S. Department of the Interior**
  How the U.S. Fish and Wildlife Service Adapted Its Highly Decentralized Field Structure to Meet New Reporting and Spending Demands.
  By Colin Walsh, Special Assistant to the Senior Advisor, U.S. Fish and Wildlife Service, and Paul Rauch, Deputy Assistant Director, U.S. Fish and Wildlife Service

Creating New Programs

- **Case Study Three: U.S. Department of the Treasury**
  Providing Federal Support for Housing and Energy through Direct Cash Payments in Lieu of Tax Credits.
  By James Miner, Financial and Program Analyst, Department of the Treasury and Patrick Phillips, Program Analyst, Department of the Treasury

- **Case Study Four: U.S. Department of the Treasury**
  Using "Build America Bonds" to Serve as an Efficient and Effective Subsidy for State and Local Borrowers.
  By Andrew Kvam, Analyst, Department of the Treasury and Sandra Westin, Department of the Treasury

Redesigning Administrative Processes

- **Case Study Five: U.S. Department of Labor**
  How a Regulatory Agency Rapidly Designed and Implemented an Adjudicatory Appeals System for People Denied COBRA Health Care Insurance Subsidies.
  By Teresa Thomas, Senior Program Analyst, Department of Labor

- **Case Study Six: U.S. Department of Labor**
  How a Regulatory Agency Redesigned and Implemented Its Certification Process to Speed the Award of Recovery Act Transit Funding.
  By Ann Comer, Chief, Office of Labor-Management Standards, Department of Labor

- **Case Study Seven: U.S. Department of Veterans Affairs**
  Creating Internal Collaborative Networks to Streamline Decisions.
  By Jacqueline Hillian-Craig, Program Analyst, Department of Veterans Affairs

- **Case Study Eight: U.S. Environmental Protection Agency**
  Developing a Stewardship Plan to Meet New Reporting Requirements.
  By Constance Gillam, Analyst, U.S. Environmental Protection Agency

- **Case Study Nine: U.S. Department of Housing and Urban Development**
  How HUD Created a Place-Based Reporting System to Track Spending.
  By Henry Hensley, Budget Analyst, U.S. Department of Housing and Urban Development

Part II of this report provides summaries of these case studies. The full case studies, about 7–12 pages in length, can be found on the Electronic Hallway at the Evans School of Public Affairs of the University of Washington (http://hallway.evans.washington.edu/recovery-act-case-studies).

Challenges in Implementing the Recovery Act

The federal government faced a formidable set of challenges in implementing the Recovery Act. In nine case studies and interviews with federal executives, four challenges consistently emerged.

Challenge One: Creating Cross-Agency Governance and Accountability Structures*

The Office of Management and Budget (OMB) took the early lead in developing guidance for what agencies would report under the Recovery Act. President Obama then designated Vice President Joseph Biden to lead the implementation, and the Vice President created a team to direct this effort from his office.

Vice President Biden asked a former OMB deputy director for management, Edward DeSeve, to return temporarily to federal service and serve as the lead for this effort. DeSeve, who had been serving as an informal implementation advisor, accepted the Vice President's invitation. He was given three titles that symbolized the cross-agency role he was asked to perform: Special Advisor to the President for Recovery Implementation, Assistant to the Vice President, and Senior Advisor to the Director of OMB.

Creation of the Recovery Implementation Office. One of DeSeve's first moves was to create a Recovery Implementation Office (RIO) located in the Office of the Vice President (DeSeve 2011). He started with a set of objectives drawn directly from the Recovery Act itself:

- Get the money out

- Get the money under contract

- Support infrastructure development

- Promote performance

- Maintain public support

DeSeve chose to use a network model for how he organized RIO, where his office served in the role of convener and problem-solver rather than as a source of regulations or direct services. For example, he coordinated twice-weekly calls for the first two years of the act's implementation with major federal agencies. These calls focused on transmitting information about recipient reporting, prevailing wage guidance, Buy America provisions in the act, spending targets, and other details regarding implementation.

On the weekly calls, agencies discussed problems they were having and how others could help. For example, if an agency had problems with the timetable for congressional notification of a

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* This section includes material developed by Cynthia Williams and Carolyn Brown.

project in his or her district, it would ask RIO to help streamline the notification process so the funds could be distributed quickly. This led to the development of a 24-hour rule that allowed agencies to proceed if the White House had not notified the members of Congress first.

In parallel, Vice President Biden reached out proactively to governors, mayors, and other local officials on regular conference calls. In fiscal year 2010, the Vice President had conducted 34 conference calls with them and he instituted a 24-hour rule with them as well. He told participants his staff would deal with a problem raised on the calls within 24 hours and let participants know how it would be resolved. This set a tone of responsiveness and built significant good will and trust.

OMB instituted weekly financial reporting from agencies to track how fast monies were being obligated. RIO served as the agencies' point of contact for this reporting, which was displayed every Friday on Recovery.Gov, the website created by the independent Recovery Accountability and Transparency Board.

The network model was used among stakeholders other than federal agencies to develop guidance and get feedback far more quickly than traditional methods. This allowed guidance to be developed faster and implemented more quickly than normal. OMB issued implementing guidance the day after the Recovery Act was signed into law and followed up with 10 additional, major guidance documents over the next 10 months. This unusual pace was made possible by establishing a real-time feedback loop with recipient stakeholders and federal agency staff.

Creation of the Recovery Accountability and Transparency Board. The Recovery Act dedicated $340 million to the conduct of oversight. Some of these oversight funds were used to create the Recovery Accountability and Transparency Board (Recovery Board). Earl E. Devaney, the inspector general for the U.S. Department of the Interior, was appointed as the chairman and 12 other federal Inspectors General (IGs) were named to the Recovery Board.

The Recovery Act carved out a very specific dual mission for the Recovery Board. The board would be responsible for transparency and accountability of Recovery Act funds. Under its transparency mission the Recovery Board would create mechanisms to track the Recovery Act money as it moved from agency to recipient and display that information to the public. To accommodate that mission, the Recovery Board built two websites:

• FederalReporting.gov, an internal website used to collect recipient-reported data

• Recovery.gov, an external website that displayed that data to the American public

In fact, President Obama vowed unprecedented transparency, such that taxpayers would be able to track money to the street level on Recovery.gov.

Equally important, the Recovery Board would be responsible for safeguarding the billions of dollars of Recovery funds from fraud, waste, and abuse. Many, including Chairman Devaney, placed the potential fraud estimate at $50 billion.

Starting a new government organization is a formidable task under the best of circumstances. If the new agency is designated to watch over the expenditure of the largest federal spending initiative ever undertaken, the challenges increase exponentially. Developing the infrastructure necessary to accomplish a charge this broad could easily have taken a year or two, but that timetable was unacceptable. The Recovery Act required quick action, as there simply were too many taxpayer dollars at stake for delay. No stranger to challenging situations, Chairman Devaney realized that he needed to transform this newly created Recovery Board comprised of 12 independent IGs into a focused and cohesive unit. As one Recovery Board employee

states, "Specifics of the Recovery Act sparked the increase in collaboration among the federal and state entities from what was in place previously."

There was a tremendous amount of work to do in very little time. Activities for the first five months included standing up the agency, retooling the initial Recovery.gov site, creating a technical solution for collecting recipient award information, and developing an unprecedented cooperative effort with state and local officials to head off misappropriation of monies.

The success of the Recovery Board's mission depended on Chairman Devaney and the 12 Board members skillfully relaying the vision for a unified network that leveraged the work of the federal IG community to create a comprehensive and far-reaching accountability program that was responsible for the transparency and accountability of Recovery Act funds.

Challenge Two: Managing a Spending Spike in Existing Programs

The Recovery Act mandated that 70 percent of the monies—about $551 billion of the total $787 billion—had to be committed in 17 months, from the time of enactment in February 2009 to no later than September 30, 2010. Otherwise, the spending authority would lapse and the monies would no longer be available. This created a huge spike in spending for a number of programs in the 28 agencies receiving monies under the Recovery Act. For comparison, total non-defense, non-entitlement government spending for FY2009 was $580 billion. Some programs experienced breathtaking increases. For example, average annual spending for the Department of Energy's home weatherization program was $210 million, but under the Recovery Act, the program was appropriated an additional $5 billion and given three years in which to spend it.

How did agencies manage this increase? Case studies of two agencies showed the use of similar practices tailored to different organizational cultures.

Public Buildings Service's "Billion Dollar Week." The U.S. General Services Administration's Public Buildings Service (PBS) was appropriated $5.5 billion to conduct new construction projects and to modernize existing buildings to meet high-performance green standards. The law required $5 billion to be awarded to contractors by September 30, 2010. Typically, PBS's annual construction budget totaled about $1 billion. The new mandate basically squeezed four years of spending into one.

PBS leaders created a program management office to integrate the different parts of the building construction process—project selection, design, approval, contracting, etc.—and focus attention on getting this done in the 11 semi-autonomous regional offices around the country. The office created a preliminary list of potential projects totaling more than $30 billion, but then winnowed the list down to projects that could begin quickly. This list of more than 250 projects to be funded was agreed upon within 22 days after the Recovery Act was passed. This process typically takes months.

To ensure it could make the September 30th deadline, PBS had a self-imposed interim deadline of $4 billion committed by March 31, 2010. PBS staff thought that creating standardized statements of work would speed the process, but in practice it slowed approval so they abandoned that approach. Instead, they chose to rely on the judgment and expertise of the employees in the field and set clear performance goals. As a result, PBS met the interim deadline, but only by committing $1 billion in just the week before the deadline. Once PBS met its statutory goal of $5 billion committed, it dissolved the program management office and reverted to the preexisting organization to ensure long-term project implementation.

Fish and Wildlife Service's decentralized implementation to its regions. Similarly, the Fish and Wildlife Service in the U.S. Department of the Interior saw a spending spike from its typical level of about $80 million a year to $280 million—about three years' normal workload—added on top of its normal workload. The Fish and Wildlife Service (FWS) has a small headquarters operation and a highly decentralized field structure with over 700 different entities and varied work processes in each of its eight regions.

The service designated its headquarters business office to coordinate the implementation effort and oversee contracting. But it also respected the tradition of a highly decentralized field culture. FWS relied on increased levels of cross-regional and cross-program standardization, coordination, communications, and reporting.

Each regional office created its own temporary Recovery Act implementation team to coordinate efforts. These interdisciplinary teams were given the responsibility and authority to make the key day-to-day decisions necessary to keep hundreds of Recovery Act projects moving ahead. Rather than focus funding in the traditional way by providing monies to program areas (such as the coastal program or the migratory bird program), it instead focused funding decisions on individual projects. Headquarters established a centrally controlled master project list for the first time to track progress on projects. Originally the list was intended for mandated external reporting, but its value as a tool for internal transparency and accountability quickly became apparent.

Once the project approval and guidance development phases were completed, the key role of headquarters shifted to oversight and support for the regions. The Fish and Wildlife Service's headquarters business office sponsored regular help forums for regional leaders to discuss Recovery Act-related issues and created a centralized reporting tool to manage the external queries for project information, which in some cases occurred weekly. Interior Secretary Ken Salazar set interim targets to ensure funds were obligated before the deadline of September 30, 2010. With limited staff capacity, this meant working long hours and canceling vacations. However, in the end, the Fish and Wildlife Service was the only Interior bureau that met the secretary's interim target.

Challenge Three: Creating New Programs

The Recovery Act also created a number of new programs that immediately challenged agencies to develop new program guidance, application forms, and management systems in short order. Agencies found that they not only had to move quickly, but they needed to build in risk mitigation strategies so they could manage any potential unforeseen circumstances arising from the speed with which they had to act.

The Department of the Treasury was charged with implementing several of these new programs, each of which had significant future financial ramifications (in one program, financial commitments were for up to 30 years) and this required careful risk assessments of the implications posed by the implementation guidance developed for the programs.

Creating a cash payments program in lieu of tax credits. Treasury was charged with creating two new programs to speed monies to recipients in the areas of low-income housing and renewable energy by providing direct cash payments in lieu of the traditional programs that subsidized recipients via tax credits. This creative approach served as a lifeline to two industries that had been substantially shut out of the credit market because of the financial crisis. While the programs were similar in concept, they differed greatly at the implementation level.

The low-income housing cash payment was in lieu of a preexisting tax credit for investors in low-income housing. These tax credits were allocated to investors by state housing credit agencies, with each state having an annual credit ceiling. State agencies would award the credits to developers who raised the needed construction capital from an investment partnership. But when the credit markets froze, there was no demand for the tax credits and this halted construction of low-income housing.

The new program—providing cash directly to state housing agencies—required the rapid creation of procedures for getting the money out. Treasury created the application process and guidance and went live with the application on May 5, 2009. State housing agencies acquired a new role as the delivery system for these payments. They injected capital in the absence of investors.

The new renewable energy cash payment program also replaced an existing tax credit. Payments were made on the basis of how many kilowatt hours of electricity were produced by renewable energy sources. However, unlike the housing program, there was no preexisting delivery system. Treasury officials had to design one from scratch, and because of the speed with which they needed to act, they turned to the Department of Energy for assistance. Energy's National Renewable Energy Laboratory (NREL) provided Treasury the needed implementation support. It provided the technical expertise for getting the program up and running, conducted the reviews of applications for the payments, and developed an automated processing system for the applications. It designed a web-based application and data collection system for the cash payment program, documented the entire award flow process, and then Treasury subjected it to a "stress test" to ensure its integrity. Treasury staff worked with the department's inspector general to put in place a risk mitigation plan and a compliance monitoring plan.

Treasury and NREL collaborated in developing a guidebook for internal reviewers and they developed written guidance for applicants that focused on eligibility, legal terms, and the application and award process. The system went live on July 31, 2009. By September 30, 2010, Treasury had disbursed over $5 billion in energy cash payments.

Creating the Build America Bonds program. Treasury was also charged with creating an alternative to the traditional tax-exempt bond which, while issued by states and localities, receives a borrowing subsidy indirectly through a federal tax exemption to investors for interest received on the bonds. But with the bond market largely inactive because of the financial crisis, the federal government sought an alternative way of injecting capital into state and local construction projects.

The new bond program has the federal government deliver borrowing subsidies directly to state and local governments. Called Build America Bonds, the bonds themselves are taxable, but the federal government pays states and localities 35 percent of the bond coupon interest up front.

The new program required Treasury and the IRS to develop new:
• Guidance

• Processes

• Forms

• Legal and policy decisions

Typically major new programs would take years to develop these procedures, in part because of the huge financial consequences extending over the 30-year life of most bonds. But the

new direct payment bonds were required by law to have guidance issued within 90 days and the program to be fully functional in six months. This was done on time, but IRS formed a compliance team to monitor bond issuances and protect the taxpayer's investments from fraud and abuse. This included risk assessments and mitigation strategies to predict and preclude misuse of the program.

Because the program was so new and novel, Treasury also had to develop an education and outreach program so that traditionally risk-averse states and localities would feel confident in participating in this new program. The efforts worked. By the end of 2009, total bond issuances surpassed $60 billion, representing 20 percent of new municipal debt. In FY2011, the program was made permanent at a 28 percent subsidy rate and the program became a model for other tax credit bond programs.

Challenge Four: Redesigning Administrative Processes to Meet New Demands

In most agencies involved with implementing Recovery Act programs, traditional agency administrative processes had to be rethought in the context of the new timetables, transparency, and accountability provisions of the Recovery Act. This included:

- Risk management

- Contracting

- Grants management

- Program reviews

How agencies responded differed and in some cases the Recovery Act changed dynamics with the recipients of federal aid. For example, the Recovery Act injected about $280 billion into nearly 70 grant programs to states and localities. Since the monies included new spending, transparency, and accountability requirements—including reporting from sub-grantees and sub-contractors—this required significant redesign of traditional administrative processes in a compressed timeframe at the federal, state, and local levels. Sometimes processes in other support agencies had to be redesigned, as well.

In the various case studies reviewed, agencies found themselves proactively predicting where bottlenecks might occur and they began the redesign process immediately. For example, the Department of Labor found itself facing potential bottlenecks in its regulatory approval and appeals processes because of new requirements under the Recovery Act. The Department of Labor conducts regulatory oversight support on behalf of other agencies for worker protection. Its protective regulatory processes were streamlined in a number of areas to respond to the urgency of the Recovery Act.

Office of Labor-Management Standards. Local transit agencies receiving grants from the Department of Transportation must first be certified by the Office of Labor-Management Standards in the Department of Labor as providing "fair and equitable" protections for their employees. Since Recovery Act monies had to be disbursed far more rapidly than traditional grants, Labor had to identify potential bottlenecks in the certification process—especially with a spike in its workload—and streamline the certification process to meet a 45-day goal, including dealing with potential objections to a certification from the regulated community.

Employee Benefit Security Administration. Similarly, the Employee Benefit Security Administration (EBSA) in the Department of Labor oversees the implementation of COBRA-

extended health insurance. Under this law, laid-off employees have the right to continue their health insurance coverage for 18 months, but must pay the full premium costs, which can be prohibitive for the unemployed. The Recovery Act provided a 65-percent premium subsidy to employers for eligible individuals. This was a new program to be implemented by employers, not the government. But if a terminated employee was judged ineligible by their employer, Labor would serve as the focal point for an adjudication appeals process. While EBSA had a wealth of technical expertise in COBRA, it had never had adjudication responsibilities. As a result, it had to design and implement a process from scratch, and the law required a resolution of any appeal within 15 business days. In addition, because the eligibility period predated the Recovery Act, operations would begin with an urgent backlog. ESBA created a cross-functional team that flow-charted the appeal process, created an electronic paperless system, developed staff training, and devolved implementation to its existing field offices within 90 days. In the first four months, more than 20,000 adjudications were conducted in the 15-day timeframe and only two were challenged in court. The paperless correspondence system created for the appeals process was so effective that it was ultimately integrated into ESBA's normal operating system.

In a number of the case studies, agencies rapidly redesigned existing administrative processes to meet the time-critical demands of the Recovery Act. These included grant and contract processes, risk management approaches, and internal data collection and reporting procedures. Three examples are in the Department of Veterans Affairs (Veterans Affairs), the Environmental Protection Agency (EPA), and the Department of Housing and Urban Development (HUD).

Veterans Affairs received $1.8 billion under the Recovery Act and applied it to over 900 projects ranging from construction to upgrading technology systems to speed benefit processing. Because of the broad scope of projects and the speed with which the monies had to be committed, VA decided to reengineer its overall business processes. John Gingrich, the VA's Chief of Staff, created a Recovery Act team that undertook a series of projects, such as cutting the standard processing time of invoices to small businesses from 30 days to seven, and pre-validating the registration of small businesses in the Federal Contractor Registration system.

An acquisition team created a reporting tool and used weekly conference calls with field staff to ensure projects were moving quickly. The contract process deployed a business intelligence tool to ensure the progress on projects was highly visible to managers. It also, for the first time, provided near real-time visibility into the contracting pipeline. Significantly, the visibility was made available to the broader management team in VA. By making peers' progress public, the network directors began to compete with each other, thereby increasing the efficiency of the contracting process. Gingrich observed: "The value of the ARRA program for VA has been about the culture shift that occurred in the agency. It is about people working in a more collegial manner to focus on achieving a common outcome. The ARRA program at VA has created a monumental culture shift in the way business is being done."

Environmental Protection Agency. Similarly, the EPA leveraged lessons from its implementation of Recovery Act programs to improve its stewardship of broader programs. Like VA, EPA created a central steering committee under the leadership of its Office of Financial Management. That committee, with substantial cross-functional expertise, developed a stewardship plan that covered seven administrative systems touching on its Recovery Act programs:

- Grants

- Contracts

- Interagency agreements

- Human capital

- Budget

- Performance reporting

- Financial management

The end product was a strong risk assessment and risk mitigation plan that was ultimately recognized as a best practice by a national association. The plan ultimately served as the foundation for EPA's efforts associated with the May 2010 Deep Water Horizon/BP Oil Spill response.

Department of Housing and Urban Development. HUD used the urgency of the Recovery Act to redesign how it collected information from its field offices. HUD received an additional $13.6 billion across nine existing programs. The Recovery Act required reports on program outcomes, such as the number of completed housing renovations and the number of people receiving homelessness assistance. To track both the distribution of dollars and the progress of hundreds of initiatives being funded, HUD developed a place-based reporting system to track project obligations and expenditures. Over a four-month period, this new tracking system was installed in each of HUD's nine regions. With a standardized reporting format and a high degree of internal transparency between HUD regions, weekly status calls created real-time learning experiences. The new system also reestablished relationships between HUD head-quarters, field offices, and grantees than had been dormant for years.

Observations of Implementation Actions in Selected Federal Agencies

The Recovery Act provided funding for over 200 programs in 28 departments and major agencies. As varied as the programs and agencies were, there were some shared practices in the ways that agencies implemented the Recovery Act. The following nine action steps contributed to the successful implementation of the Recovery Act. These nine action steps can be applied more broadly to other agency programs, especially as federal executives face new pressure to rethink their operations in the context of pending budget cuts.

Action Step One: Set Deadlines to Create a Sense of Urgency

Vice President Biden's Recovery Implementation Office (RIO) set the tone for the level of urgency expected from agencies in their implementation of the Recovery Act. The office sponsored weekly calls with its agency counterparts and with grants recipients such as states and major cities. It required weekly reporting on progress by agencies as well. But it also imposed this sense of urgency on its own staff, committing them to a 24-hour response time in answering questions or making a decision.

A recurrent action step observed in the case studies and from interviews was the use of deadlines to create focus and clarity about true priorities. The passage of the Recovery Act significantly increased the amount budgeted for some existing programs, sometimes by two to five times the previous year's amount. The magnitude of the scale is reflected in the General Services Administration's "Billion Dollar Week" of construction projects that it had to commit funding to by March 2010, or Department of Interior's Fish and Wildlife Service spending the equivalent of three years of funding in 17 months. The typical leadership approach was captured in comments to the effect of "we did not have the luxury of time to get up and running." In anticipation of statutory requirements to spend down much of the funding within a year or lose it, the response was a combination of the following activities:

- **Planning work began prior to the passage of the Recovery Act to better position the department or program for a compressed implementation phase.** For example, staff in the Department of Labor began planning its implementation guidelines before the passage of the Recovery Act. By proactively initiating, rather than waiting and then reacting to, the anticipated requirements, the department was able to publish implementation guidelines within one month of the act's signing. This accelerated the spending of $1.2 billion in previously dormant summer youth programs.

- **Tracking mechanisms were created for spending the money to provide an early warning of administrative bottlenecks that slowed down spending.** For example, the chief of staff in the Department of Veterans Affairs received daily progress reports on $1.8 billion of Recovery Act funds appropriated to the department.

- **Contracting procedures or oversight approaches were modified to facilitate responsible spending of funding.** For example, with a potential $8.4 billion in transit infrastructure improvement contract awards dependent on the Department of Labor's staff certification,

staff analyzed the current process as a series of discrete steps to identify bottlenecks in the workflow, developing proactive steps to reduce the potential time lags.

The proactive administrative responses that emerged prior to passage of the Recovery Act carried on throughout the process. An important aspect of this proactive approach was the shift from a reliance on hierarchy to solve administrative challenges to the development of a networked approach to problem-solving that worked across administrative silos. The leadership of the RIO coordinated across federal agencies, describing their role as fostering a "networked government."

Action Step Two: Create Dedicated Project Teams

The RIO asked each of the 28 agencies receiving funding under the Recovery Act to designate a single point of contact for their agency's Recovery Act programs. This created an effective network across agencies that shared information and best practices.

Many of these agencies also replicated this approach internally. Most created their own implementation offices with small, dedicated staffs that focused on their agency's efforts. In some cases, these teams were led directly out of the secretary's office. For example, the chief of staff at the Department of Veterans Affairs led that agency's team. He ensured cross-functional participation and held regular status meetings on progress. At HUD, the deputy secretary took charge and led a senior-level Recovery implementation team that met with the secretary on a weekly basis on the progress of more than 12,000 grants and projects.

In most of the organizations described in our case studies, dedicated leadership teams were used at the bureau level and focused on specific programs. For example, a program management office was created within GSA's Public Buildings Service. In turn, it created a headquarters and regional network that established collaborative, repeatable processes in order to award over $5 billion in a 17-month period to 250 different construction projects. Once this goal was achieved, the team dissolved and staff returned to their regular tasks.

In contrast, the administrator of Labor's Employee Benefits Security Administration initially took a personal lead in designing the new appeals process for COBRA. He established a cross-functional expert team to develop the guidance and training, but the actual implementation was devolved to the field offices to ensure the required 15-day timeframe could be met without creating bottlenecks. This approach was seen as so useful that this cross-function team was continued and expanded to other issues the bureau has responsibility for, such as health, pension, and retirement issues.

Action Step Three: Use Technology to Track Progress

The practices that emerged for using technology to manage the implementation of Recovery Act programs frequently built on existing technology tools. For example, the Recovery Board leveraged widespread Internet technologies by agencies, grantees, and contract recipients when it developed two websites: Recovery.Gov to keep the public informed on progress and FederalReporting.Gov to collect data directly from funding recipients.

RIO noted that 95 percent of eligible contractors did not submit a proposal to build these websites, in part because an independent evaluation had deemed the website creation within the statutory deadline would be "extremely high risk." However, the Recovery Board managed to do it all in five months, largely with in-house information technology staff from around the government, coordination, and simple but scalable technology.

At the department level, an example of building on existing information technology software was the Fish and Wildlife Service, whose executives used commercial off-the-shelf software such as Excel and SharePoint to track projects totaling $280 million. At HUD, federal executives developed standardized reporting requirements that could then be tracked on an integrated database across each of its regions, for nine programs receiving an additional $13.6 billion under the Recovery Act. Repeatedly, across the cases studied, federal executives did not delay Recovery Act spending in order to first develop new, large-scale management information systems because there was no time to waste.

Additionally, federal managers expanded the use of readily accessible digital technology such as websites, webinars, and webcasts to rapidly disseminate information to employees, potential contractors and grantees, and the public. The net effect of these three web-based tools was to increase transparency, accountability, and speed of action.

Typical applications of web-based technologies included automated online applications. Additionally, staff in several programs researched best practices from other fields that might be applied to their program, including industry best practices for outreach to potential applicants. And in the implementation of the Recovery Act, the General Services Administration shared lessons between its regional offices through an online collaboration tool from a wide portfolio of federal building renovations and green project building upgrades that included finalizing 250 projects within 22 days of passage of the Recovery Act.

The practices employed the Internet and off-the-shelf software, as opposed to customized, database management tools that had been the traditional approach to the design and implementation of new programs. In ways not available a decade ago, technology helped advance longstanding values and practices in public management by expanding the scope of project oversight, accelerating review and award processes, and allowing programs to be monitored in real time. Technology allowed federal executives to track progress in daily and weekly increments and immediately learn from what was occurring on the front line, detecting logjams and rapidly sharing information with other public managers and stakeholders.

Action Step Four: Streamline Grant and Contract Processes

Many agencies reviewed their traditional grant and contract processes prior to developing and funding Recovery Act grants and contracts. Agencies identified potential bottlenecks that could not meet the demanding timeframes required by the Recovery Act in competing and awarding grants and contracts. As a result, many agencies quickly redesigned their processes. For example, the Department of Veterans Affairs staff reduced processing time for the payment of invoices by 66 percent, with reduced review or shortened processing time a regular improvement across varied programs.

Additional examples of more timely processes for grant and contract award processes are found throughout the cases. The Recovery Act's emphasis on spending federal funds quickly—but carefully—to stimulate job growth and job retention placed the speed of expenditures as central to the mission of federal executives. The recognition of the potential for failure to meet required deadlines prompted federal managers to review in-depth existing contracting procedures in each of the cases. The statutorily mandated deadlines caused executives to anticipate where potential bottlenecks might occur, as well as to set up monitoring of contracting processes in a way that set up early warning systems.

To address these challenges, the Veterans Affairs staff created an "intense focus by an enterprise-wide group for rapid decision making" and HUD established a Recovery Act Strike Team. These teams focused on redesigning specific administrative bottlenecks, such as the

timeframes for writing and publishing guidelines, the review processes of applications, and processes for awarding grants or contracts. Other mechanisms for undertaking improvements included creating cross-agency networks, as found in the Department of Treasury's Build America Bonds and the Department of Labor's reducing the timeframe for certification based on past approvals, and Fish and Wildlife Services shifting to design-build contracts.

The improved practices for grants and contracting included:

- Intensive analysis of existing procedures to remove steps that did not add value

- Additional front-end notification or outreach to stakeholders

- Adding staff to process grants and contracts

- Reducing the review time of applications

- Intensive, weekly or daily monitoring of the amount and number of grants and contracts awarded

- Developing set-asides rather than targeting funding to only large projects or certain types of projects

- Working enterprise-wide or across geographical boundaries

The streamlining of grant and contracting procedures occurred in the context of the significant oversight developed at the front end of the Recovery Act's spending process.

Action Step Five: Build in Transparency and Accountability

While the power of deadlines drove the immediacy of action, the Recovery Act's mandate for a high degree of transparency and accountability drove the type of activities. Repeatedly, federal executives recounted the centrality of transparency and accountability mandates in their implementation planning.

The first stage to advance transparency and accountability undertaken by the administration was the rapid formation of the Recovery Board, which oversaw all spending under the Recovery Act. Its statutory design created an expectation of interagency cooperation by bringing together the Inspectors General (IG) from 12 agencies receiving the bulk of the funds to form an oversight board. It was chaired by the IG from the Department of Interior, Earl Devaney. The design of this board advanced the following four leadership practices:

- The symbolism of bringing together top oversight officials, sending a message to all involved that transparency and accountability were a focus of the highest, most experienced levels of federal executives

- Innovation networked expertise and contacts across federal agencies

- A process to develop guidelines for all programs

- Ongoing forums for review and discussion

The second stage that had a significant impact on transparency and accountability was setting up two websites within days of the President's signing the Recovery Act. The immediacy of setting up both the FederalReporting.Gov and the Recovery.Gov websites modeled the practice of moving quickly with deadlines being taken seriously. In addition, the websites paved the way for not only immediate action, but for a new way of doing business, with the use of technology that was already being used in the private sector becoming a central feature of the public sector effort. The websites also modeled the best practices of transparency by being

accessible to both the public and federal agencies, as well as best practices in accountability by providing a platform for real-time reporting of performance.

The third stage to insure accountability and transparency was setting aside $84 million to fund the centralized Recovery Board oversight effort. The funding supported monitoring, as well as the staffing of review, evaluation, and reporting efforts. An additional $256 million was appropriated to expand GAO and agency-level IG audits, as well.

The fourth stage that advanced transparency and accountability of federal executives was linking performance management metrics to ongoing monitoring. For example, the Fish and Wildlife Service shifted to a centrally managed and controlled process to track $280 million over 839 projects. A unique financial identifier attached to each project allowed for independent reports to be generated in near-real time. The development of the reporting and performance metrics at the front end shifted from a reliance on "fire alarms" after an occurrence of fraud or abuse. For example, the Department of Labor established performance measures for all of its programs within 60 days. In addition, the Department of Housing and Urban Development rapidly developed standardized reports, for the first time, from each of its 10 regions.

The proactive, front-end emphasis on accountability and transparency contributed to the identification of areas of potential risk and the development of risk management strategies to such an extent that the risk mitigation practices become a regular feature across all of the case studies.

Action Step Six: Identify Risks and Manage Them

The flip side of the emphasis on accountability was the specter of fraudulent and wasteful spending. The focus the Recovery Act placed on accountability for performance also extended to accountability for preventing fraud. The Recovery Board designed strategies that leveraged the existing assets of the Offices of Inspectors General. With a chairman with counter-intelligence experience, the Board developed a three-tiered model for risk management of potential grantees and contractors. Recovery Board staff developed linked analyses to uncover high risk or criminal entities.

In parallel with the Recovery Board's efforts, OMB guidance required each agency to assess the risks inherent in the various programs they were to implement. These confidential risk assessments were used by the Recovery Implementation Office as well as OMB to target their monitoring efforts.

Across the range of programs covered by the Recovery Act, federal executives undertook three sets of practices to prevent fraud and waste:

- **Identified the potential risks prior to actual contracting.** Creating an oversight board of Inspectors General leveraged considerable expertise in the ways programs and spending had gone off center in the past. Additionally, the formation of the Recovery Board signaled both that risk identification and mitigation was a priority, as well as that it would be a priority handled by experienced professionals.

- **Developed ongoing monitoring systems.** Across various Recovery Act programs, federal executives developed tracking systems prior to the award of contracts. The Recovery Implementation Office required federal executives to report contract awards and spending to a website accessible to the public.

- **Prioritized program evaluation in advance of expenditures.** Throughout the cases, federal executives developed procedures to evaluate ongoing performance. For example, the

Department of Labor set aside funding for evaluation after the first year of its summer jobs program, contracting with university faculty and staff for a formal program evaluation prior to awarding second-year funding.

Action Step Seven: Foster Real-Time Learning

A key feature of Recovery Act implementation for many participants was the ongoing sharing of stories about how federal managers were achieving their goals. Participants told each other what worked and what didn't. This resulted in real-time organizational learning. It was also an effective way to overcome the silos inherent in traditional agency operations and resulted in critical debriefings.

A striking set of stories from a range of federal executives described the experience and contributions of their specific department or agency. The varied narratives shared an emphasis on the urgency of the situation with its dramatic increase in amount of funding, and on its epic quality, with high stakes for federal executives and the nation at large. Federal executives recounted, often in great detail, the significant obstacles they faced increasing the scale of existing programs or expanding their scope of responsibilities in initiating new programs.

Executives often described the emergence of an organizational culture, typified by the Veterans Health Administration's experience of increased collegiality, which created a focus on shared outcomes. In other narratives federal executives recounted new practices that drove a more performance-outcome-oriented organizational culture: the EPA stepped away from contemplative, rule-making processes to learn from the field office and to engage with state and regional partners, resulting in advancing green projects and Buy American provisions of the Recovery Act.

The concept of leaders "creating shared meaning," suggested by business author Warren Bennis as a leadership practice (Bennis, 1989), occurred regularly in the recounting of the cases. The federal executives' sharing their personal experiences advanced the leadership practice of creating shared meaning around shared events. Three examples of real-time learning are:

- In the Department of Veterans Affairs' reduced processing times of invoices

- In the story of the General Services Administration's efforts to solve the need for speed and the need for green in its building construction and renovation project awards

- In the Department of the Treasury's creating two new programs for energy and housing programs

Each emphasized the rapid emergence of a shared purpose and the development of innovative practices leading to outcomes in a compressed timeframe that would have been impossible to achieve prior to the passage of the Recovery Act. Federal executives found these real-time lessons created shared meaning around their Recovery Act implementation experiences. Using real-time "story telling" to foster learning may be a useful practice to increase current and future performance, as well as to shape organizational cultures.

Action Step Eight: Create Horizontal Networks

The federal executives involved in implementing the Recovery Board conceptualized the effort as a new initiative in networked governance. The description of the approach specifically referenced leading academic research explaining the emergence and effectiveness of inter-organizational networks. The Recovery Board embodied the practice of networked governance by connecting

the Offices of Inspectors General across 12 federal departments. The network of Inspectors General connected their organizational expertise, as well as their interpersonal networks.

Federal executives designed a wide range of inter-organizational and intergovernmental networks beyond the statutorily required Recovery Board. For example, senior executives at HUD, faced with tight credit markets and a growing demand for affordable rental housing, developed vertical networks connecting local governments with HUD's Recovery Act initiatives, as well as networks that better connected the department's 80 field offices across the country. Specifically, the leadership at HUD designed networks that included local governments and members of HUD's senior leadership who had previously served in local government in New York, Boston, and elsewhere on the east and west coasts. Drawing on its experiences, the HUD leadership team developed a series of forums, meetings, and information sharing processes to build the implementation networks needed for the effective spending of its Recovery Act funding, which was equivalent to a 30-percent increase in its annual appropriations.

The experience of HUD leadership typified the initiatives of other federal executives studied here. Federal executives in general developed the four different types of inter-organizational networks consistent with research findings by Milward and Provan (2006):

- **Service implementation networks**, such as the decentralized municipal network for the implementation of 3,212 EPA contracts across 50 states

- **Information diffusion networks,** such as the Recovery Implementation Office executives convening federal agencies for program implementation, while connecting information across federal agencies, to the public and to funding applicants

- **Problem-solving networks,** such as Job Corps program engagement with the private sector industry experts, environmental advocates, and educational accrediting agencies to develop job training programs for construction, automobile, and advanced manufacturing

- **Community capacity building networks**, such as the Employment and Training Administration's renewed relationships with the U.S. Conference of Mayors, National Association of Counties, National Governors Association, and others

Federal executives leading the implementation of Recovery Act programs developed their cross-agency and interpersonal networks using the following practices:

- Leveraging existing positions through new mechanisms, such as the creation of the Recovery Board using agency inspectors general as members

- Developing new partners through outreach, such as HUD's pilot conference of local governments, which did not merely disseminate information, but also linked staff in different locations

- Extending the intergovernmental networks through outreach notices to develop robust information sharing networks: for example the Department of Labor's transit funding program with state, regional, and municipal partners

- Creating collaborative networks across programs within the same agency to share information and expertise across regions, such as the case of the Department of Interior's Fish and Wildlife Service's interdisciplinary collaboration through the Recovery Act Implementation team in each region

Federal executives in these cases consistently used one or more of the above practices to break down the administrative silos hindering performance. They used these networks to advance transparency both to the public and stakeholders, as well as accountability to their implementation partners and to the Recovery Implementation Office.

Action Step Nine: Embrace Adaptation as a Mindset

In the months prior to the adoption of the Recovery Act, many government agencies proactively created teams of federal executives to plan for the increase in scope of existing programs and the development of new programs. The case studies in Part II offer a range of examples of federal executives' adaptive behavior, which focused on highly pragmatic, near-term activities. For example, the Department of the Treasury was assigned responsibility to award low-income housing cash payments and $5 billion in renewable energy cash payments (in lieu of the existing tax credit program). To do so, it needed to create a grant award activity as a new type of endeavor. Treasury executives relied on two adaptive approaches to ensure quick action:

- In the first case, they chose to defer to state housing credit agencies, allowing the agencies to choose projects for support rather than trying to do it at the federal level.

- In the second case, they opted to develop a formal interagency agreement with the Department of Energy to contract with the National Renewable Energy Laboratory to implement the renewable energy cash payments program, rather that trying to do it themselves or contracting it out to the private sector to manage.

The range of pragmatic, adaptive responses developed by federal executives started from the premise that business as usual was not an option. Some of these adaptations profoundly changed an agency's or program's traditional approach. A striking example is found in the Fish and Wildlife Service's shift to centralized oversight for Recovery Act spending, moving away from an organizational practice of decentralized field project leadership. Another example of rapid and significant adaptation was seen in the EPA's wastewater and clean water programs that were affected by the Recovery Act. The program managers:

- Absorbed previously non-required programs

- Oversaw new grants

- Worked with new constituencies

- Met unprecedented deadlines

Each case study in Part II highlights specific adaptive behavior in response to significant time pressure. The experience of answering the unprecedented demands of the Recovery Act led federal executives to view themselves as adaptive: making change happen within their program against significant time pressures.

Conclusions

Action steps are interconnected. A significant practical lesson for public managers and executives is the interconnectedness of the nine action steps taken by federal executives in response to Recovery Act requirements. For example, streamlined contracting procedures took place in the context of the simultaneous development of risk identification and mitigation strategies. Similarly, deadlines for expenditures took place in the context of improved practices for accountability and transparency**.**

Viewing these nine action steps as linear—one occurring after another—underestimates the iterative process of how they were actually applied. Only when taken together did they advance the chances of successful implementation. These individual practices and behaviors are best understood as a set of nested relationships, rather than as individual items on a menu with the option of picking one or two entrees to improve performance.

Recovery Act demonstrates a new way of doing business. The implementation of a variety of Recovery Act programs offers a range of practical lessons from the perspective of the federal executives managing and leading the efforts. The application of these lessons in future arenas might become one of highest yielding investments made under the Recovery Act.

Federal executives—and their state, local, and nonprofit counterparts—did not accept business as usual when implementing the Recovery Act. They developed, designed, and delivered programs that accounted for the dollars spent and the performance delivered in innovative ways that advanced the standards of public service inside and outside of government. Based on the case studies presented in Part II, the investment made by a number of federal agencies to improve their administrative processes and technology may continue to pay dividends after the conclusion of Recovery Act funding.

The extent to which information technology was applied—and the rapid success in reengineering administrative processes in contracting, adaptation in staffing, and new risk mitigation practices— invites a reexamination of longstanding critiques of the intractability of reform efforts in public agencies.

The nine actions that emerged from the experiences of a range of federal executives, in a wide variety of implementation contexts, could be applied to other programs and in other contexts. These action steps offer the potential to serve as both a checklist for public managers and executives to assess current efforts, as well as a map to navigate uncertain terrain in launching future initiatives.

Part II:
Summaries of Selected
Case Studies of Agency
Recovery Act Implementation

Case Study One: U.S. General Services Administration

Managing a Spending Spike in an Existing Program: The Public Building Service's "Billion Dollar Week"

The U.S. General Services Administration (GSA) is a federal agency that provides other federal agencies (its customers) with the workplaces, products, and services they need to operate, allowing them to focus on their core missions.

Before the Recovery Act, GSA's annual budget for construction projects to expand and maintain its inventory was typically between $1 billion and $1.25 billion. The Recovery Act appropriated $5.5 billion to the agency for both new construction projects and modernization of existing buildings into high-performance green buildings, and required $5 billion to be awarded by September 30, 2010.

For GSA, the program came with three major mandates:
* Projects had to be launched quickly to stimulate job creation in the construction industry

* Projects had to be focused on implementing green building technologies to encourage the use of such technologies and improve the energy performance of GSA's portfolio

* The program had to fulfill the Recovery Act's unprecedented transparency and reporting requirements

What did the agency do differently?
To meet the three mandates, GSA had two immediate tasks:
* To allocate the funds among projects that could be started quickly and were focused on green building technologies

* To create a system that could coordinate the program's implementation across the semi-autonomous regional offices to keep it on schedule and ensure timely and accurate reporting

The team was under immense pressure to establish a list of projects to be funded as soon as possible, because work could not begin until a spend plan that allocated all of the funds among projects was developed and sent to Congress for approval. To do this, the team set up a ranking system based on an expert choice model already in use by the agency's Office of Portfolio Management. The system scored projects based on several criteria, including their potential to reduce energy consumption and use green building technologies, how quickly they could be awarded, and whether they were in historically significant buildings.

GSA's proposed list of more than 250 projects was agreed upon within the agency only 22 days after the passage of the Recovery Act. A process that usually takes months was compressed into just a few weeks, without suffering quality.

To implement all of these projects, GSA developed a strategy to deliver the Recovery Act program, creating a nationally managed, regionally executed Recovery Program Management Office. The Program Management Office was created separate and apart from the existing design and construction organization within GSA. It was a temporary, cross-functional team that:

- Facilitated innovative approaches to project execution

- Integrated and streamlined business processes through collaborative relationships between the national office and regional offices

- Fostered the agility and velocity needed to meet the aggressive Recovery Act schedules

- Provided stakeholders with accurate and timely information on all Recovery Act requirements

- Served as an early warning system for projects that were not meeting anticipated targets

Once the $5 billion of construction money was committed by the September 30, 2010 deadline, the Program Management Office was dissolved and long-term implementation was monitored through the traditional organizational structure.

CASE AT A GLANCE

GSA used a nationally managed, regionally executed approach to implement its Recovery Act programs.

Implementation Action Steps This Case Exemplifies:

- Set deadlines to create a sense of urgency

- Create dedicated project teams

- Build in transparency and accountability

Source: Kristi M. Tunstall, "The Billion Dollar Week," a case study posted on the Electronic Hallway at the Evans School of Public Affairs of the University of Washington http://hallway.evans.washington.edu/recovery-act-case-studies).

Case Study Two: U.S. Department of the Interior

Managing a Spending Spike in Existing Programs: How the U.S. Fish and Wildlife Service Adapted Its Highly Decentralized Field Structure to Meet New Reporting and Spending Demands

The Fish and Wildlife Service (FWS) typically receives between $75 million and $85 million annually for construction, deferred maintenance, and habitat restoration work. The $280 million provided by the Recovery Act represented funding of well over three years' normal workload. Since the Recovery Act funding was in addition to regular appropriations and would expire on September 30, 2010, the Service needed to complete its regular 2009–2010 workload at the same time it was completing the Recovery Act projects.

The broad-based nature of the Recovery Act posed a unique challenge for FWS since it did not fit easily into a single program area. Projects were to be funded across multiple programs, including construction, refuge deferred maintenance, and hatchery deferred maintenance, as well as in the coastal, Partners, fish passage, and migratory bird programs. Previously, budget formulation, allocation, and execution were handled independently by each of these programs. In fact, contact was so limited that employees in different programs rarely spoke with each other even if they worked in the same building.

As a natural outgrowth of its culture of supporting the field and getting work done on the ground, FWS had developed an efficient, very lean administrative support function. Unless additional resources were provided, adding Recovery Act projects to the regular workload would stretch administrative capacity beyond the breaking point. Other complications included the fact that no two of FWS' eight regions are organized exactly the same way below the assistant regional director level, as the regions evolved over time to meet the local needs of 700 different field organizations. As a result, many of the work processes were handled differently in the various regions. As the team developed a Recovery Act implementation plan, it had to understand regional differences and mandate standardization only where necessary, while allowing for regional differences that did not adversely affect the end outcome.

What did the agency do differently?

The Office of Business Management and Operations (BMO) was the logical organization to coordinate the FWS's Recovery Act implementation effort as they oversee the contracting, engineering, and financial management functions in FWS. To enhance BMO's ability to focus its full attention on this critical initiative, the deputy assistant director for BMO was tapped as the FWS recovery act coordinator. In addition, BMO designated a professionally trained project manager with skills in project delivery, workflow management, fiscal accountability, internal controls, and communications to provide full-time support to the coordinator.

Key Implementation Decisions Made. Several of the key decisions made by the FWS that influenced its implementation strategy and guidance are summarized below:

Decision 1: Each region established a Recovery Act implementation team to counter the variability in regional structures. The leaders of each team served as the points of contact for the Recovery Act coordinator and provided an efficient conduit for communicating key information both to and from the Washington office. This regional implementation team included leadership and representation from all key programs and business areas. The establishment of these teams was a critical component for implementing this broad-based program in a decentralized organization.

Decision 2: Every Recovery Act project was assigned a unique project number. Accountability and transparency were central requirements of the Recovery Act. To ensure the Fish and Wildlife Service could meet all requirements, the BMO team decided early on that every Recovery Act project would have a unique project number and that every penny of Recovery Act funds would be associated at all times in the financial system with a Recovery Act project. This project numbering system was modeled after the traditional method the FWS uses for its annual construction and maintenance projects. But unlike the normal method, the Recovery Act process would be centrally managed and controlled from a single office, the BMO.

Decision 3: The Fish and Wildlife Service created a centrally controlled master project list and status reporting mechanism. The Service typically leaves project-specific tracking and reporting to the regions. FWS understood that it would be important to have ready access to up-to-date project status information, as well as the ability to quickly gather data by region or project type. So, in the case of the Recovery Act, FWS decided to depart from its traditional region-centric management model and establish a centrally controlled master project list and status reporting mechanism. The project tracking tool was originally envisioned to be primarily a tool for external reporting, but its true value became evident later as a tool for internal transparency and accountability.

Decision 4: The Fish and Wildlife Service held periodic face-to-face meetings with key players. With the level of concern, and in some cases confusion, about how execution of this initiative was going to work, BMO decided that a national face-to-face meeting with all of the key players was necessary. FWS held a three-day meeting in the Washington office on June 2–4, 2009. Each region sent its designated Recovery Act implementation team lead, typically the assistant regional director for budget and administration, as well as other program staff expected to play a key role in the implementation efforts. Washington office staff from the key business areas and programs also participated. Significantly, senior leadership from the agency did not simply set the tone at the beginning of the process and then disappear. The director of the Fish and Wildlife Service sent monthly status update memos to the regional directors that reinforced and clarified expectations.

Steve Guertin, regional director for the Mountain-Prairie region, summarized his observations of how the Recovery Act was being implemented in his region, noting: "I talked about the significance of Recovery every time I was in the field and was constantly emphasizing it to employees at every level. It wasn't hard to motivate people. Our employees were very excited about the opportunity the huge influx of Recovery Act dollars provided to take major steps in furthering the Service's mission goals. They took pride on a civic front as well, and were eager to create jobs and help the economy."

Significant changes during implementation. Two significant changes occurred during the implementation process. First, the targeted deadline for making program spending obligations

was shortened, and second, Secretary of the Interior Ken Salazar issued a memorandum directing bureaus to begin implementation of all of their Recovery Act projects no later than June 30, 2010.

The shortened timeframes for both obligations and project implementation made accurate tracking and reporting of progress even more critical. FWS as a whole acknowledged the importance of the integrity of the monthly status reports. As a consequence, the regions became resigned to the fact that a once-a-month summary report card would be issued servicewide by the director's office showing each region's progress towards meeting the obligation targets. Everyone from regional directors down to field station managers knew what was expected of them and that their progress was accurately tracked and regularly reported both locally and nationally, which proved to be a major motivating factor.

During Phase II of the implementation, the key personnel leading the project approval and guidance development processes in the Washington office transitioned into an oversight and support role for the regions. It was essential for FWS to have an individual representing them at the departmental headquarters, the Office of the Inspector General, and others, as well as a group that could serve as a "help desk" for Recovery Act questions from the regions.

Each of the key business areas in the Service involved in the Recovery Act implementation established regular forums for discussing Recovery Act-related issues.

Centrally addressing as many data calls and reporting requirements as possible was also a critically important support function for the Washington office staff. Because of the centralized project status reporting tool, Washington office staff were able to respond to almost all external queries for project information. Additionally, various weekly and monthly reporting to DOI and quarterly recipient reporting were all handled centrally, with the regional input being required only if there were significant exceptions identified.

If measured by obligation rates, jobs created, speed of implementation, accountability and transparency, overall approach, or just about any other objective measure, the FWS implementation of the Recovery Act was a success. Although it took a temporary toll on the staff, the Fish and Wildlife Service was the only Interior bureau to achieve the secretary's goal of project implementation by June 30, 2010.

CASE AT A GLANCE

The Fish and Wildlife Service created a centrally managed project management and oversight process for Recovery Act funds in an agency with a strong, decentralized field structure.

Implementation Action Steps This Case Exemplifies:

- Use technology to track progress

- Build in transparency and accountability

- Create horizontal networks

- Embrace adaptation as a mindset

Source: Colin Walsh and Paul Rauch,"Implementing a High Risk, High Priority, and High Visibility Program in a Decentralized Organization: A Case Study of the U.S. Fish and Wildlife Service (A): Introduction," and "Implementing a High Risk, High Priority, and High Visibility Program in a Decentralized Organization: A Case Study of the U.S. Fish and Wildlife Service (B): Implementation Phase I—— Project List Development, Initial Guidance and Funding Allocations," case studies posted on the Electronic Hallway at the Evans School of Public Affairs of the University of Washington (http://hallway.evans.washington.edu/recovery-act-case-studies).

Case Study Three: U.S. Department of the Treasury

Creating New Programs: Providing Federal Support for Housing and Energy through Direct Cash Payments in Lieu of Tax Credits

The Department of the Treasury implemented two new programs for providing capital for low-income housing and renewable energy generation projects:

- *Grants to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credit Allocations for 2009 (Housing program),* which allows states to elect to receive direct cash payments roughly equivalent to the federal support that they would have typically received in the form of tax credits for development, rehabilitation, or acquisition of housing facilities designated as low income. The Housing program temporarily filled the finance gap left by reduced demand. In keeping with the goals of the Recovery Act, the program aimed to create jobs and promote investment through construction or acquisition and rehabilitation of low-income housing projects.

- *Grants for Specified Energy Property in Lieu of Tax Credits (Energy program),* directed toward private investors who place new renewable energy facilities in service. In the Energy program "Congress hoped to … temporarily fill the gap created by the diminished investor demand for tax credits," and thereby achieve "… the near term goal of creating and retaining jobs … as well as the long-term benefit of expanding the use of clean and renewable energy and decreasing our dependency on non-renewable energy sources." By September 2010, over $5 billion in energy cash payments had been awarded and disbursed to recipients.

What did the agency do differently?

While both the Housing and the Energy programs provided cash payments in lieu of preexisting tax credits, Treasury officials used different implementation strategies.

Housing cash payment program. Since state housing credit agencies were the designated recipients of the housing cash payments, the implementation team focused on how to create a streamlined procedure for getting the money to state housing credit agencies as quickly, efficiently, and safely as possible. The goal was to understand all of the ways the Recovery Act program was distinguishable from its tax credit program counterpart in order to refine guidance and plans to be issued by Treasury. The first order of business was for the implementation team to become thoroughly familiar with the Low Income Housing Tax Credits program to explain to the state housing credit agencies how the Housing cash payment program differed from the tax credit program.

After an extensive development and review process, on May 5, 2009, the Office of the Fiscal Assistant Secretary went live with the Housing cash payment application on the Treasury website and the Housing cash payment program was underway with state housing credit agencies.

Energy cash payment program. Unlike many Recovery Act programs, the Energy cash payment program had no preexisting delivery system that could be used to disburse allocated funding. Implementing clear guidance was especially difficult given the dynamic environment created by economic crisis. In order to design such a system from scratch, Treasury Assistant Secretary Ken Carfine held a kickoff meeting that included representatives from the IRS, Treasury's Office of the Deputy Chief Financial Officer, and Treasury's Office of the Inspector General. Following the meeting, Treasury, in collaboration with the Department of Energy (DOE) staff, immediately set to work devising the key pieces of what was to become a completely new delivery system to support the implementation of Treasury's Energy cash payment program.

Treasury worked with the DOE staff to request contracting with the National Renewable Energy Laboratory (NREL), a government-owned, contractor-operated organization supporting DOE, for formal implementation support. The lab has the ability to hire staff and expand or adjust program activity quickly relative to purely governmental agencies, which was a valuable characteristic for program implementation. NREL had also previously worked with the Department of Agriculture on a similar program, which proved to be a success. Moreover, DOE staff were occupied implementing myriad energy-related Recovery Act programs that fell under its jurisdiction. A formal interagency agreement was drafted to define the respective roles of Treasury, DOE, and NREL.

NREL developed a web-based application and data collection system for the energy cash payment program. NREL provided an automated solution within budget that met Treasury and NREL core requirements. The NREL data system allowed applicants to register, log in, complete an application, and then upload supporting documents. The system then managed the entire review process for the 60-day time window to make payments. It also managed distribution of documents for review and general process flow for the expert team at NREL and offered general cumulative reporting back to Treasury and the possibility of ad-hoc reporting (usually at an additional cost).

The review process evolved to a structured two rounds of review, with reviewers completing their work simultaneously with open communication. Two rounds of review were deemed sufficient to provide the appropriate amount of scrutiny under the timeframe allowed under the statute.

Oversight of implementation. For both programs, Treasury conducted an assessment of programmatic risk in collaboration with the Treasury inspector general and the deputy chief financial officer. Treasury staff incorporated findings and decisions made into formal documents to ensure the highest chances of programmatic success, including a risk mitigation plan and a compliance monitoring plan.

CASE AT A GLANCE

Treasury designed and implemented two new cash payment programs from scratch, using preexisting relationships with state housing credit agencies as delivery agents in one program and teaming with the Department of Energy to leverage one of its national laboratories as the delivery agent for another program.

Implementation Action Steps This Case Exemplifies:

*   Set deadlines to create a sense of urgency

*   Streamline grant and contract processes

*   Build horizontal networks

*   Embrace adaptation as a mindset

Source: James Miner and Patrick Phillips,"The American Recovery and Reinvestment Act Section 1602 and 1603: Providing Federal Support for Energy and Housing through Direct Cash Payments in Lieu of Tax Credits," a case study posted on the Electronic Hallway at the Evans School of Public Affairs of the University of Washington (http://hallway.evans.washington.edu/recovery-act-case-studies).

Case Study Four: U.S. Department of the Treasury

Creating New Programs: Using "Build America Bonds" as an Efficient and Effective Subsidy for State and Local Borrowers

The Build America Bonds (BABs) program was an innovative lower-cost borrowing tool available to state and local governments to promote economic recovery and job creation through investments in public capital projects, such as roads, bridges, hospitals, and water systems. BABs are taxable bonds in which the federal government makes direct payments to issuers for 35 percent of the bond coupon interest. BABs are the first instance of the federal government delivering borrowing subsidy payments directly to state and local governments. The bonds were to be used solely to fund capital expenditures and were issued in an unlimited amount until December 31, 2010. By the end of 2009, outreach efforts had been successful as total issuances surpassed $60 billion, representing nearly 20 percent of new municipal debt.

The Hiring Incentives to Restore Employment Act of 2010 (HIRE Act), enacted a year later in March 2010, extended the BABs model for direct payment borrowing subsidies to four other tax credit bond programs that were created or expanded under the Recovery Act (direct payment tax credit bonds).

The BABs program had positive impact on the municipal debt markets. It helped lower borrowing costs by state and local governments for needed public capital infrastructure projects. Through the end of December 2010, there were 2,275 separate issues totaling more than $181 billion and representing roughly 23 percent of new municipal debt issued. The program was used by all 50 states, the District of Columbia, and two territories.

What did the agency do differently?

Leadership in Treasury relied heavily on two implementation strategies. First, it created inter-departmental teams to develop new guidelines and new outreach efforts, all within the context of a pressing deadline. And second, it opened up new lines of communication by facilitating new collaborations within Treasury, with the IRS chief counsel, and throughout the IRS. Key individuals within IRS and Treasury formed new collaborations to issue program guidance within 90 days of the legislation's enactment (by law, the program needed to be fully functional within six months). The staff also formulated a fraud prevention program and a new compliance program.

A cross-agency working group was convened that included participants from Treasury, the IRS, and the Bureau of the Public Debt (BPD). The group examined the feasibility of several possible options to streamline the payment process and assessed the capacity of each agency to make the payments. After thorough review of all possible options, it was determined that the payments would be coordinated by IRS and issued by the Financial Management Service (FMS) in a similar manner to all other tax refunds.

The IRS Chief Counsel's office coordinated the creation of a new tax form to process BABs—Form 8038-CP—with other components of the IRS, such as its Business Systems Programming office (to determine, given the timelines and system limitations, the minimum information needed that could be collected and programmed), and with the programmers in IRS's Modernization and Information Technology Services office. It involved a line-by-line negotiation of the information required, what information needed to be transcribed, what codes, and what edit functions were required.

As an entirely new program, BABs required a new compliance program to monitor bond issuances and protect the taxpayer's investments. In order to accomplish this task, Treasury asked the IRS to perform risk assessments to detail vulnerabilities and create risk mitigation strategies to provide comprehensive solutions.

While IRS's Tax Exempt Bonds office had an established annual education and outreach plan in place prior to BABs, a significant effort was made by the IRS, Treasury, and IRS chief counsel to advise potential issuers and market participants about the new program and its benefits. Further, the Tax Exempt Bonds office, together with IRS Chief Counsel, formulated a series of frequently asked questions and answers for issuers and practitioners that was posted on the IRS website.

Treasury and the IRS conducted a number of outreach programs to state and local government groups to educate market participants regarding BABs and other Recovery Act bond programs. These programs included webinars, teleconferences, and presentations by Treasury and IRS officials to the National Governors Association, the National Association of State Treasurers, the State Debt Management Network, the National Association of Counties, Indian Tribal Governments, the National Association of Bond Lawyers, and city and county officials.

It was clear from implementing the HIRE Act on the heels of BABs that significant changes had occurred in the way that Treasury programs were being implemented. Through extensive collaboration and communication, Treasury and IRS were able to implement programs quickly and efficiently that had tremendous impact on the municipal debt market.

CASE AT A GLANCE

Treasury created a cross-agency implementation team that quickly designed and implemented a new bond program, later extended to other bond programs.

Implementation Action Steps This Case Exemplifies:

- Create dedicated project teams
- Set deadlines to create a sense of urgency
- Identify risks and manage them
- Foster real-time learning
- Build horizontal networks

Source: Andrew Kvam and Sandra Westin, "Build America Bonds: Implementing an Efficient and Effective Subsidy for State and Local Borrowers," a case study posted on the Electronic Hallway at the Evans School of Public Affairs of the University of Washington (http://hallway.evans.washington.edu/recovery-act-case-studies).

Case Study Five: U.S. Department of Labor

Redesigning Administrative Processes: How a Regulatory Agency Rapidly Designed and Implemented an Adjudicatory Appeals System for People Denied COBRA Health Care Insurance Subsidies

The Employee Benefits Security Administration (EBSA) within the U.S. Department of Labor is an enforcement agency and regulator of employer-sponsored health care, retirement, and other benefit plans. The mission of EBSA is to:

- Develop regulations

- Assist and educate workers, employee benefit plan sponsors, fiduciaries, and service providers

- Enforce the Employee Retirement Income Security Act of 1974 (ERISA) and other related laws under its jurisdiction

One of the laws EBSA is responsible for overseeing is the health insurance provision in the Consolidated Omnibus Reconciliation Act of 1985 (COBRA). COBRA provides participants and beneficiaries covered by private-sector, employer-sponsored group health plans with the right to continue their coverage for 18 months (longer in certain circumstances) following termination of employment. To take advantage of this, however, the participant must shoulder the full cost of the premium, including an additional administrative fee of up to two percent. Premiums can cost over $1,000 per month for family coverage. For unemployed participants, the cost is often prohibitive.

The Recovery Act sought to assist the unemployed by providing a 65-percent premium subsidy for up to 15 months for assistance-eligible individuals. The mechanism for the subsidy is as follows: The terminated employee would be considered as having paid the premium in full by paying 35 percent of it. The employer initially pays 65 percent of the premium and is then reimbursed through a payroll tax credit. Employers initially decide if a terminated employee is eligible for the subsidy. The Recovery Act protects this right by also providing those denied the subsidy by their employers a right to request a review of that decision by the secretary of labor. Recognizing that those denied the subsidy needed to have a final decision quickly, the law required the Labor Department to make these final determinations within 15 business days.

In describing the challenge of meeting these deadlines, the chief operations officer (COO) of the Employee Benefits Security Administration, Alan D. Lebowitz, noted: "This was a very high-risk endeavor that would bring a lot of scrutiny to the agency, particularly if it did not go well. ARRA was a centerpiece of the new administration and there was a high level of interest from the White House and strong oversight and pressure that it be successful from the deputy secretary."

What did the agency do differently?

To help implement the Recovery Act's mandate to review COBRA health insurance subsidy coverage appeals, EBSA needed to design and implement an adjudication process for those terminated employees who had been denied the subsidy. The Office of Participant Assistance (OPA), responsible for carrying out EBSA's outreach, education, and assistance programs, was assigned the responsibility to process the appeals. The office had a wealth of technical expertise in COBRA, but had never had adjudication responsibilities. Upon learning it was responsible for the appeals process, OPA drafted a proposed adjudication process, and shortly thereafter, developed a week-by-week implementation plan. This implementation plan was a living document, modified to reflect progress and the evolution of the project through full implementation.

To alleviate the impact of the increased volume of appeals as well as educate the public on the subsidy as required, OPA immediately created a dedicated webpage to which individuals could subscribe. Very quickly, this page had more subscribers and visits than all of the other EBSA webpages combined.

Within the Recovery Act's statutorily required deadline of 15 business days from the receipt of a claim to a decision, EBSA would have to:

- Accept, review, and perfect applications

- Conduct fact-finding

- Allow both the appellant and respondent due process

- Issue consistent, legally sound, and binding determinations that could only be appealed through the federal courts

In addition, because the eligibility period for the subsidy predated passage of the Recovery Act by five and a half months, operations began with a backlog. There was a concerted effort within EBSA to have the system operational as quickly as possible to mitigate the initial surge of applications. By February 6—ahead of the enactment of the Recovery Act on February 17—the first draft of the appeals process (which EBSA staff called the Step-by-Step) had been developed. It comprised 60 steps and including options for assigning implementation responsibility for each step.

One of the senior leadership's methods for leading EBSA's collaboration effort was to convene and preside over weekly meetings of the full team, from office directors to staff. Each office had specific responsibilities ranging from development and issuance of the model notices to OMB clearance of the application that would be used, systems development and technology, coordination with IRS and HHS, finance, and reporting issues. All of these offices had a role or roles that needed to be pursued on parallel tracks and interoffice coordination was required on specific issues. EBSA Chief Operating Officer Alan Lebowitz noted: "It was critical to make sure that everybody who needed to talk to each other did. The office directors and their staffs needed to develop all the processes and think of all the potential pitfalls."

The draft Step-by-Step continued to be a vibrant planning document and by February 11, a week prior to enactment of the Recovery Act, it had grown to 75 steps. The draft proposed a responsible component for implementing each step and the number of days allotted for each step or set of steps that would result in each appeal being processed within the requisite 15 business days. While this draft was not the final version of the Step-by-Step, it was instrumental in assisting the whole team to visualize how all aspects of the process would work together to achieve the 15-day goal. In addition, a graphic flow chart detailing the workflow of the appeals through concurrent actions was also developed to further illustrate to all involved

the inner workings of the new system; and a Gantt chart detailed the milestones that needed to be met to be operational on time.

Critical Decision Points. Critical decision points for the February 11th Step-by-Step document included the following.

Decision 1: Level of staffing. The team decided that in order to quickly implement the program and make determinations that could withstand review in the courts within 15 business days, EBSA would need to leverage the expertise of its current staff of benefit advisors by supplementing it and providing it with the best technological support possible. After lively discussions among those who thought that much could be contracted out and those suspicious of all contractors, the team determined that the best approach would be to contract out functions of accepting and processing the applications to the point where expert federal staff would need to conduct or directly oversee fact finding.

Decision 2: Agreed on an adjudication model. The Step-by-Step proposed a cross-program team to develop training and be available for technical assistance and keeping the benefits analysts up to date on any changes to the law or regulations. This cross-program team would also meet and decide each novel or complex appeal as received. The team would be known as the COBRA Appeals Review Experts Team.

Decision 3: Designed an appeals process. The team decided immediately that the only way to accomplish adjudicating the appeals within the 15-day limit would be to make as much of the process electronic, or paperless, as possible and that simultaneous processing would be imperative. EBSA has a management information system (MIS) for its participant assistance program known as Technical Assistance and Inquiries System (TAIS). It is a robust MIS used by the benefits analysts to record the information they gather that is necessary to process inquiries, and used by managers to track and report workload. It is a web-based, Oracle system that is highly stable and reliable. Kansas City Regional Director Steve Eischen noted: "A major reason things went right was the design of the TAIS system that allowed for a paperless process and real-time availability of information regarding the status of all appeals at both the regional and national office levels." Since the benefits analysts were familiar with it and it was completely scalable, it became the framework of the system to be developed for managing the appeals. Several innovations and features would be needed, however.

Decision 4: Agreed on how to keep the workflow going. One of the biggest challenges of the entire process was to reduce the benefit advisors' workload and address morale issues. Benefit advisors were directed not to work their call inquiries, but rather to forward them to be investigated. Leadership created narratives to keep the morale of the staff going. Eischen said: "We also let them know, on a frequent basis, that they were doing excellent work on a very important issue for the American workers."

CASE AT A GLANCE

Labor's Employee Benefits Security Administration centralized the design of a new business process—creating an appeals function—in advance anticipation of the passage of the Recovery Act.

Implementation Action Steps This Case Exemplifies:

•   Set deadlines to create a sense of urgency

•   Use technology to track progress

•   Foster real-time learning

Source: Teresa Thomas, "COBRA Subsidy Denial Appeals System Implementation: Key Decision Points and Leadership Challenges," a case study posted on the Electronic Hallway at the Evans School of Public Affairs of the University of Washington (http://hallway.evans.washington.edu/recovery-act-case-studies).

Case Study Six: U.S. Department of Labor

Redesigning Administrative Processes: How a Regulatory Agency Redesigned and Implemented Its Certification Process to Speed the Award of Recovery Act Transit Funding

This case study examines the leadership challenges and key decision points in designing and successfully implementing a system that ensured that stimulus money Congress designated under the American Recovery and Reinvestment Act of 2009 (ARRA) for use by public transit agencies was awarded and expended. Stimulus public transit aid was funded through the Department of Transportation's Federal Transit Administration (FTA), which, following its review of grant applications, requests certification from the Office of Labor-Management Standards (OLMS) of the U.S. Department of Labor that the grantee transit agency has in place "fair and equitable" protections for employees affected by the grant. By law, without OLMS certification the grants cannot be awarded. The concern was that the Recovery Act required that grantees obligate at least 50 percent of their allocated grants within 180 days of FTA's apportionment of award or the funds would be reallocated to another project. FTA estimated that approximately 800 to 1,000 new grants would require OLMS certification, on top of its regular workload of about 2,000 certifications a year.

What did the agency do differently?

OLMS management was confronted with a significant challenge: Under its then current certification procedures, requests for certification in the early part of the 180-day Recovery Act period could likely be timely certified using guideline procedures, but late-arriving requests for certification ran a high risk of not being certified in time to permit grantees to obligate sufficient funds by the statutory deadline. These challenges were exacerbated by the potential backlog resulting from the influx of numerous grants at one time.

Andrew Auerbach, deputy director of OLMS, recalled: "I was worried about attempting to resolve this problem by increasing the number of employees certifying grants because when ARRA hit, OLMS was navigating a transition from a $44.9 million budget in FY2009 to a $40.67 million budget in FY2010. We were trying to reduce the number of employees, not increase them."

Department of Labor leadership directed OLMS to consider additional alternatives to its traditional certification process that:

- Were not as coercive as regulations

- Protected due process rights

- Provided for sensitive and effective compliance assistance

OLMS was also asked to increase processing efficiencies by careful workload and demand analyses. Specifically, the Department of Labor's leadership provided the following written guidance:

- "OLMS will suggest the number of additional staff (based on per person productivity) needed to significantly reduce the average number of days on OLMS's part for issuing a timely certification.

- "OLMS will prepare a new package based on . . .Voluntary Compliance Assistance for streamlining the certification process, possibly to include outreach, stakeholder meetings, early intervention, and mediation among the parties."

Actions taken by OLMS leadership. In response to the Department of Labor leadership's directive, OLMS undertook the following actions:

Action 1: Analyzed grant processing steps and procedures. The OLMS team broke the grant certification process into several discrete steps to isolate potential bottlenecks or inefficiencies and conduct a workflow analysis, comparing the time allotted for each step with the actual time used based upon case data.

Action 2: Conducted a staffing analysis. Consistent with the Department of Labor's directive, OLMS calculated whether additional efficiencies and speed could be gained by any further additional staffing. It was estimated that average processing time required 23 days—eight days were used by OLMS staff and 15 days by the contesting parties. For OLMS to trim its eight days further would require streamlining the process or hiring more staff. Although there was no way to rigorously determine the effect of an additional staffer on processing time, OLMS estimated that each additional staffer would reduce the number of cases handled by the remaining employees to some measurable extent. With one additional staffer, OLMS estimated, grants processed by each individual over the time period would decline from between 300–320 grants to a range of 272–290 grants, a reduction of nine percent. After fully considering this alternative staffing proposal, OLMS determined that the appropriate amount of additional staffing to handle the Recovery Act workload consisted of four professionals and one clerical employee.

Action 3: Developed methods to reduce the chances of an untimely certification and forfeited funds. Understanding the time constraints, OLMS quickly made contacts with the regulated community to explain the time limitations and seek cooperation by the parties. Contact was made to the overall community, outside the context of any particular grant. In addition to reaching out to the regulated communities at the macro level, OLMS also made individual contacts with each party to each individual grant application to emphasize the time limitations and seek cooperation by the parties in registering objections, or deciding to not register objections, as early as possible in the 15-day review period. This message was repeated in other processing stages as well: with each referral, OLMS included a message explaining the need for expedited review of objections.

Action 4: Had a mediator on call to resolve differences. OLMS also concluded that, in cases where there were disagreements as to the determination reached by reviewer, the use of mediation would be an effective solution. As a result, OLMS made arrangements to have a mediator on call for all parties that agreed to resolve problems by mediation. Successful mediation meant that the parties could be expected to complete the process in the initial 30 days, with no need for the traditional time-consuming negotiations and briefings.

Action 5: Established performance goals. Finally, OLMS put in place performance goals and measures to ensure that benchmarks were clear, progress was closely monitored, and adjustments could be made when necessary. OLMS established two performance measures.

- First, OLMS established a goal that 100 percent of all Recovery Act grants would be certified within the guidelines' 60-day time limit.

- Second, OLMS established a goal that the average elapsed time for processing of applications would be under 45 days.

Regular reports that monitored actual throughput times and workload were prepared and were shared with senior OLMS and Department of Labor leaders.

As this case study illustrates, OLMS and the senior leadership in the Department of Labor chose to focus on the details of the process for OLMS case handling and as a result, they were able to identify significant efficiencies and process improvements. By aggressive outreach, the regulated communities were made aware of their stake in success. Based on the new processes put in place by OLMS, all transit grants were certified in a timely manner during the study period. This achievement also led to the development of improved methods and procedures that are still available for use in subsequent periods of heavy workload for non-Recovery Act public transit grants.

In looking back on the effort, John Lund, the director of OLMS, said: "I credit the OLMS's unqualified success to the hard work of the OLMS staff and the cooperation offered by the labor unions and the transit agencies. When everyone came to understand that we all benefited by the release of grant money, the resulting employment opportunities, and Section 13(c)'s guarantee that these are good jobs, the rest took care of itself."

CASE AT A GLANCE

Labor's Office of Labor-Management Standards reengineered its certification process for the protection of transit-related employees hired under the Recovery Act using a centralized process that reached across internal agency offices and engaged external stakeholders.

Implementation Action Steps This Case Exemplifies:
- Set deadlines to create a sense of urgency

- Build in transparency and accountability

- Streamline grant and contract processes

Source: Ann Comer, "Transit Funding Under the American Recovery and Reinvestment Act of 2009: Key Decision Points and Leadership Challenges," a case study posted on the Electronic Hallway at the Evans School of Public Affairs of the University of Washington (http://hallway.evans.washington.edu/recovery-act-case-studies).

Case Study Seven: U.S. Department of Veterans Affairs

Redesigning Administrative Processes: Creating Internal Collaborative Networks to Streamline Decisions

The Department of Veterans Affairs (VA) received $1.8 billion in Recovery Act funds to:

- Improve medical facilities and national cemeteries

- Provide grants to assist states in acquiring or constructing nursing home facilities and to remodel or modify existing facilities to furnish care to veterans

- Hire and train temporary claims processors

- Make one-time payments of $250 to eligible veterans

These investments were designed to improve VA infrastructure, enhance and revitalize America's national cemeteries, hire claims processors to cut wait times for veterans, upgrade technology systems to cut red tape for veterans, and assist states in acquiring, building, or remodeling state nursing homes for veterans.

The result was that by July 2010, contracting officials completed a total of 1,521 contract award actions to 696 contractors. These project awards involved more than 1,200 sites in all 50 states, the District of Columbia, and Puerto Rico, and created more than 2,100 jobs. One-time maintenance projects included:

- Building renovations

- Construction of more than 26,000 parking spaces

- 39 upgraded or newly built elevator banks

- 14,000 inpatient bed spaces

- 16 pharmacy renovations

- 14,400 clinical improvement projects

Over $200 million was appropriated to fund renewable energy generation technologies, metering systems, and energy conservation. Over $197 million in energy and water infrastructure improvements at VA facilities was used to provide for upgrades that would reduce energy consumption and water use, and provide for better monitoring of energy costs. National cemetery improvements received $50 million in funding; more than 391 contracts have been awarded to restore and preserve historic monuments and memorials; increase energy efficiency; improve access and visitor safety and raise, realign, and clean approximately 200,000 headstones and markers; repair sunken graves; and renovate turf at 22 VA national cemeteries.

The Veterans Benefits Administration also obligated $150 million to hire, train, and equip approximately 2,700 temporary and permanent claim processors. In addition, VA was given

Congressional authority and $700 million to issue one-time $250 payments to eligible veterans and beneficiaries.

VA also obligated an additional $150 million for a state-run extended care grant program. This program gives states the ability to renovate and build state-run nursing homes for veterans, increasing the grant pipeline by approximately 300 percent. VA contracting officials focused on expanding the number of contracts awarded to service-disabled veteran-owned small businesses (SDVOSBs) and veteran-owned small businesses (VOSBs).

What did the agency do differently?

Implementation of the Recovery Act was managed by the VA's Chief of Staff John Gingrich through weekly meetings that included all executive stakeholders. Within weeks of enactment, VA had identified more than 900 projects across all 50 states. Staff prepared detailed expenditure plans for each project with a specific, estimated budget amount. These plans were submitted to the Office of Management and Budget for approval and posted on VA's Recovery Act website for public access. Following are the implementation actions undertaken:

Action 1: Accelerated payment of invoices to small businesses. The VA chief of staff issued a letter to all Recovery Act construction award recipients urging prompt submission of invoices. At the same time, VA accelerated payment of invoices to small businesses by cutting the standard processing time of 30 days or less to within seven days. VA also cut processing for non-small business invoices from 30 days or less to 10 days.

Action 2: Pre-validated registration of small businesses. The VA Recovery Act team also pre-validated the required registration by small business vendors in the Federal Contractor Registration system. VA's Office of Small and Disadvantaged Business Utilization authorized overtime for its employees to accelerate the required steps necessary to resolve any award protests. As a result, programs successfully awarded approximately 76 percent of the department's Recovery Act contract dollars to VOSB/SDVOSB businesses on a competitive basis.

Action 3: Created tracking codes for Recovery Act monies. VA officials obtained unique Treasury Account Fund Symbols for each of VA's Recovery Act programs from the Department of the Treasury. In conjunction with VA's electronic contract management system, this ensured that all Recovery Act contracts, project requirements, and contract management activities were clearly visible across the enterprise, with the ability to do real-time data extraction about a project or contract. The VA Office of Acquisition, Logistics, and Construction (OALC) created a reporting tool that monitored the completion status of various process steps. An interesting phenomenon occurred when executive management made everyone's progress public (at least internally). The network directors began to compete with each other, thereby increasing contract efficiency.

Action 4: Created payment matching program to reduce risk of erroneous payments. VA, the Social Security Administration, and the Railroad Retirement Board completed extensive matching between beneficiary listings resident within each to ensure that only one $250 payment had been authorized to each of those eligible under any of the three programs.

Action 5: Collaborated closely with states. To obligate $150 million for renovations of state-run nursing homes for veterans in 16 months, VA staff worked closely with state applicants from the onset of the application process until a grant was signed in order to ensure prompt and accurate processing.

Action 6: Emphasis on use of competitive bids. An emphasis on the use of competitive bids allowed VA to identify bid savings of roughly 10 percent of the original spending plan. These contract cost savings of approximately $100 million were rolled back into the program to fund additional projects through an oversubscription strategy of identifying dozens of additional projects.

CASE AT A GLANCE

VA created a strong, centralized oversight of the streamlining of existing administrative processes as well as an emphasis on risk management.

Implementation Action Steps This Case Exemplifies:

- Build in transparency and accountability

- Foster real-time learning

- Set deadlines to create a sense of urgency

- Create dedicated project teams

- Use technology to track progress

- Streamline grant and contract processes

Source: Jacqueline Hillian-Craig, "The American Recovery and Reinvestment Act: Serving America's Veterans," a case study posted on the Electronic Hallway at the Evans School of Public Affairs of the University of Washington (http://hallway.evans.washington.edu/recovery-act-case-studies).

Case Study Eight: U.S. Environmental Protection Agency

Redesigning Administrative Processes: Developing a Stewardship Plan to Meet New Reporting Requirements

The vast majority of EPA's $7.2 billion in Recovery Act funds were used to award grants, while some were awarded as contracts or as interagency agreements. The compressed time-frame for these awards placed extraordinary stress on the ability of EPA's program delivery, grants management, procurement, and financial reporting systems to process the additional funding in compliance with numerous laws and regulations affecting the agency's programs.

As required by the Recovery Act, EPA leadership had already established an executive-level work group, the Recovery Act Steering Committee, to oversee the administration of Recovery Act funds. But EPA also needed a clear and comprehensive plan to assess and mitigate its financial and operational risk for the funds.

EPA expected the Office of Management and Budget (OMB) to issue detailed guidance on the oversight and use of these funds, but the timeframe was not clear. Given the extraordinary nature of the Recovery Act requirements, Stefan Silzer, acting director of the Office of Financial Management (OFM), recognized that EPA could not wait. The agency had to determine quickly the best path to ensure that adequate internal controls were in place so that EPA was not vulnerable to fraud, waste, and mismanagement of Recovery Act funds. Stilzer observed:

"In a crisis, leaders are focused on emergency management, not internal controls, which can seem bureaucratic. The Recovery Act provided the chance to make sure that internal controls were not only covered, but also engineered for the long term."

What did the agency do differently?

Silzer believed that a comprehensive risk management plan was essential to mitigate the risks associated with administering EPA's Recovery Act funds in a way that met the law's tight spending deadlines. His idea was to develop a plan that was a well-defined blueprint for program, regional, and administrative managers on what they must do to mitigate the risk of fraud, waste, or abuse of Recovery Act funds.

Called the stewardship plan, it was issued by EPA less than five months after the passage of the Recovery Act. This comprehensive plan:

- Assessed and rated risk as high, medium, or low

- Identified control activities to ensure proper fiduciary management

- Identified monitoring activities

- Had contingency triggers that require the agency to take action in the event problems are uncovered. It covered six agency programs, all 10 EPA regions, and over 225 funding re-cipients, including states, tribes, local governments, universities, and nonprofit organizations.

The structure and content of the plan made it a model for ensuring financial and program-matic integrity during periods when the agency must respond to a large-scale, limited-duration crisis or other significant event without jeopardizing ongoing agency programs.

Developing the Plan

Knowing that EPA's Recovery Act Steering Committee would give the utmost deference to any risk mitigation measures supported by the agency's Office of Inspector General (OIG), Silzer set out to gain the support of OIG's senior leadership for the approach toward developing the stewardship plan. He discussed the conceptual framework and proposed content of the stew-ardship plan with managers in OIG and assured them that it would address all open OIG audit findings. His approach and action plan put the proposed stewardship plan on solid footing with the audit community. Significantly, OIG staff agreed to play a consulting role in the devel-opment of the plan, which laid the groundwork for persuading the rest of EPA to embrace Silzer's approach.

To begin building the consensus needed, Silzer assured everyone that the programmatic workload burden would be minimized by building the plan on existing guidance and key inter-nal controls to the maximum extent possible. Four years earlier, OFM staff had developed a Hurricane Katrina stewardship plan to cope with the disastrous effects of Hurricanes Katrina and Rita in the Gulf of Mexico. Although the scope and magnitude of the Katrina stewardship plan were limited in the number of program offices and regional offices affected, there were lessons learned from the Katrina experience that were useful in crafting a more comprehensive Recovery Act stewardship plan. In addition to the Katrina stewardship plan, OFM staff had three years of experience in assigning risk and documenting, testing, and evaluating the effec-tiveness of key internal controls through implementation of the requirements of OMB Circular A-123 on internal controls over financial reporting. Building on these foundations reduced the workload burden on the agency, thereby allowing EPA to avoid a fire drill approach and pro-moting development of a plan that was useful and usable.

With the steering committee's support, OFM staff worked successfully to solicit agency-wide senior program, regional, and administrative subject-matter experts to join a cross-functional workgroup to develop the stewardship plan. OFM organized the workgroup into seven func-tional areas that covered all aspects of managing EPA's Recovery Act funds: grants, contracts, interagency agreements, human capital, budget, performance reporting, and financial manage-ment. Silzer instructed functional leads to work with technical staff from across the EPA to develop the content for the stewardship plan and then gave them the freedom to determine the process by which they would work across the agency within their functional areas. Silzer set the tone, and OFM staff presided over work group activities.

The key development and design elements of the stewardship plan included audit integrity, inclusiveness, and building on existing processes. These were all significant factors in obtain-ing steering committee and eventually agency-wide support for the Recovery Act stewardship plan. In particular, the fact that OIG had already agreed to participate in the process gave the plan legitimacy in the eyes of the agency and, ultimately, OMB and helped cement OFM's role as a central broker in achieving the organizational consensus required to protect the adminis-tration of funds from risk.

CASE AT A GLANCE

EPA created a comprehensive risk-management strategy for agency-wide use in implementing its Recovery Act programs.

Implementation Action Steps This Case Exemplifies:

- Build in transparency and accountability

- Identify risks and manage them

- Build horizontal networks

Source: Constance Gillam,"Managing Organizations in Unusual and Uncertain Conditions: The Environment Protection Agency's Recovery Act Stewardship Plan," a case study posted on the Electronic Hallway at the Evans School of Public Affairs of the University of Washington (http://hallway.evans.washington.edu/recovery-act-case-studies).

Case Study Nine: U.S. Department of Housing and Urban Development

Redesigning Administrative Processes: How HUD Created a Place-Based Reporting System to Track Spending

In addition to its annual appropriation, HUD received $13.6 billion across nine programs when the Recovery Act was signed into law in February 2009. Most of HUD's Recovery Act Funds were delivered through two program offices: the Office of Community Planning and Development and the Office of Public and Indian Housing.

Congress intended for HUD's Recovery Act funds to be used to rehabilitate blighted structures into green, energy-efficient buildings, build new rental housing, stabilize neighborhoods battered by the foreclosure crisis, and help people facing homelessness. The allocation also included $1.5 billion for the Homeless Prevention and Rapid Re-Housing Program.

The Recovery Act required new reporting on outcomes, i.e., how many housing renovations were completed or how many people facing homelessness received assistance. On top of the new reporting requirements, the act contained ambitious targets for the expenditure of funds. This money would need to be distributed to grantees and spent faster than any previous appropriation of its size and scale.

As the process unfolded, nearly 3,000 new affordable housing units had been developed and 315,000 units were renovated. More than 500,000 people received homelessness prevention assistance. Over 12,000 individual grants and projects were eventually developed nationally.

What did the agency do differently?

Three features stand out as changes from business as usual:

- A focus on field (place-based) reporting systems

- Development of data based management to track in real time

- Intergovernmental partnerships

A regional director proposed that the department create a Recovery Act Strike Team (RAST) to support Recovery Act implementation. RAST identified those jurisdictions where the pace of Recovery Act obligations and spend rates lagged nationally projected rates. They then set up targeted outreach to public officials and grantee agencies' leadership in those jurisdictions to foster discussions about delays in spending, opportunities for spending acceleration, and risk management.

Traditionally, HUD field office staff working on specific programs reported back to their corresponding headquarters program office. There was no unified reporting across programs in field offices for the communities they served. But addressing local housing market challenges under

the range of Recovery Act programs required HUD to develop an integrated approach in communities. In response, HUD senior leadership developed a community-level (which they called place-based) reporting system to track project obligations and expenditures. From January through April, the Recovery implementation team replicated the place-based reporting meetings in the nine remaining HUD regions. Each meeting resulted in a punch list of Recovery Act outreach actions for regional and field offices. Follow-up meetings were eventually completed with each of the regions.

These meetings sparked competition among regional offices to drive faster spending and engendered a sense of regional accountability and empowerment. A standardized format was created to ensure similar information was coming out of each meeting. The meetings also opened new channels of communication between headquarters and the field. Following the meetings, the field offices have continued using the data to do follow-up with their local grantees. A weekly report was posted on the HUD website and sent to each of the regional directors and assistant secretaries for their action.

To reinforce links to community-level housing networks, senior political leaders were appointed based on their considerable experience in municipal or county government to either build stronger intergovernmental relations between federal and local governments or to take best practices or technology practices that had worked in their jurisdiction to scale up to a federal level. The new place-based reporting process reestablished relationships between staff in HUD field offices and grantees that had been dormant for years. The new data tracking system become a catalyst for field meetings between local governments, HUD regional offices, and HUD headquarters offices.

CASE AT A GLANCE

HUD created a new, integrated field reporting system that centralized data collection from the field, allowing greater insights for both headquarters and field leadership, and creating better relationships with grantees.

Implementation Action Steps This Case Exemplifies:

- Set deadlines to create a sense of urgency

- Use technology to track progress

- Build horizontal and vertical networks

Source: Henry Hensley, "American Recovery and Reinvestment Act Case Study: U.S. Department of Housing and Urban Development Place-Based Reporting," a case study posted on the Electronic Hallway at the Evans School of Public Affairs of the University of Washington (http://hallway.evans.washington.edu/recovery-act-case-studies).

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About the Authors

Dr. Richard Callahan is an Associate Professor with the University of San Francisco's School of Management. He teaches graduate degree courses in public administration in strategy, leadership, and governance. He has been funded for research projects on governance from the Haynes Foundation, Bedrosian Center on Governance, and has a Fulbright Specialist Program award for teaching leadership, institutional design, and governance in Istanbul, Turkey. Additionally, he works with universities in the states of Vera Cruz, Aguascalientes, and Yucatan, Mexico. Formerly, Callahan directed and taught in leadership and graduate degree programs in Los Angeles and Sacramento for 13 years for the University of Southern California, including as director of a 10-year engagement with the Sierra Health Foundation for developing nonprofit leaders.
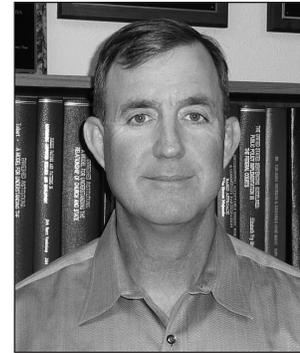
He is the recipient of a number of teaching awards, including the Chester A. Newland Award for teaching excellence from the Sacramento Chapter of the American Society of Public Administration. He has been published in the leading journals of public administration. He also served for 11 years as an appointed local government official in New Jersey and in California, working with elected leaders. Callahan earned his masters and doctorate degrees from the University of Southern California, and his B.A. in Government, with honors in political theory, from Georgetown University.

Dr. Sandra O. Archibald is Professor and Dean of the Evans School of Public Affairs, University of Washington; she holds a doctorate in agricultural economics from the University of California, Davis, and a master's degree in Public Administration from the Goldman School of Public Policy, University of California, Berkeley. Archibald has held academic and professional appointments at institutions such as the Humphrey Institute of Public Affairs at the University of Minnesota, Stanford University, the United States Environmental Protection Agency, and the Rockefeller Commission on Critical Choices for Americans. The author of over 100 publications and the recipient of numerous teaching and research awards, she has made significant contributions to policymaking and civic engagement in the United States through extensive involvement in public service and research designed to support sound public policy and management decisions.

Recent honors include serving on the Committee on Transforming Washington's Budget at the behest of the governor of the state of Washington; being named President by her peers of the Association of Public Policy and Management (APPAM), the top research organization in her field; election to the National Academy of Public Administration; and being named

Public Administrator of the Year by the Evergreen Chapter of the American Society for Public Administration.

Kay A. Sterner is the Academic Professional Writer for the Evans School of Public Affairs, University of Washington. She also works as the Copy Editor for the *Journal of Policy Analysis and Management*. Prior to working at the Evans School, she was a Research Consultant for the Department of Bioengineering, University of Washington. Outside of her work in academia, Sterner was a founder of Shunpike, a Seattle-based nonprofit that fuels innovation and leadership in the arts, and RIVET, a Seattle-based arts and culture magazine. She received her M.A. in International Studies from the Henry M. Jackson School of International Studies, University of Washington, in 2000 and her B.A., with honors, in Sociology from Minnesota State University, Moorhead in 1998. She attended the University of Portsmouth, UK in 1995–96 and the Université Paul-Valéry, France in 1997–98.

Dr. H. Brinton Milward is the Director of the National Institute for Civil Discourse and Director of the School of Government and Public Policy at the University of Arizona where he holds the Providence Service Corporation Chair in Public Management. He has been president of two national associations: the Public Management Research Association and the National Association of Schools of Public Administration and Affairs. He is a Fellow of the National Academy of Public Administration and in 2010 won the Distinguished Research Award given by the National Association of Schools of Public Affairs and Administration and the American Society for Public Administration for a "coherent body of work over a career." Milward's research interests revolve around networks and collaboration. He has studied organizational networks for his entire career. A major line of his work has focused on understanding how to efficiently and effectively manage networks of organizations that jointly produce public services like health care and mental health. He has conducted studies of what happens when governments privatize public services, which in the literature is known as "governing the hollow state."

He has also written on the challenge of collaborative management. After services are privatized, how do governments ensure that contracts and collaboration are effectively implemented by private firms and nonprofits that may have different goals than the government? A major new focus for Milward's work has been studies of illegal and covert networks that pursue grievances or greed. His articles on "Dark Networks," which include case studies from open-source materials, have been widely cited for their application of network analysis and management theory to terrorist networks, human trafficking, drug smuggling, and other illegal activities. His particular foci have been the governance of dark networks, their trajectories, and accounting for their relative degrees of effectiveness and resilience.

Key Contact Information

To contact the authors:

Richard F. Callahan, D.P.A.
Associate Professor
School of Management
University of San Francisco
San Francisco, CA 94117
916-803-7022

e-mail: rfcallahan@usfca.edu
http://www.usfca.edu/management

Sandra O. Archibald, Ph.D.
Professor and Dean
Evans School of Public Affairs
Box 353055
University of Washington
Seattle, WA 98195-3055
206-616-1648

e-mail: sarch@uw.edu
http://evans.washington.edu

Kay A. Sterner, MAIS
Academic Professional Writer
Evans School of Public Affairs
Box 353055
University of Washington
Seattle, WA 98195-3055
206-616-5284

e-mail: sterner@uw.edu
http://evans.washington.edu

H. Brinton Milward
Providence Service Corporation Chair and Director
School of Government and Public Policy
University of Arizona
PO Box 210027
Tucson, AZ 85721-0027
520-621-7476

e-mail: milward@email.arizona.edu

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