



Smarter Spending

Tracking Recovery Funds and
Reporting Outcomes

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Abstract

Government agencies and departments needing to track recovery funds and report outcomes will find that performance management processes, software and quick starts will help them meet these exceptionally stringent new requirements in a short timeframe.

Overview

The extraordinary public spending policies adopted by the United States, China, the European Union and others to fight off the economic crisis are pouring billions into the global economy. In the U.S., recovery spending alone will effectively double the government’s annual budget.

While politicians debate the efficacy of stimulus spending, government agencies in many countries are the happy recipients of supplementary means. Economic recovery monies are earmarked for projects intended to reduce environmental impact, improve infrastructure and raise the human condition: noble intentions for hopeful times. But in return, agencies and departments must meet an unprecedented level of accountability and transparency. In short, recovery spending will bring government, albeit abruptly, into a new era of smarter spending.

“The size and scale of this plan demand unprecedented efforts to root out waste, inefficiency and unnecessary spending.”

President Obama, Recovery.gov¹

Business problem

In sharp contrast with the bank bailouts, recovery funding has recipients scrambling to demonstrate that the investment is benefiting society as a whole. The scrutiny from higher levels of government, taxpayers and the media is unflinching. Any whiff of misspending, besides public shame, could mean clawback of funds. And governments have little more than the blink of an eye to get their house in order.

The enormity of the requirement multiplied by the ferocity of the schedule threatens to paralyze. But a closer look reveals that we are at the crossroads. This is the place where governments can choose the best way to move into this new era of openness. Recovery funds are a both a gift and a burden. To ensure the accountability and transparency strings attached do not strangle, agencies need to address the five challenges of managing recovery funds:

1. Ensure oversight and minimize risk
2. Choose the best projects
3. Manage grants and contracts
4. Track allocations and manage spending
5. Report on outcomes

This white paper describes these five areas in detail and the performance management software and processes that will help you address them.

Business drivers

To earn the trust of taxpayers and legislators through accountability (ensuring results) and transparency (communicating results), agencies need to maintain focus in the following five areas.

Ensuring oversight and minimizing risk

The accountability demands of recovery spending require rigorous internal controls and oversight mechanisms. Many departments and agencies have assigned a workforce to be responsible for recovery-related efforts. But oversight is only possible with a view into allocation, disbursement and spending. Oversight employees need information at their fingertips that lets them mitigate potential implementation risks and track funding, contracts and grants.

Performance management systems unite information from many different data sources into one view, making this insight available. Risk mitigation is made possible through the ability to test scenarios. Real-time, automated planning and budgeting can help agencies streamline and possibly accelerate standard processes for fund management, procurement and control to meet aggressive timeframes and higher transparency. In this way, systems can help spur processes that threaten to slow the speed of spending, getting dollars into the economy while keeping a firm audit trail to every one.

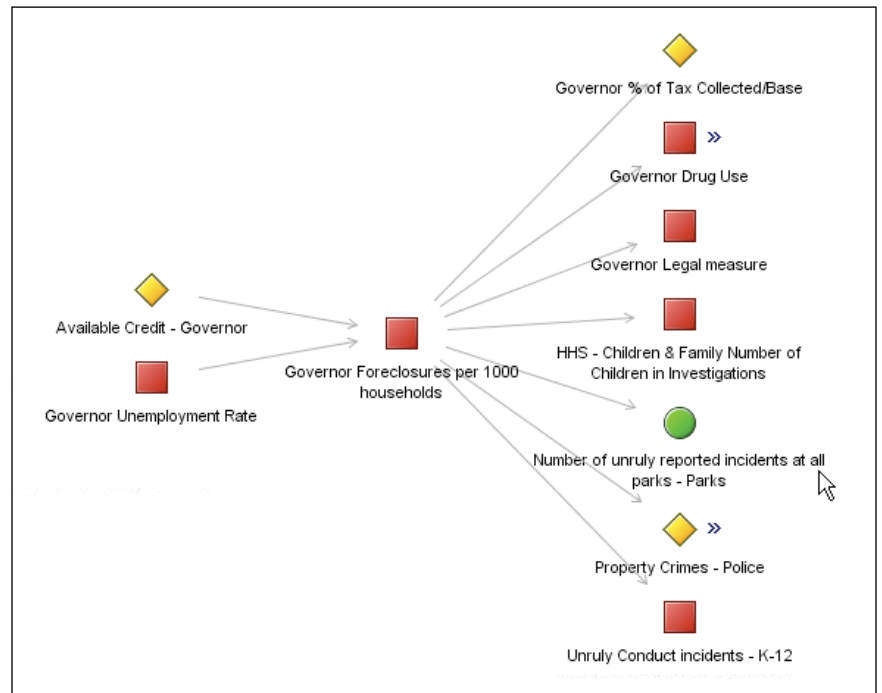


Overview is possible with a view into spending and progress to help mitigate risks.

Choosing the right projects

Recovery funds are being directed at projects that spur economic activity, with a preference for projects that are “shovel-ready.” Tagging projects with readiness indicators and sorting within a performance management system can help you find the projects in the works. But how to choose projects that create jobs and encourage growth in the longer term without a crystal ball?

Many public sector organizations use strategy maps for forecasting the effects of investment and prioritizing projects. Strategy maps represent how specific department-level goals and results contribute to high-level strategy. They show interdependencies among efforts within a city, a state, a province, a country. For example, a goal of five percent economic growth within a state might depend on 10 factors, including the issuance of construction permits and the influx of tourist dollars. A close look at increased foreclosures may show us that they are causing reduced tax revenues, higher crime, falling property values and fuller human services caseloads. Such maps point to areas influencing economic growth, letting you drill down into shovel-ready projects that will lead to economic development.



Strategy maps show interdependencies and help highlight the best areas and projects for recovery funds.

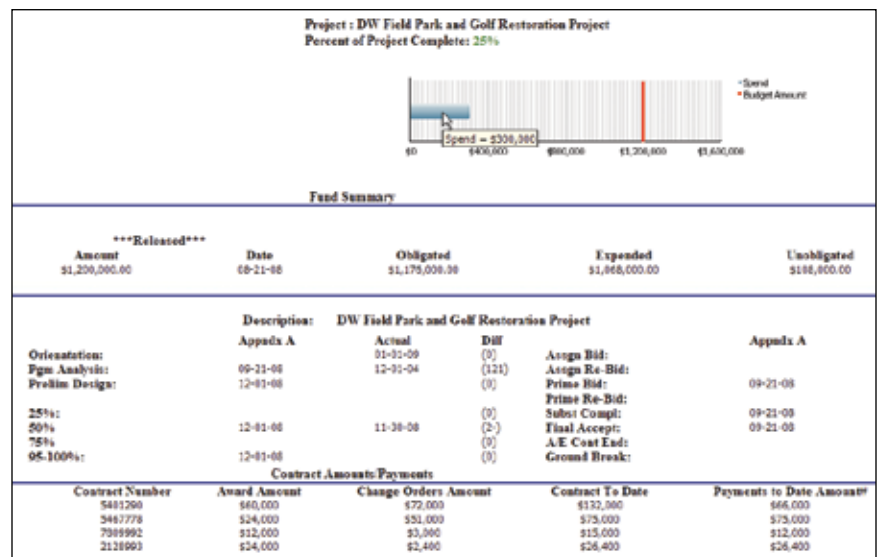
Strategy maps clarify our relationships and our goals – a kind of status report and wish list rolled into one. But scenario planning is the element of performance management that lets you look into the future by tweaking variables and predicting outcomes. “What-if” planning can let you project a current trend into the future and forecast economic activity and job creation resulting from different levels of investment.

Using strategy mapping and scenario planning, you can submit a list of projects most likely to meet the criteria for growth targets, most likely to create the highest number of jobs per funding dollar, and most likely to do the greatest good.

Managing grants and contracts

Many believe that contract management for recovery spending will stretch the capacity of government IT systems to their limit.² The process has always been challenging, but with new demands such as a lower threshold for non-compete contracts and the need to track subcontractors and sub-grantees, it is a new world.

Today, government agencies of all levels use performance management processes and systems to gather and manage contract and grant information. They can follow and report on competitors, bids, amounts allocated and spent – all related data. They can identify and reallocate critical uncosted amounts to meet the restricted timeframe for spending. As with all stimulus spending, contractors can be tracked separately from those receiving funding from the annual budget. Performance management lets governments ensure accountability and transparency in this critical area during recovery funds rollout.



Manage financial and performance aspects of recovery contracts awarded.

Tracking allocations and managing spending

Governments are accustomed to tracking budgetary allocations received and spent within such categories as operations or capital. But they are less familiar with tying spending to specific projects. This is the realm of cost accounting systems such as activity-based costing.

Performance management connects planning and budgeting with business intelligence capabilities such as analysis, scorecarding and reporting. Because of this, government agencies at any level can not only track the movement of funds, they can associate the spending with interim or final program results. This link brings spending off the ledger and into the lives of taxpayers.

Using budget planning, agencies can monitor the progress of spending at a detailed or executive level and follow an audit trail to each dollar. They can track recovery spending separately from regular budget amounts. They can collect spending and results information at the project level and communicate it to higher levels of government, oversight entities and to the public dynamically through the web. A flexible performance management system helps you comply with all requirements and add new requirements as they are defined.

Count	Funding	Jobs Created	Funding Per Job	Percent Completed	Budget Percent
1	\$20,000	20	\$1,000	28%	100%
1	\$200,000	100	\$2,000	20%	100%
1	\$300,000	40	\$7,500	17%	100%
1	\$30,000	6	\$5,000	67%	91%
1	\$1,500,000	150	\$10,000	31%	100%
1	\$20,000	1	\$20,000	60%	100%
1	\$100,000	10	\$10,000	57%	88%
1	\$75,000	20	\$3,750	100%	97%
1	\$5,000,000	300	\$16,667	20%	100%
1	\$1,200,000	70	\$17,143	25%	100%
Total	\$8,801,000	737	\$95,293	44%	99%

Track funds allocated and spent to date at any level of detail.

Reporting on outcomes

It is quite possible that the public will be less interested in how much is spent and where, and more interested in the economic activity and outcomes resulting from that spending. Citizens and higher levels of government alike will be keen for early outcome results, not only jobs created but also public service rendered.

Using performance management systems, agencies can report, using the web, their interim accomplishments, project completion rate, jobs created and final outcomes of funded projects. Agencies and departments can view outcomes by recovery category, by responsible person or by city, and roll them up to the provincial and national levels to see overall impact and comparison against benchmarks. They can receive alerts on any budgetary or progress issues. Real-time reporting can help with overlapping reporting deadlines that tolerate no time lag: the minute a contract is signed in Manchester, London knows about it.

Name	Actual	Target	Variance	Variance %	Year Period
Actual Jobs to Budget, %	85.83%	85.83%	-0.00%	0.00%	4/1/2008-2007
Project Completion, %	67.48%	75.00%	-7.52%	-10.16%	10/1/2008-2007
Jobs Created	7,876.11	8,300.00	-423.89	-5.11%	5/1/2008-2007

Department	Program Category	Priority	Type	Job Code	Internal FTE	Jobs Created	Total Expense
Department: Child Support Enforcement	Helping Workers Hurt by the Economy	1 - Critical Impact	Operating - One-time	898-Public Service Coordinator-208700	2	0	\$256,333.88
		3 - Moderate Impact	Operating - One-time	898-Public Service Coordinator-208700	0	0	(\$1,297,260.00)
		4 - Minimal Impact	Operating - One-time	898-Public Service Coordinator-208700	2	0	\$458,952.56
	Child Support Enforcement					(2)	0
Department: Child Welfare	Education for the 21st Century	1 - Critical Impact	Operating - One-time	898-Public Service Coordinator-208700	6	29	\$1,093,000.00
		3 - Moderate Impact	Operating - One-time	898-Public Service Coordinator-208700	0	0	(\$1,297,260.00)
		2 - Major Impact	Capital - Long Term	898-Public Service Coordinator-208700	0	0	(\$746,000.00)
		3 - Moderate Impact	Operating - One-time	898-Public Service Coordinator-208700	0	0	(\$993,867.82)
	Child Welfare					6	29
Department: Homeless Services	1 - Critical Impact	Operating - One-time	898-Public Service Coordinator-208700	(2)	0	(\$412,223.94)	

Link economic recovery outcomes to goals and impact, and report results through the web.

The solution

Governments must act quickly to meet the “ferocious reporting requirements”³ of economic recovery funding, but they must also make the right choices. Gaining the trust of taxpayers and showing positive outcomes hinges to a certain extent on the ability of your performance management system to let you spend smarter.

Government agencies and departments have been struggling for years with integrating a large number of different systems and applications. Acquiring tools to meet reporting requirements should not exacerbate the problem. Performance management systems considered should have the potential to become future standards. They should bring consistency, interoperability and simplicity to these efforts. They should be:

Proven. The system should be created and maintained by a stable organization with an established track record and a secure future.

Complete. All functionality should exist on one platform, including planning, reporting, analysis, scorecarding, strategy maps, executive dashboards and alerts.

Open. Full access to all functionality means flexibility and rapid changes. Connectivity to a multitude of data sources is critical for a broad view of performance.

Easy to use. Your users do not have time for long learning curves. If they can see results without a manual, adoption is guaranteed.

Web-based. Transparency will be ensured through the web. Choose a system with web-based reporting for the internal or external sharing of information.

IBM Cognos performance management brings simplicity and openness to your reporting efforts. Governments use our software to enable better use of resources, deeper insight into trends and data-driven strategic planning. To help you meet accelerated implementation timelines, we have created pre-built solutions, based on best practices, that are customized to suit recovery funds tracking and reporting.

IBM Cognos performance management has helped cities fight crime, states improve social services and federal agencies protect wilderness and find alternative energy sources. Using our software, governments can free up resources from simply collecting data to focus on what they should be doing – delivering better government. Governments have trusted IBM for decades to help them provide citizen-centric, transparent service and ensure successful outcomes.

Conclusion

Performance management is, overnight, no longer a nice-to-have for governments. With recovery activities as the driver, governments are quickly moving into an age of unprecedented openness. Once in place, citizens will be unwilling to return to the days of more limited transparency.

Whether recovery spending catalyzes enough economic development to dispel recession is firmly in the hands of fate. In the hands of global governments today is managing the funds to the best of their ability. If doing this earns them the trust of taxpayers and legislators and brings societal good, this is the best possible outcome. In all hopes, the legacy of recovery spending will be this: to have brought a level of accountability and transparency previously unknown to government that will remain long past the spending of the last dollar.



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Endnotes

- 1 Barack Obama's introductory video, <http://www.recovery.gov>
- 2 David McClure. "Stimulus Spending Reporting Will Challenge U.S. Agencies." Gartner, 20 February 2009. http://www.gartner.com/DisplayDocument?doc_cd=165800
- 3 Lurita Doan, from In-Depth interview with Francis Rose. "Stimulus and the Agencies." Federal News Radio, 2 March 2009. <http://www.federalnewsradio.com>