



Fact Sheet: Reporting Reforms for Federal Spending

The Problem

Every year, the federal government spends trillions of dollars in contracts, grants, loans, and assistance, with even more money being spent through major efforts such as the recent pandemic relief programs and the ongoing infrastructure projects. As important as it is for the money to reach the American public, it is equally important to effectively track where the money is going. **But tracking federal spending is far more difficult than it should be because the reporting system for federal awards is broken.** We are unable to reliably answer key questions about the spending: What was it used for? Were communities or businesses missed? How many jobs did it support? Where did it all go?

When federal dollars are misspent, the effects are widespread but are disproportionately felt by communities that have historically been economically marginalized. Programs that seek to redress such inequities cannot effectively measure their impacts if they lack the ability to reliably determine which investments reached which communities. For example, the White House's [Justice40 Initiative](#), which has the goal of ensuring that at least 40% of certain federal funding goes to “communities that are marginalized, underserved, and overburdened by pollution,” will be unable to accurately track its progress without better reporting that reliably follows federal funds down to the community level.

The current reporting system suffers from significant flaws, including data gaps, incomplete information, and whole categories of assistance that have been omitted from the system. If the federal government doesn't collect the right information and ensure it is complete and accurate, it will be nearly impossible to review whether federal funds — taxpayer dollars — are being spent wisely and effectively.

The Solution

Now is a critical time for Congress to act to repair the flaws in the reporting system for federal awards. Previous legislation established important data standards and made USAspending.gov the central portal through which the public can learn about federal spending. New congressional action is needed for a large-scale revitalization of federal spending data that should proceed along three paths: fixing current reporting, filling reporting gaps, and tracking new data points.

Step 1: Fix Current Reporting

USAspending.gov is the primary disclosure portal for federal spending. It was created more than a decade ago, and several elements in the reporting system are broken or have never worked as intended. The following suggestions will address significant deficiencies in the reporting of federal spending:

- Establish clear guidelines or minimum requirements for what constitutes an award description.
- Require a process to collect accurate subaward data that can reliably track funds past the initial recipients. This will help track where aid went, who got it, which communities most benefited, and

whether it was distributed equitably. This will allow more complete evaluations of the impact that the federal spending has, which is necessary for meeting performance goals like those outlined in the Justice40 Initiative.

- Require all federal agencies to collect and report the corporate identifier of any company receiving a federal award, which will make it easier to track how many and what type of awards each company receives.
- Require a process to ensure that codes used by contractors to categorize authorized uses for funds, also known as event codes, such as the National Interest Action Code and the Disaster Emergency Fund Code, are applied consistently to all related federal awards, including contract and assistance awards. This would make it easier to track spending efforts that cut across multiple agencies in response to natural disasters, health crises, and other unique events.

Step 2: Fill the Gaps

Federal spending reporting has major loopholes that must be closed so the public can have a complete picture of where taxpayer money is going and what it accomplishes. Closing the loopholes will also help officials and the public assess the efficacy of government-wide initiatives related to federal spending, such as Justice40. The following are ways Congress can work toward greater transparency of federal spending:

- Close the assistance reporting loophole by requiring businesses receiving assistance to report the same information that gets reported for receiving a contract — industry sector data, demographic data on business owner (for instance, are they minority owned, woman owned, or veteran owned), and other key fields.
- Require all federal agencies to report all federal awards (such as contracts, loans, and assistance) in the same central system.
- Require agencies to proactively post award documents or summaries online so researchers and investigators can review the details of any awards without the delays that result from having to submit records requests.

Step 3: Track New Data Points

The federal government must expand data collection to ensure that Congress and the public have the information necessary to effectively evaluate the impact and reach of federal award programs.

- Require agencies to collect information on the number of jobs each federal award helps support, or at least how many people are employed at the businesses receiving these awards.
- Require agencies to develop a methodology to quantify the number of people benefiting from each award, and then require reporting of this key data point.
- Require agencies to report data on the lenders involved in any loan transaction to ensure that their implementation of the loan programs can be evaluated and that taxpayer-backed aid is as efficient, accountable, and equitable as possible.

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