

December 22, 2009



***Message From the Chairman
Recovery Accountability and Transparency Board***

The American Recovery and Reinvestment Act of 2009 (Recovery Act) is designed to provide historic levels of transparency and accountability. Recipients of certain Recovery Act funds must report, on a quarterly basis, specific details about the funds they receive. These details include the total amount of funds received, a list of projects for which the funds are being used, and information about the number of jobs created or saved as a result of the funds received. This information is posted on www.Recovery.gov, a publicly available website. Making this data available to the public significantly increases transparency and helps provide greater accountability of the funds.

The Recovery Accountability and Transparency Board (Recovery Board) recognizes the importance of data quality as part of the effort to bring transparency and accountability to the Recovery Act funds. In addition, many will evaluate the success of the Act based on the accuracy of the data reported. In light of the importance of the quality of the Recovery Act data, the Recovery Board has worked with Federal Inspectors General to establish a multi-phased review process to look at the quality of the data submitted by Recovery Act recipients. The first phase of this multi-phased review process is outlined in this report. This initial review reflects a snap-shot of data quality review processes established by agencies in anticipation of the data to be submitted by Recovery Act recipients. Because this initial review was conducted in September 2009 before recipients had submitted any data, the review did not test the effectiveness of the agencies' processes nor did the review look at the accuracy of any specific data elements. Instead, the review was designed to determine if agencies had developed data quality reviews in anticipation of the data to be submitted. The review also provided an opportunity for the Federal Inspectors General to make recommendations on how agencies could improve data quality review processes.

Over the coming months, the Recovery Board and Federal Inspectors General will issue subsequent reports that look at the causes of the inaccurate reporting, the effectiveness of the agency data quality review processes, and in some cases, Federal Inspectors General will review the accuracy of specific recipient reports. This additional work will speak more directly to the accuracy of the data submitted by Recovery Act recipients.

In the meantime, the information contained in this report and the individual agency-specific reports will help agencies refine the data quality review processes and work toward improving the quality of data submitted by Recovery Act fund recipients.

Earl E. Devaney



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

November 25, 2009

Report Number: A-09-10-01002

The Honorable Earl E. Devaney
Chairman
Recovery Accountability and Transparency Board
1717 Pennsylvania Avenue NW., Suite 700
Washington, DC 20006

Dear Mr. Devaney:

The enclosed final report provides a summary of the Inspectors General (IG) reports on Federal agencies' processes for performing limited data-quality reviews of recipient-reported information on the use of American Recovery and Reinvestment Act (Recovery Act) funds. We prepared this report at the request of the Recovery Accountability and Transparency Board. We vetted this report with the 29 IGs responsible for Recovery Act oversight and addressed their comments as appropriate.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Joseph E. Vengrin, Deputy Inspector General for Audit Services, at (202) 619-3155 or through email at Joseph.Vengrin@oig.hhs.gov.

Sincerely,

/Daniel R. Levinson/
Inspector General

Enclosure

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**SUMMARY OF INSPECTORS
GENERAL REPORTS ON FEDERAL
AGENCIES' DATA-QUALITY
REVIEW PROCESSES**



Daniel R. Levinson
Inspector General

November 2009
A-09-10-01002

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

EXECUTIVE SUMMARY

BACKGROUND

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, was enacted February 17, 2009, to preserve and create jobs; to assist those most affected by the recession; to increase economic efficiency by investing in technological advances in science and health care; to invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and to stabilize State and local budgets.

To promote transparency and accountability, section 1512 of the Recovery Act requires quarterly reporting by recipients of certain funds made available under the Recovery Act. Each of these recipients must submit a report to the applicable Federal agency, not later than 10 days after the end of each calendar quarter, that shows (1) the total amount of Recovery Act funds received and the amount that was spent or obligated, (2) a detailed list of all projects for which Recovery Act funds were expended or obligated, and (3) detailed information on payments to subrecipients and vendors. Further, section 1512 requires that each Federal agency make recipient information publicly available on a Web site.

On June 22, 2009, the Office of Management and Budget (OMB) issued guidance (memorandum M-09-21) on implementing section 1512 reporting requirements. M-09-21 specifies that Federal agencies should perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in the reported information and should notify recipients of the need to make appropriate and timely changes. On September 30, 2009, OMB issued guidance on reviewing contractor reports under section 1512.

The Recovery Act created the Recovery Accountability and Transparency Board (Recovery Board) to provide transparency in the use of Recovery Act funds and to prevent and detect fraud, waste, and mismanagement. To help meet its mandate, the Recovery Board requested that the 29 Inspectors General (IG) of Federal agencies receiving Recovery Act funds determine whether the agencies had processes in place to perform limited data-quality reviews of recipient-reported information and to notify recipients of the need to make appropriate and timely changes. As of November 3, 2009, 20 IGs had issued 21 reports. Because many of the IGs' assessments were conducted before the recipients reported and corrected data, the objective of the IGs' assessments did not include determining whether the agencies' processes operated effectively. However, most of the 20 IGs indicated that they intend to evaluate the effectiveness of agency processes in future reviews.

Fifteen of the twenty IGs assessed agency processes for reviewing information reported by both grantees and contractors. The five other IGs advised the Recovery Board that they assessed agency processes only for grantees because the final OMB guidance for contractors was not available until September 30, 2009.

OBJECTIVE

Our objective was to summarize 21 IG reports on Federal agencies' processes for (1) performing limited data-quality reviews of recipient-reported information on the use of Recovery Act funds and (2) notifying recipients of the need to make appropriate and timely changes.

SUMMARY OF RESULTS

Seventeen of the twenty-one IG reports indicated that the Federal agencies had designed processes to (1) perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in information reported by recipients of Recovery Act funds and (2) notify recipients of the need to make appropriate and timely changes. Five of the seventeen reports provided suggestions for refining or improving those processes or for addressing quality assurance challenges. The remaining four reports contained findings related to the processes for performing limited data-quality reviews. These reports demonstrate that the Recovery Board, IGs, and agencies have worked together to provide transparency and accountability in the use of Recovery Act funds.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
American Recovery and Reinvestment Act	1
Reporting Requirements for Recipients of Recovery Act Funds.....	1
Recovery Accountability and Transparency Board	3
Inspectors General Assessments of Federal Agencies’ Data-Quality Review Processes.....	3
OBJECTIVE, SCOPE, AND METHODOLOGY	3
Objective	3
Scope and Methodology	4
RESULTS OF REVIEW	4
CONCLUSION	5
APPENDIX	
INSPECTORS GENERAL REPORTS ON FEDERAL AGENCIES’ DATA-QUALITY REVIEW PROCESSES	

INTRODUCTION

BACKGROUND

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, was enacted February 17, 2009, to preserve and create jobs; to assist those most affected by the recession; to increase economic efficiency by investing in technological advances in science and health care; to invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and to stabilize State and local budgets.

The Congressional Budget Office reported that the Recovery Act's combined spending and tax provisions are expected to cost \$787 billion over 10 years, including more than \$580 billion in additional Federal spending. Selected Federal agencies have been allocated a portion of the \$787 billion. The agencies then award funds to recipients, such as State governments, through grants, contracts, and other forms of assistance.

Reporting Requirements for Recipients of Recovery Act Funds

To promote transparency and accountability, the Recovery Act established reporting requirements related to the award and use of Recovery Act dollars.

Section 1512 of the Recovery Act

Section 1512 of the Recovery Act requires quarterly reporting by recipients of certain funds made available under the Recovery Act.¹ A recipient includes any non-Federal entity, other than an individual, that receives Recovery Act funds directly from the Federal Government. Section 1512 reporting requirements apply mainly to recipients of grants, contracts, and loans for discretionary programs, not to recipients of grants for entitlement and mandatory programs, such as Medicaid.

Section 1512(c) requires each recipient of Recovery Act funds to report on its use of funds to the applicable Federal agency not later than 10 days after the end of each calendar quarter. The recipient should report:

- the total amount of Recovery Act funds received and the amount that was spent or obligated;
- a detailed list of all projects for which Recovery Act funds were expended or obligated, including the project name, description, and completion status and an estimate of the number of jobs created or retained; and

¹Programs subject to the reporting requirements in section 1512 of the Recovery Act are listed in Supplement 1 of M-09-21.

- detailed information on payments to subrecipients and vendors.²

Section 1512(d) requires that each Federal agency make recipient information publicly available on a Web site.

Office of Management and Budget Implementing Guidance

On June 22, 2009, OMB issued implementing guidance (memorandum M-09-21) for section 1512 of the Recovery Act that requires recipients to report detailed information on projects funded by the Recovery Act. This guidance applies to grants, loans, tribal agreements, cooperative agreements, and other forms of assistance. An interim final rule amended the Federal Acquisition Regulation (FAR) to require contractors to report on the use of Recovery Act funds (74 Fed. Reg. 14639 (Mar. 31, 2009)). OMB published an unnumbered memorandum on September 30, 2009, emphasizing that the interim rule remains in effect for contractors and describing the requirements for agencies to review contractor reports and take appropriate action.³

Prime recipients of Recovery Act funding, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. Subrecipients delegated to report on behalf of prime recipients share in this responsibility. Agencies that fund Recovery Act projects and activities are responsible for providing oversight of recipient data quality.

Data quality is defined in M-09-21 as the steps to improve the accuracy, completeness, and timely reporting of information. Section 4.2 of M-09-21 specifies that Federal agencies should perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in the reported information and should notify recipients of the need to make appropriate and timely changes.

- **Material omissions** are defined as those instances in which required data are not reported or reported information is not otherwise responsive to the data requested. Such omissions would result in significant risk that the public will not be fully informed of the status of a Recovery Act project.
- **Significant reporting errors** are defined as those instances in which required data are not reported accurately. Such reporting errors would result in significant risk that the public will be misled or confused by the recipient report.

Section 3.1 of M-09-21 requires that the information reported by all recipients and subrecipients of Recovery Act funds be submitted through www.federalreporting.gov, reviewed by the funding agency, and published on www.recovery.gov. Section 3.2 describes the timeline for submission,

²A vendor is a dealer, distributor, merchant, or other seller providing goods or services for a Federal program. A recipient or subrecipient may purchase from vendors those goods or services needed to carry out a project (Office of Management and Budget (OMB) memorandum M-09-21, p. 7 (June 22, 2009)).

³OMB's "Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 52.204-11."

review, and publication of recipient information. The first reporting period covered February 17 through September 30, 2009.

Section 4.2 of M-09-21 states that oversight authorities, which include OMB, the Recovery Accountability and Transparency Board (Recovery Board), and Federal Inspectors General (IG), establish data quality expectations, establish data and technical standards to promote consistency, and coordinate any centralized reviews of data quality.

Recovery Accountability and Transparency Board

Section 1521 of the Recovery Act created the Recovery Board, which comprises a chair and IGs from 12 Federal agencies. The Recovery Board's mission is to promote accountability by coordinating and conducting oversight of Recovery Act funds to prevent fraud, waste, and abuse and to foster transparency of Recovery Act spending by providing the public with accurate, user-friendly information. The Recovery Act authorized the Recovery Board to conduct its own independent audits and reviews of funds and to collaborate on reviews with Federal IGs.

The Board issues quarterly and annual reports on its oversight findings and, if necessary, "flash reports" on matters that require immediate attention. In addition, the Board maintains www.recovery.gov so that the American people can see how Recovery Act funds are being distributed by Federal agencies and used by recipients. IG reports related to the Recovery Act are posted on www.recovery.gov.

Inspectors General Assessments of Federal Agencies' Data-Quality Review Processes

To help meet its mandate, the Recovery Board requested that the 29 IGs of Federal agencies receiving Recovery Act funds determine whether the agencies had processes in place to perform limited data-quality reviews of recipient-reported information and to notify recipients of the need to make appropriate and timely changes. The Recovery Board worked with the IGs of the U.S. Department of Health and Human Services, the National Endowment for the Arts, and the U.S. Department of Agriculture to develop an audit guide for these assessments, called "Data Quality Review Guide for the Inspector General Community."

Some IGs informed the Recovery Board that they did not participate in the assessments because the agencies for which they have oversight authority made few or no grant awards under the Recovery Act. Other IGs informed the Recovery Board that they did not participate because OMB's final guidance for reviewing contractor information was not available until September 30, 2009.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to summarize 21 IG reports on Federal agencies' processes for (1) performing limited data-quality reviews of recipient-reported information on the use of Recovery Act funds and (2) notifying recipients of the need to make appropriate and timely changes.

Scope and Methodology

This report summarizes the results of 21 reports issued by 20 IGs as of November 3, 2009. Each report determined whether the Federal agency had designed a process to (1) perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in information reported by recipients of Recovery Act funds and (2) notify recipients of the need to make appropriate and timely changes. See the Appendix for a list of the agencies reviewed and links to the IG reports.

Fifteen of the twenty IGs assessed agency processes for reviewing information reported by both grantees and contractors. The five other IGs (shown in the Appendix) advised the Recovery Board that they assessed agency processes only for grantees because the final OMB guidance for contractors was not available until September 30, 2009.

Because many of the IGs' assessments were conducted before the recipients reported and corrected data, the objective of the IGs' assessments did not include determining whether the agencies' processes for performing limited data-quality reviews and notifying the recipients of appropriate and timely changes operated effectively. However, most of the 20 IGs indicated that they intend to evaluate the effectiveness of agency processes in future reviews.

To accomplish our objective, we reviewed the 21 IG reports and compiled and analyzed the results.

RESULTS OF REVIEW

Seventeen of the twenty-one IG reports indicated that the Federal agencies had designed processes to (1) perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in information reported by recipients of Recovery Act funds and (2) notify recipients of the need to make appropriate and timely changes. Five of the seventeen reports provided suggestions for refining or improving those processes or for addressing quality assurance challenges.

The remaining four reports contained findings related to the processes for performing limited data-quality reviews:

- The Department of Agriculture IG reported that the agency had provided significant information and assistance to its components but had not established an internal control structure with formal policies and procedures that provided a clear indication of agency versus component responsibility for determining the completeness and validity of recipient reporting. The IG recommended that the agency establish such an internal control structure. Agency management concurred with the finding and recommendation.
- The Small Business Administration IG reported that the agency had taken steps to ensure that recipients complied with reporting requirements, including issuing an information notice specifying what contracting and grant officers need to know about www.federalreporting.gov and disseminating a procedural notice outlining specific

recipient reporting requirements. However, the information notice did not adequately define the review process for identifying material omissions and/or significant reporting errors. In addition, one of the agency's components had not yet drafted a policy for reviewing recipient data. The IG recommended that the agency further define its data-quality review process for recipient reports. Agency management agreed with the results of the review.

- The Department of Homeland Security IG reported that the agency's process for verifying the completeness and accuracy of recipient data was evolving. For example, the agency had issued general guidance for reviewing contractor reports, and several components had developed approaches for substantiating the accuracy of recipient reporting. However, the agency had not yet issued detailed procedures for performing limited data-quality reviews of recipient information to identify material omissions and/or significant reporting errors. The IG recommended that detailed policies and procedures be issued agencywide. Agency management generally concurred with the finding and recommendation.
- The Department of Defense IG reported (D-2010-RAM-002) that the agency had neither a well-defined process for performing limited data-quality reviews nor specific policies and procedures to perform these reviews.⁴ The agency had provided a high-level description that did not include roles and responsibilities, a detailed description of methodology, processes to identify material omissions and/or significant reporting errors, or milestones. The IG suggested actions to correct these deficiencies. When OMB issued its interim guidance on reviewing contractors' reports, on September 30, 2009, the first report was due in less than 2 weeks. The IG reported: "OMB's issuing its guidance so late may have impacted the Department's ability to establish a well-defined process." We were informed that IG staff met with agency officials, who provided technical comments on a draft, and that agency comments were incorporated where appropriate.

CONCLUSION

The Recovery Board requested that the IGs of Federal agencies receiving Recovery Act funds assess the agencies' processes for performing limited data-quality reviews of recipient-reported information. Twenty IGs issued twenty-one reports on their agencies' processes to (1) perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors and (2) notify recipients of the need to make appropriate and timely changes. Of the 21 reports, 12 contained no findings or suggestions for improvements, 5 contained no findings but provided suggestions for refining or improving the processes, and 4 contained findings related to deficiencies in the processes. These reports demonstrate that the Recovery Board, IGs, and agencies have worked together to provide transparency and accountability in the use of Recovery Act funds.

⁴In a separate report (D-2010-RAM-001), the Department of Defense IG reported that the U.S. Army Corps of Engineers had developed processes to perform limited data-quality reviews for its Civil Works Programs.

APPENDIX

**APPENDIX: INSPECTORS GENERAL REPORTS ON FEDERAL AGENCIES'
DATA-QUALITY REVIEW PROCESSES**

Agency Reviewed	Process for Contracts Reviewed?	Link to Issued Report
Corporation for National and Community Service	No	http://www.recovery.gov/Accountability/inspectors/Documents/20091030-cnccs-limited-quality-reviews-processes.pdf
Department of Agriculture	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/11703-1-HQ%20final%20report%20issued%20102309.pdf
Department of Commerce	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/Final%20Audit%20Report%20ARR-19847.pdf
Department of Defense ¹	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/D%202010%20RAM%20002%20Final%20Report%20508%20Compliant.pdf http://www.recovery.gov/Accountability/inspectors/Documents/MEMORANDUM%20NO%20%20%20D-2010-RAM-001compliant.pdf
Department of Education	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/A19J0004%20-%20Issued%20Final%20Audit%20Report%2010-29-09.pdf
Department of Energy	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/DOE%20OIG%20Data%20Quality%20Report.pdf
Department of Health and Human Services	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/90900113.pdf
Department of Homeland Security	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/OIG_10-08_Oct09.pdf
Department of Housing and Urban Development	No	http://www.recovery.gov/Accountability/inspectors/Documents/HUD-OIG%20Audit%20-%20Review%20of%20HUD's%20Process%20for%20Monitoring%20Recipient%20Reporting%20for%20ARRA%202009.pdf

¹The Department of Defense Inspector General issued two reports: D-2010-RAM-002 on the Department's military programs and D-2010-RAM-001 on the U.S. Army Corps of Engineers' Civil Works Programs.

Agency Reviewed	Process for Contracts Reviewed?	Link to Issued Report
Department of the Interior	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/Interim%20Audit%20Report%20-%20Data%20Quality%20F10-30-09.pdf
Department of Justice	No	http://www.recovery.gov/Accountability/inspectors/Documents/DOJ%20Data%20Quality%20Review%20Report%2010-30-09%20Final.pdf
Department of Labor	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/FINAL%20REPORT%20ON%20DATA%20QUALITY%20REVIEW%20NOV%2030.pdf
Department of State	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/20091029-dos-processes-implementing-ARRA.pdf
Department of Transportation	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/Final%20Report%20on%20Data%20Quality%20100609.pdf
Department of Veterans Affairs	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/VAOIG-09-01814-16.pdf
Environmental Protection Agency	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/20091029-10-R-0020-Section%20508%20Compliant.pdf
National Endowment for the Arts	No	http://www.recovery.gov/Accountability/inspectors/Documents/Data%20Quality%20Report%20-%20NEA%20-%20ARRA-10-01.pdf
National Science Foundation	No	http://www.recovery.gov/Accountability/inspectors/Documents/Final%20Report%20NSF.pdf
Small Business Administration	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/Final%20Data%20Quality%20Review%20Report%2010_30_09.pdf
Social Security Administration	Yes	http://www.recovery.gov/Accountability/inspectors/Documents/A-15-10-21045.pdf