



Recovery Accountability and Transparency Board

**QUARTERLY REPORT
TO THE PRESIDENT and CONGRESS**

**Insight and Information on the
Recovery Board's Operations
Through February 2010**

March 2010



RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD

Chairman's Message...

January 22, 2010 marked the end of the second reporting period for recipients of Recovery Act funds. On January 30, nearly 162,000 reports were posted to the Recovery.gov website. Collecting, transferring, and publicizing reports from all 50 states and U.S. territories within a 30-day period is a remarkable accomplishment. I commend the team of professionals who managed the FederalReporting.gov and Recovery.gov systems as well as the thousands of recipients that reported timely and accurately during both reporting periods.

As we are learning, transparent reporting is a challenging endeavor. The first reporting period was plagued with a multitude of mistakes and missteps by recipients entering the data and government agencies responsible for providing guidance and oversight. The Recovery Board responded to the first period reporting issues by making significant improvements to both FederalReporting.gov and Recovery.gov. The Office of Management and Budget (OMB) also issued new guidance to simplify the reporting process and agencies responded by working closely with their recipients to help them adhere to the new policies. This revised guidance coupled with the technological changes to FederalReporting.gov resulted in noticeable improvements, but we have not yet reached the goal of accurate and timely reporting by all recipients.

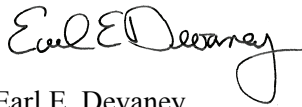
As with the first reporting period, the Board continued to voice its concerns over missing and incomplete information relating to recipients. With the assistance of the Office of the Vice President, the agencies are now in the process of providing this vital information to the Board. Once this information is received it will improve transparency, strengthen the quality of the data posted to Recovery.gov, and assist the Board in assessing and addressing fraud.

Although there is still much to do, I believe the Board has met the requirements of the Recovery Act to provide a user-friendly website that serves as a portal to key information on the Recovery Act. Moreover, we have accommodated the needs of the conventional user by providing simple, intuitive tools to help navigate the data. We also have accommodated the needs of technologically sophisticated users by providing downloadable data in formats that let them do what they want with the data. They can place the data in whatever context they deem useful and create variations or "mashups" that can be used by less sophisticated users.

The value that transparency brings to the oversight mission should not be underestimated. For the first time ever we can screen and analyze federal contracts, grants, and loans funded by a government program from within a single database. We also continue to leverage the experience of the Inspector General (IG) community by pairing traditional investigative techniques with refined technologies to examine whether Recovery funds are allocated efficiently and effectively.

These new capabilities are helping us send a message to the American people that we are here to protect Recovery funds and a warning to those who dare misuse the funds. Our aim is to keep a close eye on Recovery funds, ensuring that the processes related to their allocation and use are transparent and accountable.

The following pages provide insight on issues we have faced, solutions we have implemented, and the proactive measures in place to ensure transparency and accountability of Recovery Act funds.

A handwritten signature in black ink that reads "Earl E. Devaney". The signature is written in a cursive style with a large, stylized "E" at the beginning and a long, sweeping tail that loops back under the name.

Earl E. Devaney

The Challenge of Transparency

Requiring transparency of government spending is a double-edged sword. Transparency promotes accountability and provides detailed information about the use of taxpayer dollars, but it also reveals flaws and problems entrenched in our government processes. Transparency, as envisioned by the framers of the American Recovery and Reinvestment Act of 2009, is intended to hold government accountable to the American taxpayer for \$787 billion in Recovery spending. But simply placing mounds of spending data on a website does not meet the definition of transparency. In fact, as we have learned, if that data confuses the public the mission of transparency is harmed, not enhanced. So the Board's ultimate goal is to provide useable, readable data that informs people and allows them to view, question, and interpret the data. Of course, we realized from the onset that accomplishing this mission would require continuous re-evaluation and revisions to the processes involved with collecting and displaying volumes of data on recipient reporting.

Round One Reporting (October 2009)

“The Good, the Bad, and the Ugly” aptly describes the processes and results of the first round of recipient reporting. During the first period, more than 130,000 reports were filed, identifying information on the use of Recovery Act funds awarded for federal contracts (13,080), grants (116,675), and loans (607). FederalReporting.gov, the system used to collect this information, successfully handled hundreds of thousands of records and transferred that information to Recovery.gov in time to meet the October 30, 2009 deadline to publicly display the information. However, the data was riddled with inaccuracies. Some recipients were overwhelmed by the process and confused by the guidance—and their reports reflected that dilemma. Some of the most significant issues encountered dealt with miscalculated job numbers, erroneous congressional districts, invalid zip codes, and missing reports and information. Working with the Office of Management and Budget (OMB), the Board decided not to post a small subset of reports with significant errors and material omissions, but instead sent those reports to the relevant agency for correction. The rest of the reports were posted on Recovery.gov.

Round Two Reporting (January 2010)

Prior to the second reporting period, specific steps were taken to increase the quality of data that recipients reported. OMB refined the formula for calculating job estimates to align more closely with the Government Accountability Office's recommendations to “standardize the period of measurement” and base estimates on “hours worked and paid with Recovery Act funds.” We believe that this simplification helped eliminate much of the recipients' confusion about the proper method for reporting jobs.

The Board also added technical and internal logic checks to FederalReporting.gov. For example, enhancements were made to FederalReporting.gov to identify and prevent several types of “spending-related” mistakes, such as reporting that more money was spent than was awarded. Additionally, U.S. Postal Service zip + four codes were tied to the corresponding congressional districts to restrict users from entering erroneous congressional districts. These and other key enhancements to the inbound reporting system resulted in significant improvements to the data. The following table compares the key

data quality issues between the first and second reporting periods and shows significant improvements in several areas.

Table 1

Data Anomalies/Reporting Issue	Errors/Anomalies in January 2010	Errors/Anomalies in October 2009	Percent Reduction in Anomalies/Issues
Congressional Districts - Place of Performance (POP)	0	811	-100.0%
Congressional Districts - Headquarters (HQ)	0	1,668	-100.0%
Mismatched Zip Codes	0	479	-100.0%
Unidentifiable Treasury Account Symbol (TAS) Codes	47	113	-58.4%
Reports with Invalid Agency Codes	0	254	-100.0%
Prime Recipient Reports where the funds received or invoiced was larger than the funds awarded	7	195	-96.4%
Late Reports (Prime and Sub Recipients)	11,807	16,997	-30.5%

Note: Time Period for late reports for Reporting Period 1 was October 11-20, 2009 and Reporting Period 2 was January 16-22, 2010.

In revised OMB guidance issued December 18, 2009, federal agencies were directed to improve their agency-level review of recipient data. To complement this OMB requirement, the Board launched a multi-phased data quality initiative to evaluate each agency’s data quality review process. The initial report on the agencies’ processes was released on December 22, 2009, and reflected a snapshot of data quality review processes established by agencies in preparation for recipient report submissions. This review provided an opportunity for the Inspectors General to make recommendations on how agencies could improve the data quality processes. A second data quality report was released by the Board on February 25, 2010. The report identified prevalent data errors in recipient reports and reviewed factors that may have contributed to these inaccuracies.

To further assist the agencies with their review processes during the second reporting period, the Board provided weekly data anomaly reports to OMB that identified possible errors. Summary reports on certain data elements, such as the number of awards allocated and jobs funded by Recovery money also were provided to OMB to help steer the agencies’ data quality reviews. Additionally, the Board decided to keep the FederalReporting.gov site open to recipients to correct mistakes on a continuous basis after each official reporting period rather than waiting until the next cycle. This change also permits federal agencies to review recipient reports and suggest corrections on a continuing basis. The corrected data is then posted on Recovery.gov on a bi-weekly basis.

The Board also listened and responded to our website users. This open door policy has resulted in significant enhancements to the Recovery.gov website. For example, we have simplified the home page so users get to the data they need more efficiently. We have added a Map Central landing page that allows users to access the interactive funding, unemployment, and diversity maps from a central location. The diversity map pinpoints how much Recovery money is going into specific communities. The Board also refined the site’s search capabilities to allow users to customize their data searches. A special jobs search feature gives users the ability to obtain information on Recovery jobs in both the public and

private sectors. Users simply enter a job category and a location in the search box and they are directed to the website addresses of recipients of Recovery funds. While Section 1526 (c)(14) of the Recovery Act requires the Board to provide information on Recovery job opportunities “to the extent practical,” the Board knows how important this is to the American public and will continue to expand this feature. As new recipients report at the end of each quarter, links to their websites will be added. Additionally, the site features links to other helpful jobsites such as USAJobs.gov and Careersonestop.org.

The changes in the guidance, the enhancements to FederalReporting.gov and Recovery.gov, the weekly reports for the agencies, and the extended review period for both recipients and federal agencies have led to better data quality. However, not all recipients have submitted reports as required by the Recovery Act and the Board believes that non-reporters should face enforcement penalties. While Congress debates the issue of penalties for delinquent recipients, the Board decided that, beginning with the second reporting cycle and continuing on for as long as is needed, we will display what we refer to as the “Two-Time Losers” list. This list includes the names and identifying information of all recipients that have failed to report during the current and previous reporting cycles. This list will single out recipients that fail to comply with the requirements of the Recovery Act.

Accountability Matters

Our oversight mission is one we take very seriously, and we are making good progress at preventing and identifying fraud, waste, and abuse of Recovery Act funds. The Board and the IGs responsible for oversight of Recovery funds are combining traditional investigative tactics and proactive efforts to prevent misuse of public funds and to encourage ethical behavior at all levels of government. The success of our mission requires education, awareness, risk-identification, and detailed analyses—and we have aligned our Accountability section accordingly.

Education and Awareness

Through January 2010, the Board and the Inspector General community have provided 912 training sessions to more than 189,000 federal, state, and local individuals responsible for Recovery Act program funding. These sessions have focused on Recovery Act requirements; fraud waste and abuse; and methods for managing grant and contract programs to meet legal and administrative requirements.

Additionally, Board members and others in the Inspector General community have reached out to citizen groups, congressional staffs, and the national media, providing background on the Recovery Act and technical information for tracking the flow of the money on Recovery.gov. Through our information sharing programs, the Board and the oversight community have developed several committees, partnerships, and working groups. The Department of Justice (DOJ) Anti-Trust Division and the IG community have partnered in training sessions designed to identify fraud risks for contracts, both before and after they are awarded. The Justice Department also is seeking Board support in planning a training program that would enable prosecutors to better handle the unique provisions of the Recovery Act.

Other joint initiatives include the DOJ Financial Fraud Taskforce and the National Procurement Fraud Taskforce.

Hundreds of Americans contact us everyday. They reach us by phone, fax, mail, email, through our website at www.recovery.gov, and on our social networking sites. Many taxpayers ask how they can become “Citizen IGs” and help ensure that Recovery Act funds are distributed most efficiently. We appreciate their assistance and encourage everyone to contact the Board or agency IGs if they have any suspicions regarding the use of Recovery Act dollars.

Risk Identification and Analysis

The Board established the Recovery Operations Center (ROC) to identify more easily problem areas in the use of Recovery funds. The ROC’s analysts approach the oversight function in many ways to ensure that the Board stays on top of fraud prevention. In a more traditional mode, we take in tips from “Citizen IGs” on our hotline service that was activated on September 28, 2009. During the last six months, we have received more than 1,200 calls, emails, faxes, and letters from citizens expressing concerns about the use of Recovery funds. As of February 26, 2010, we have forwarded 102 of these tips to the relevant Inspector General for investigation. The number of hotline complaints is consistent with similar hotlines, as is the percentage of complaints that warrant further investigation.

Working Proactively to Prevent Fraud

In a proactive mode, the Board also is keeping a keen eye on the spending patterns of Recovery recipients. As a way to prevent potential fraud, we have established unique methods to identify high-risk recipients of federal contracts, grants, and loans. We employ business rules commonly used in the financial industry to identify high-risk factors such as past bankruptcies, excessive liens, judgments and lawsuits, lack of experience, or other questionable information. During the first year of the Recovery Act, the Board found numerous issues of concern by scouring public information. These issues ranged from simply not being registered in the Central Contractor Registration database (a Recovery Act requirement) to more complex concerns involving requirements in the federal contracting regulations. The Board continues to look for non-compliance issues, but it also searches for broader, more complex deficiencies to preclude non-authorized entities from receiving Recovery Act funds.

During the past year, the Board’s oversight capabilities have grown and we have created a three-tiered accountability model to address the significant challenge of overseeing Recovery Act spending. The first tier incorporates a thorough screening process. Here, the Board’s analysts sort through large volumes of data to isolate potential high-risk recipients. This screening process uses publicly available information to help ensure that the federal government is doing business with authorized entities. The Board analyzes risk factors such as fraudulent business addresses, past criminal behavior, reporting status (delinquent and/or non-reporters), and whether a recipient has been suspended or debarred from government work. This process helps to determine whether an entity is eligible for Recovery Act funds or is a higher fraud risk.

The second tier uses a link-analysis tool to uncover non-obvious and high-risk relationships between entities. In one example, “Company A” presents itself as a low-risk recipient. By using the link-analysis tool, the Board’s staff identifies undisclosed ties to known criminal or high-risk entities, an analysis that shows that “Company A” might well be a high-risk recipient. To conduct these and other

analyses, the Board has employed a diverse staff of professionals with backgrounds in auditing, investigating, procurement activities, program analysis, math, and statistics. Given the volume of funding, we have found that the challenge of detecting potential fraud requires new, unconventional approaches to fraud prevention. Employing such a diverse staff enables us to look at challenges from a broader range of capabilities, and to report our findings to the appropriate Inspector General.

The third tier of the accountability model uses the results of the first two tiers (preliminary screening and link analysis) along with historical risk factors and current trends to create risk-based resource management tools for the oversight community. For example, we have created maps that depict counties across the United States hardest hit by the recession (i.e., high foreclosure and unemployment rates). This data is overlaid with information about Recovery Act programs and recipients to show potential areas of risk. Finally, the location of all hotline calls is tracked to look for trends in potential fraud, waste, and abuse allegations. This methodology allows the Board and the oversight community to focus limited oversight resources where they are most needed across the nation. Table 2 identifies the work performed by the oversight community on Recovery Act related issues.

Table 2

Recovery Accountability and Transparency Board KEY STATISTICS - THROUGH JANUARY 31, 2010	
Cumulative Statistics - Recovery Board and All Inspectors General	
Complaints	1,771 Received
Investigations	147 Active Investigations 43 Accepted for Prosecution 6 Prosecution Denied 5 Referred for Alternative Resolution
Audits, Inspections, Evaluations & Reviews	401 Completed*
Whistleblower Reprisal Allegations	14 Received
Congressional Testimonies	19 Provided
<i>*All reports are not available on Recovery.gov due to sensitive content</i>	

The Bottom Line

The mission of the Recovery Board is unique. In our government's history, no single oversight board has ever been charged with such a broad responsibility for transparency and oversight. These are challenging times and accomplishing our mission will not happen overnight. It will require continuous vigilance and adaptability. Timely reporting, accurate data, and greater clarity in Recovery Act spending will be achieved in incremental steps. The Recovery program has introduced a new age of transparency and accountability. In our short existence, the Board has made several significant strides. Recovery.gov is fast becoming one of the federal government's most popular websites. Our efforts in fraud prevention and detection along with our transparency initiatives have increased the public's appetite for a more accountable government. We will continue to make improvements, hold each stakeholder accountable, and prepare for new challenges that will undoubtedly surface as we move forward.