Recovery Accountability and Transparency Board

QUARTERLY REPORT
TO THE PRESIDENT and CONGRESS

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

July 2010

Chairman's Message…

Much has transpired since our last report on March 15. We have overseen the Quarter 1 and Quarter 2 reporting cycles, working with our oversight partners to ensure recipient reporting compliance and developing new strategies to prevent and detect fraud and to keep the Recovery process transparent.

I am pleased to report that significant improvements emerged in the Quarter 1 reporting cycle, which covered the period January 1 through March 31, 2010. Recipients made notably fewer mistakes, and during the continuous corrections period further refined their submissions through June 14. Updated data is displayed every two weeks on the Recovery.gov website. This process, coupled with the reporting system enhancements we implemented, helped to improve the data quality in more than 179,000 reports filed during the Quarter 1 cycle.

In preparing for the Quarter 2 reporting cycle, which covers the period April 1 through June 30, 2010, great attention was given to developing technical solutions that will eliminate common recipient errors, such as duplicate reporting. We put in place enhanced edit checks for award dates, payment data, jobs data, and final report status. I am proud of our accomplishments with FederalReporting.gov and Recovery.gov, and I am honored that Recovery.gov has been recognized recently for innovation by the 14th annual Webby Awards and several other prominent organizations.

On March 5, President Obama named four members of the Recovery Board Independent Advisory Panel. The next month, the panel held its initial organizational meeting. I attended the day-long session and informed panel members that the Recovery Board welcomed their support of our efforts to prevent and detect fraud, waste and abuse in the Recovery program. The panel's first public meeting is scheduled for August 5, 2010.

Members of the Recovery Board continue traveling outside the Beltway to meet with average Americans and state and local officials. We listen closely to the public's assessment of our performance overseeing spending under the American Recovery and Reinvestment Act of 2009. This dialogue allows us to address concerns and respond promptly to suggestions. In fact, many of our stakeholders played a role in our recent decision to take a major step in the technology world. After carefully researching costs and other factors, we moved Recovery.gov to the Amazon Cloud computing environment, which saves taxpayer dollars and provides a host of other benefits. We hope that other government agencies will follow our lead and use the newest and best technology.

The Office of Management and Budget (OMB) issued a memorandum, dated May 4, 2010, which provides guidance for additional actions and strategies to assist agencies in fulfilling their responsibility to hold recipients accountable for reporting compliance. In April, the President also issued a memorandum urging agencies to use every available means to ensure reporting compliance.

Additionally, the Inspectors General who share Recovery oversight responsibilities have provided updated oversight plans, which are posted on Recovery.gov. They have also issued 592 reports on audits, reviews, inspections and evaluations of programs funded under the Recovery Act, including entitlements and tax benefits. Together, the Board and the Inspectors General have provided more than 2,000 training and outreach sessions to federal, state, and local government employees and to private sector individuals involved in Recovery Act implementation.

Whether leveraging the collective power of the OIG community on accountability issues or engaging the public in dialogue to improve Recovery.gov, we recognize that the key to accomplishing our mission is a consistent exchange of information, knowledge, and resources with our stakeholders. Indeed, collaboration is proving to be a critical component of our operational and long-term strategies. Without the public's feedback, input from our federal, state and local stakeholders, and the dedication of the Board and its staff, we would not have realized the achievements of the last 17 months.

In fact, from my vantage point, accountability and transparency have become Main Street issues for Americans, and the efforts of the Recovery Board in advancing these concepts represent a sea change in government policy.

The following pages provide detailed information on our activities over the last three months and a look at the steps we are taking on the path forward.

Earl E Devaney

Earl E. Devaney

Improving Transparency

In the early months, the Board learned firsthand that transparency can sometimes result in embarrassment. Recipients were not accustomed to providing detailed information to the government on contracts, grants and loans, and, as a result, there were many errors. The Board simplified the reporting process and put in place edit checks in FederalReporting.gov, actions that resulted in a marked improvement in recipient reporting.

Recipient reporting is a complex process. Even understanding the reporting terminology takes effort. To assist users of Recovery.gov, the Board has posted new information on the website that provides a better understanding of the reporting calendar, the categories of recipients, and the data recipients must report.

The vast majority of recipients fall into four categories: state and local governments; universities and other research institutions; non-profit organizations; and private companies. Section 1512 of the Recovery Act requires recipients of Recovery awards to file reports after the end of each calendar quarter. Such reports must include, among other information, the total amount of Recovery funds received; a description of the project funded with Recovery dollars; the amount of Recovery funds spent to date; and details on sub-awards made by the recipient. Recipients also must report the number of jobs funded by the Recovery Act in the quarter. The reporting periods, beginning in October 2009, cover calendar quarters. The table below identifies the reporting periods by quarter.

Table 1

RECOVERY ACT RECIPIENT REPORTING CALENDAR TIME LINE

QUARTER (Q), CALENDAR YEAR (CY)	TIME PERIOD COVERED (REPORTING QUARTERS)	START of REPORTING CYCLE	INITIAL REPORT DATA PUBLISHED
Q-3, CY 2009	February 17, 2009 - September 30, 2009*	October 1 , 2009	October 30, 2009
Q-4, CY 2009	October 1, 2009 - December 31, 2009	January 1 , 2010	January 30, 2010
Q-1, CY 2010	January 1, 2010 - March 31, 2010	April 1 , 2010	April 30, 2010
Q-2, CY 2010	April 1, 2010 - June 30, 2010	July 1, 2010	July 30, 2010
Q-3, CY 2010	July 1, 2010 - September 30, 2010	October 1, 2010	October 30, 2010
Q-4, CY 2010	October 1, 2010 - December 31, 2010	January 1, 2011	January 30, 2011

*Note: Because of the time needed to implement the Recovery Act, signed into law in February 2009, the first period for which recipients submitted reports (February – September 2009) was longer than a calendar quarter.

Recipient Report Card:

That old adage, "the third time is the charm," proved true for the third reporting period, the quarter ending March 31, 2010. Reporting went much more smoothly, as recipients filed 179,440 reports. The breakdown: recipients submitted reports for 154,152 grants, 24,363 federal contracts, and 925 loans. In all, there were 70,644 prime recipient reports and 108,796 sub-recipient reports. Additionally, recipients reported more than 681,000 jobs for the quarter. The number of recipients that did not report this cycle decreased by 27.1%. In May 2010, the Government Accountability Office (GAO) issued a report detailing the reasons for the improvements, including recipients' increased familiarity with reporting requirements. The Board agrees with that assessment. The report also said, "OMB and the Board's responsiveness to feedback, reflected in updated guidance and system enhancements, have also helped improve recipient reported data quality and reliability."

We expect to see continuing improvements in the data quality of recipient reports because of additional oversight initiatives. First, through a collaborative effort with OMB, the Board has added business rules to FederalReporting.gov. Second, the Inspectors General (IGs) are performing data quality audits of recipient reporting. These audits help to identify data errors and omissions in recipient reports and factors that have contributed to erroneous reporting in the past. In June, an OIG-led Board review of the effectiveness of the Agencies' Data Quality Review Processes was completed. The final report provided three recommendations to improve the effectiveness of agency data quality reviews. These recommendations include establishing a uniform and consistent government-wide award numbering system; making mandatory the suggested data logic checks identified in OMB guidance, and issuing guidance to better define material omissions and significant errors. Finally, another Board review is under way. This review focuses on key data reporting elements and the root causes of error.

Getting Tough on Non-Reporters:

Ensuring that recipients of Recovery Act funds report accurately and on time is still critical. The Board continues to advocate for timely and accurate master recipient award lists from agencies and stricter compliance regulations. Since our March report, the Board has worked with OMB, the agencies, and the IGs to develop and maintain an updated recipient award master list and to ensure its accuracy. On Recovery.gov, we are publishing the identities of recipients that fail to file reports. In June, we published the names and award information for all non-reporters, including two-time and three-time noncompliers.

In recent months, the Administration has provided additional compliance support, reminding recipients of the importance of meeting reporting deadlines. On April 6, 2010, the President issued a memorandum, **"Combating Noncompliance with Recovery Act Reporting Recipients,"** directing federal agencies to use every means available to identify prime recipients that have failed to file a report on FederalReporting.gov and to hold them accountable to the fullest extent permitted by law. The directive requires agencies, when appropriate, to terminate awards, reclaim misused funds, and pursue suspension and debarment proceedings against non-reporters. The memorandum also directs agencies to "intensify efforts" to identify noncompliant recipients. On May 4, OMB issued a separate memorandum providing guidance to agencies on additional actions they could take to hold recipients accountable for reporting compliance.

The Board believes that a get-tough policy and simplifying the reporting process will improve data quality and encourage recipient compliance. Statistics support this assessment. The following table compares key data elements in the first three reporting cycles.

Comparison of Key Reporting Indicators			
Data Element	**Q-3, 2009 * (February 17—September 30, 2009)**	**Q-4, 2009 (October 1 — December 31, 2009)**	**Q-1, 2010 (January 1 — March 31, 2010)**
Number of Reports	**130,357**	**161,782**	**179,440**
Total Non-Reporters	**4,359**	**1,036**	**755**
Percentage of Reports Changed After Original Submission	**25.5%**	**14.6%**	**7.6%**
Help Desk Stats:			
Number of Contacts	**33,939**	**25,409**	**20,353**
Average Response Time	**12:74 Minutes**	**1:01 Minutes**	**0:16 Minutes**
*Note: Because of the time needed to implement the Recovery Act, signed into law in February 2009, the first period for which recipients submitted reports (February—September 2009) was longer than a calendar quarter.			

New Strategies for Extraordinary Times

The Board recognizes that its decisions affect every taxpayer. Decisions are not made lightly. Innovation is a must. On April 26, the Board took one such step—this one technological—moving Recovery.gov to a cloud computing infrastructure developed by Amazon.com. This decision was reached only after careful research by the Board's IT team. The move means that the Board no longer has to manage Recovery.gov's physical data center and related computer equipment. Under an arrangement with a Board contractor, Amazon now hosts our website and provides computing power as needed. The Board expects savings of nearly $750,000 over the next 18 months and even larger savings in the years ahead.

The historic move provides other benefits. Recovery.gov is more secure because Amazon's security platform has been added to the Board's own security system. Users are getting faster service, energy is being conserved, and the Board has freed up resources to focus more intently on its core mission of providing meaningful content to Recovery.gov users.

Meanwhile, the Board has begun redirecting computer hardware and software resources to the Recovery Operations Center (ROC), a move that will help identify fraud, waste, and abuse. The ROC's three-tiered risk system combines advanced screening models, risk identification processes, and a link analysis tool to create risk-based resource management tools for the entire oversight community. The results of the analysis are shared with the relevant Inspector General to provide information for potential investigations and audits, and to help focus oversight resources where needed most.

ROC technologies allow the Board to provide targeted Geospatial Risk Analysis (risk mapping) for oversight entities. Our analysis can identify, for example, relational patterns between Recovery spending in a state and socio-economic risk factors to determine which areas receiving large amounts of Recovery funds might be at a higher risk for fraud, waste, and abuse. The risk factors include unemployment rates, foreclosure rates, and the per capita rate of property crime. High-risk counties for federal contract and grant spending can be identified. County data are overlaid with information on Board referrals generated for these counties. This information, coupled with the state's oversight of Recovery programs, provides important tools in the campaign to root out potential fraud, waste and abuse in the Recovery program.

A more traditional, but no less vital, component of the Board's oversight strategy is the work of its Special Programs Unit (SPU). Each day, the Board's staff monitors data collected by the Federal Procurement Data System (FPDS), the Federal Assistance Award Data System (FAADS), the Federal Business Opportunities (FedBizOpps.gov) and USA Spending.gov websites, and the Central Contractor Registration (CCR) database for compliance issues or performance risks. Transparency drives accountability, and these government databases, along with Recovery.gov, give the public a detailed look at federal awards. Reviews of these databases form the basis of what the Board terms "observations."

Observations are administrative or programmatic concerns relating to federal awards. Observation concerns can include: lapsed CCRs; missing transparency data (such as title, description of services, and award recipient information); omitted contract competition data; Small Business set-asides awarded to large companies; North American Industry Classification System (NAICS) code misidentification; and unfavorable award recipient information (such as bankruptcies, liens, and lawsuits). Since the passage of the Recovery Act, the Board has sent more than 500 observations to federal agencies. These observations, covering more than $18.4 billion in Recovery spending, are either compliance-related or they highlight factors indicating performance risk.

The Board's SPU also generates "leads," which are sent to agency IGs. A lead can originate from an observation, but the nature of the information is deemed more suited for an official referral to an Inspector General for review or investigation.

The process of sending observations to agencies has improved oversight of Recovery funds. Indeed, analysis shows that agencies are taking positive corrective action after receiving observations from the Board's staff.

Of course, proving the relationship between risk and fraud can be difficult. However, the Board believes that Recovery funds are being safeguarded by the use of traditional, proactive, and scientific processes of the Special Programs Unit, the Recovery Operations Center, and the IG community.

Moving Forward

In the New Information Age, transparency helps empower citizens to participate in government decision-making. Through outreach efforts, open dialogues, and social media outlets, the Board is helping Americans interact with their government. The Board now has established accounts at Twitter, Facebook, MySpace, and YouTube, and will soon unveil its blog, RecoveryBuzz. The Board expects the number of citizens following Recovery.gov via its social networking sites to grow substantially in the coming months. Separately, and this is a good thing, teachers across the country are increasingly using Recovery.gov to teach civics lessons and help students understand government spending.

Looking ahead, the Board will continue improving its transparency efforts, providing users of Recovery.gov with even richer content. As for accountability, it is clear that the Board's program has been enhanced with the addition of the Recovery Independent Advisory Panel. The four Presidential appointees have backgrounds in financial services, fraud expertise, public and private sector management, and statistics and data visualization. Their views of the Recovery program will be invaluable to the Board. Additional information on the panel members is included in the report Appendix.

Finally, the Board, embracing innovation, must stay one step ahead to continue meeting its dual mission of accountability and transparency. To that end, the intellectual firepower of many people in and out of government are being utilized. Our long-term strategy reflects a framework built on collaborative efforts and bold new solutions.

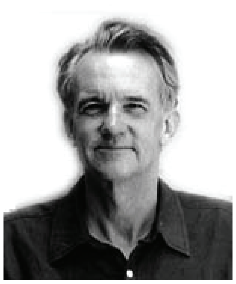
Appendix

Acting under the American Recovery and Reinvestment Act of 2009, President Obama announced in March the four appointees to the Recovery Independent Advisory Panel. These four panel members will recommend ways to assist the Board in its mission of finding and minimizing fraud, waste and abuse in the Recovery program. The panel members are:

Steven Koch, a vice chairman and co-chairman of Credit Suisse's Mergers and Acquisitions Group. Mr. Koch joined Credit Suisse in 1985. He also teaches at the Director's Consortium, a semi-annual seminar he helped to organize that is sponsored by the Amos Tuck School of Business Administration at Dartmouth, the University of Chicago Booth School of Business, Stanford Graduate School of Business and the Stanford Law School.

Chris Sale, a vice president for Development Finance at CHF International where she provides guidance and informs policy for the CHF International's micro-enterprise, housing finance and small-to-medium enterprise lending programs. Ms. Sale has more than 20 years experience in finance and development, having served as the deputy advisor for External Relations for the Inter-American Development Bank, deputy to the chairman and CFO of the FDIC, COO of the U.S. Small Business Administration, among other positions. Ms. Sale is currently a fellow of the National Academy of Public Administration, and the Finance and Investment Chair for the National Partnership for Women and Families.

Malcolm K. Sparrow, a professor of the Practice of Public Management at Harvard's Kennedy School of Government, where he has taught since 1988. Before joining the Harvard faculty, Dr. Sparrow served 10 years with the British Police Service, rising to the rank of Detective Chief Inspector. At Harvard, Dr. Sparrow has focused on the risk management challenges faced by regulatory and law enforcement agencies. He is the author of several books and has worked closely with U.S. and overseas regulators on issues including crime, terrorism, corruption, fraud, environmental protection, safety management and regulatory compliance.



Edward Tufte, a Professor Emeritus of political science, statistics, and computer science at Yale University. Dr. Tufte wrote, designed, and self-published *The Visual Display of Quantitative Information, Envisioning Information, Visual Explanations and Beautiful Evidence,* which together have received 40 awards for content and design. He is a fellow of the American Academy of Arts and Sciences, the Guggenheim Foundation, the Center for Advanced Study in the Behavioral Sciences, the Society for Technical Communication, and the American Statistical Association.