



United States Department of Agriculture
Office of Inspector General





Data Quality Review of American Recovery and Reinvestment Act Jobs Reported for USDA Programs

Audit Report 50703-0002-13

What Were OIG's Objectives

OIG analyzed jobs information reported for USDA Recovery Act awards and determined if the Department and its agencies adequately reviewed recipient-reported job retention and creation figures.

What OIG Reviewed

To assess the reporting and monitoring of jobs information, OIG first identified 1,200 Recovery Act jobs that were at risk for potential duplicative reporting or other potential errors, and then selected 99 awards for further review.

What OIG Recommends

We recommend that agencies develop data tests and guidance to improve their reviews of the jobs information reported on FederalReporting.gov. This includes, but is not limited to, ensuring that the project description fields match the number of jobs reported, recipients with multiple awards are reporting accurately, and recipients are reporting only jobs created or saved during the quarter being reported.

OIG analyzed the jobs information for USDA awards reported on FederalReporting.gov to determine if OCFO and the agencies are performing an adequate review of the number of jobs reported.

What OIG Found

The Office of Inspector General (OIG) identified that USDA agencies were not performing adequate reviews of the job creation and retention figures listed on FederalReporting.gov, and determined that agencies need to develop additional data checks to improve their reviews of jobs information reported on FederalReporting.gov. We found reporting errors related to 33 of 99 USDA Recovery Act awards, which account for approximately 375 of the 1,200 Recovery Act jobs reported for the awards in our sample. For instance, we identified job numbers that were inflated because award recipients reported cumulative job numbers instead of the number of jobs created or saved during the quarter being reported. In other instances, job numbers were underreported. USDA agencies did not identify and remedy the significant errors that award recipients made because the analytical tools the agencies were using were inadequate to verify the numbers recipients reported. Rather than proactively developing additional data tests to supplement the data analysis tool that USDA's Office of the Chief Financial Officer (OCFO) provided, the agencies followed the minimum guidance issued by OCFO and the Office of Management and Budget (OMB) when reviewing the number of jobs reported. The OCFO-provided data tool was intended only to be used as a baseline for agencies to develop specific reviews that would be more effective in identifying errors.

Without accurate data about the number of jobs retained or created through the use of Recovery Act funds, it is difficult to measure how effective the Department was in accomplishing a main Recovery Act objective, which was to create and retain jobs. OCFO generally agreed with our recommendation.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: November 30, 2012

AUDIT
NUMBER: 50703-0002-13

TO: Jon M. Holladay
Deputy Chief Financial Officer
Office of the Chief Financial Officer

ATTN: Kathleen A. Donaldson
Audit Liaison Officer
Planning and Accountability Division

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Data Quality Review of American Recovery and Reinvestment Act Jobs Reported
for USDA Programs

This report presents the results of the subject review. Your written response to the official draft is included at the end of this report. Excerpts of your November 16, 2012, response and the Office of Inspector General's position are incorporated into the applicable sections of the report. Based on your response, we have reached management decision on all of the report's recommendations, and no further response to us is necessary.

Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer. Also, please note that Departmental Regulation 1720-1 requires final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Performance and Accountability Report.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions.

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Background and Objectives

Background

When the President signed the American Recovery and Reinvestment Act of 2009 (Recovery Act) into law on February 17, 2009, the United States Department of Agriculture (USDA) and its component agencies received a total of \$28 billion in funding in a number of program areas, including farm loans, watershed programs, supplemental nutrition assistance, wildland fire management, construction projects, rural housing, rural business, water and waste disposal, and broadband.¹ Among the USDA agency-administered programs that received allocations of Recovery Act funds were programs that distribute funds to qualified recipients in the form of contracts, loans, or grants. To ensure that funds are spent appropriately, the Recovery Act calls for unprecedented levels of transparency and accountability, and includes requirements that recipients of Recovery Act awards report on their use of the funds on a quarterly basis.² As of March 31, 2011, recipients of awards administered by USDA agencies reported approximately 4,960 awards totaling \$9.29 billion that were ultimately posted to Recovery.gov, a website created to provide information about Recovery Act funds to the general public.

Along with accountability and transparency, job creation and retention is a major objective of the Recovery Act. Both the Office of Management and Budget (OMB) and USDA's Office of the Chief Financial Officer (OCFO) have emphasized the need for accurate reporting of job figures related to the use of Recovery Act funds. Recovery.gov includes information such as award amount, location of the work, and jobs created or retained.³ Recipients of qualifying USDA Recovery Act awards reported that approximately 10,600 jobs had been created or retained through the use of Recovery Act funds during the quarter ending March 31, 2011.⁴ Each contract, loan, or grant that USDA awarded using Recovery Act funds can have multiple jobs associated with it.

Recipients do not post their quarterly information directly to Recovery.gov. Instead, recipients are required to submit timely, complete, and accurate information to a web portal called FederalReporting.gov that Government agencies can access in order to review the information before it is made available to the public. After a correction period, the data on FederalReporting.gov are then released to the general public on Recovery.gov. The general public can view many kinds of data on Recovery.gov, such as what Recovery Act funds were being spent in their city, how many jobs were created or retained, when the work took place, and what contractor was used.

¹ Public Law 111-5.

² OMB M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, Section 1512 of Public Law 111-5, February 17, 2009 and OMB M-10-14, *Updated Guidance on the American Recovery and Reinvestment Act*.

³ FederalReporting.gov is the portal for all recipients who are required to report under Section 1512 of the Recovery Act. Recovery.gov is the website created by the Recovery Act to serve as a portal for the American public to review and track all funds disbursed and received under the Act.

⁴ Recipients only report awards on FederalReporting.gov that are currently active and meet certain criteria—such as grants above \$25,000. OMB M-10-34, *Updated Guidance on the American Recovery and Reinvestment Act*, September 24, 2010.

To help prevent inaccurate information from being posted to Recovery.gov, Federal agencies are required to review recipient reports, identify inaccurate information, and work with recipients to correct reporting errors. OMB requires Federal agencies to develop data quality plans that, at a minimum, identify significant errors and omissions in the data reported on FederalReporting.gov.⁵ Significant errors are defined as any errors in award number, award amount, recipient name, and number of jobs retained or created. USDA agencies are responsible for identifying errors in the recipient-reported data during the correction period and, if the recipient does not correct the error, to determine why the data were not corrected, or supply a reasonable explanation as to why the agency required no further action.

USDA's OCFO performs continuous reviews of the recipient-reported data on FederalReporting.gov and notifies the applicable USDA agency when significant errors are identified. OCFO's guidance for reviewing the recipient-reported data on FederalReporting.gov refers the agency to the guidance in OMB M-10-08 for reviewing jobs, specifically, the number of jobs retained or created.⁶ This guidance defines jobs retained or created and demonstrates how recipients are to calculate the number of jobs retained or created to be reported on FederalReporting.gov.⁷

In addition, OCFO also provided USDA agencies with a digital spreadsheet that includes formulas to use when performing data analysis reviews of reported awards. The data analysis tool "flags" awards with indications of potential over-reporting or under-reporting of jobs information. OCFO also provided instructions to the agencies describing the proper use of this tool. The instructions state that if a record is flagged, the agency should seek further information and take action if needed. The instructions further state that "the use of this tool does not replace the complete data quality analysis required for validation of the recipient reports."

Objectives

Our objective was to analyze the jobs information for USDA awards reported on FederalReporting.gov for the quarter ending March 31, 2011, to determine if OCFO and the agencies are performing an adequate review of the number of jobs reported as retained and created by award recipients.

⁵ OMB-M-10-08, *Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates*, December 18, 2009.

⁶ *USDA American Recovery and Reinvestment Act Section 1512 Recipient Report Information and Guidance*, October 15, 2010.

⁷ A job created is a new position created and filled, or an existing unfilled position that is filled, that is funded by the Recovery Act. A job retained is an existing position that is now funded by the Recovery Act.

Section 1: Agency Reviews of Jobs Information on FederalReporting.gov

Finding 1: Agencies Are Not Performing Adequate Reviews of Jobs Information on FederalReporting.gov

We found reporting errors related to 33 of the 99 USDA Recovery Act awards in our sample, which account for approximately 375 of the 1,200 Recovery Act jobs reported for the awards we reviewed for the quarter ending March 31, 2011. USDA agencies' reviews of recipient-reported job creation and retention data submitted to FederalReporting.gov were inadequate to detect the errors because OCFO did not specifically direct the agencies to develop additional data quality tests to supplement an OCFO-provided data quality tool. Although the agencies believed that OCFO's tool for checking for potentially over-reported and under-reported awards would be sufficient, the tool was not effective in identifying all types of errors. Without accurate data about the number of jobs USDA agencies retained or created through the use of Recovery Act Funds, it is difficult to measure how effective the Department was in accomplishing a main Recovery Act objective, which was to create and retain jobs.

OMB and OCFO guidance requires agencies to focus on significant errors and material omissions when analyzing Recovery Act data. OMB M-10-08 defines an error in the number of jobs retained or created as a significant error; therefore, agencies are expected to closely monitor this information and develop procedures to ensure this number is correct. OMB M-10-08 also requires agencies to develop plans to review the data reported on FederalReporting.gov. OCFO has issued guidance to USDA agencies that mirrors the OMB guidance, and has provided the agencies with a data quality tool that identifies potential errors in the data on FederalReporting.gov. Agencies are to input the most recent data from FederalReporting.gov into a digital spreadsheet and then follow the tool's instructions to analyze the data. However, OCFO has stated that the tool "does not replace the complete data quality analysis required for validation of the recipient reports."

After we performed initial scans of data that USDA award recipients reported on FederalReporting.gov for the quarter ended March 31, 2011, we identified a number of potentially significant errors. From the data related to 4,960 Recovery Act awards—which included approximately 10,600 jobs created or retained—we non-statistically selected 99 awards for further review.⁸ Of the 99 awards we selected for further review, we found that job numbers were either inflated or underreported for 33 of the awards (involving 375 reported jobs).

OIG determined that inaccurate job numbers were reported to FederalReporting.gov because recipients did not always report correct information and USDA agencies did not adequately analyze the number of jobs that award recipients were reporting. Not all recipients were aware

⁸ For each award, we initially contacted the relevant agency to determine what reviews the agency had performed to ensure that the number of reported jobs was correct. Based on discussions with the agencies, we were able to determine the accuracy of 44 of the awards; to determine the accuracy of the remaining 55 required further analyses and documentation from the award recipients.

of the OMB-required methodology for calculating jobs; consequently, they made errors when they reported.⁹ Some recipients used incorrect payroll hours, reported cumulative job numbers as opposed to the jobs created in that quarter, or reported the same jobs twice for projects that received multiple awards—most often one loan and one grant. Additionally, for some awards, we found that there were no jobs being reported when jobs should have been reported because the award was funding payroll hours. For example, when we contacted a recipient who reported zero jobs created or retained, we found that multiple employees performed work on the Recovery Act project. When we asked the recipients why they did not report more accurate information, they explained that these errors were due to misunderstanding the requirements or human error while entering the data.

When we discussed the significant errors in the jobs reported on FederalReporting.gov with the agencies, agency representatives stated that they overlooked the errors we identified and were not performing the type of detailed analysis that could identify these errors. OCFO provided USDA agencies with the data analysis tool and approved the agencies' processes. However, while agencies are required to focus analysis on significant errors, OCFO did not specifically require agencies to develop additional data analysis tools, and agencies were not proactive in developing additional tests to verify the accuracy of information that award recipients reported on FederalReporting.gov. When we asked agency officials why they were not more proactive in verifying the accuracy of the information that award recipients reported on FederalReporting.gov, they stated that they followed the minimum guidance issued by OCFO and OMB and met all minimum requirements. Though we did find that they met the minimum requirements, those requirements were not adequate to identify the errors found in the number of jobs reported.

The OCFO-provided tool was intended to be used only as a baseline to develop further tests or agency-specific analytical tools that would be more effective in identifying errors reported on FederalReporting.gov. When we analyzed the data quality tool provided by OCFO, we found that it performs two tests related to the number of jobs reported: one for over-reporting and one for under-reporting. The first test calculates labor costs by the number of jobs reported. If the result indicates that the reported jobs paid less than minimum wage, the test indicates that job numbers may be over-reported. The second tests whether a recipient reports using more than \$500,000 without creating any jobs, which indicates that job numbers may be under-reported. Both of these tests are intended to broadly identify anomalies and should not be used by agencies as the sole indicator of erroneously reported jobs.

Additional data tests can provide indications of erroneously reported jobs and indicate when agencies should conduct follow-up work to verify data. For instance, tests such as the following can identify potential data issues:

⁹ OMB M-10-08 specifies that estimated jobs are calculated by aggregating the number of hours worked and funded by Recovery Act within the quarter and dividing by the total by the number of quarterly hours in a full-time schedule.

- A manual comparison of the project description and project status to the number of jobs reported can indicate errors.
- A comparison of the information reported for the current quarter with information reported for previous quarters may indicate cumulative reporting, which is not allowed by OMB.¹⁰
- A check of projects that received multiple awards, such as both a loan and a grant, can determine if recipients reported the same jobs for more than one award.

These tests, in addition to the baseline tests, identify potential errors that agencies should validate and remedy as needed.

One of the primary objectives of the Recovery Act was to retain and create jobs. The Recovery Act also emphasized unprecedented levels of transparency and accountability in the use of funds. By taking steps to identify and remedy any errors in Recovery Act job numbers reporting, USDA and its agencies can improve the accuracy of information used to measure the effectiveness of the Recovery Act.

Recommendation 1

Direct agencies to develop data tests and guidance to improve their reviews of the jobs information reported on FederalReporting.gov. This includes, but is not limited to, ensuring that the project description fields match the number of jobs reported, recipients with multiple awards are reporting accurately, and recipients are reporting only the jobs created or saved during the quarter being reported.

Agency Response

OCFO updated its guidance and required agencies to validate the jobs numbers and project descriptions. The guidance also explains how to report jobs correctly and provides instructions for the agency methodology to calculate the jobs created. In addition, OCFO stated that it went beyond the OMB requirements by offering a data tool to show potentially inconsistent jobs numbers. OCFO stated that it will continue to communicate the importance of conducting a thorough analysis of the jobs numbers reported and how these figures align with the project descriptions.

OIG Position

We accept management decision for this recommendation. To achieve final action, OCFO needs to provide a copy of the updated guidance that was issued during our audit.

¹⁰ These comparisons should include reviews of current reports against 2009 data to identify any cumulative reporting that may have occurred once cumulative reporting became prohibited after the third quarter of 2009.

Scope and Methodology

To accomplish our objective we reviewed public laws, regulations, policies, and procedures related to data quality reviews of award information submitted by award recipients on FederalReporting.gov. We interviewed OCFO and agency officials to determine how they were monitoring the jobs reported on FederalReporting.gov. We also interviewed USDA Recovery Act award recipients to determine how they were reporting the jobs on FederalReporting.gov.

USDA award recipients reported 4,960 awards accounting for approximately 10,600 jobs created or retained on FederalReporting.gov for the quarter ended March 31, 2011. We selected this quarter because we had done preliminary analysis using it in a previous audit.¹¹ For this audit we focused on the number of jobs retained or created as reported by the recipient. To determine our judgmental sample of awards with potential errors, we analyzed the number of jobs reported to identify possible errors using the following six criteria:

- We manually compared the project description and project status to the number of jobs reported. This resulted in 324 questioned awards.
- We reviewed contracts and grants that have expended at least \$500,000 but have reported zero jobs. This resulted in 473 questioned awards.
- We reviewed awards that would be paying less than minimum wage per each job retained or created, to determine whether recipients are over-reporting the number of jobs retained or created. This resulted in 1,773 questioned awards.
- We reviewed the previous two quarters and compared them with reports from the first quarter of 2011 to identify cumulative reporting, which is not allowed by OMB. This resulted in 258 questioned awards.
- We compared data from the third quarter of 2009—the quarter when cumulative reporting was used—to the first quarter of 2011 to identify job numbers that may have had a slight increase of five or fewer jobs retained or created. This resulted in seven questioned awards.
- We reviewed projects that received multiple awards—most often one loan and one grant—to determine if they reported the number of jobs retained or created twice rather than once. This resulted in 123 questioned awards.

Based on these results, we non-statistically selected 99 awards that met the criteria most frequently, as well as awards that were suggested for review by other audit teams. For these awards, we reviewed the process the agency used to determine the accuracy of the jobs reported. After receiving responses from the agencies, we performed a more detailed review of 55 of those awards with the recipient and obtained supporting documentation for the number of jobs reported.

We conducted our audit work at OCFO's National Office in Washington, D.C. Our sample selection of awards included the following USDA agencies: Rural Development, Food and

¹¹ Audit Report 50703-0001-13, *American Recovery and Reinvestment Act—USDA FederalReporting.gov March 2011 Data Quality Review*, October 26, 2012.

Nutrition Service, Forest Service, Agricultural Research Service, and Natural Resources Conservation Service. Our audit fieldwork was performed from January 2012 through October 2012.

We conducted this review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

OCFO Office of the Chief Financial Officer
OIG Office of Inspector General
OMB Office of Management and Budget
USDA United States Department of Agriculture

**USDA'S
OFFICE OF THE CHIEF FINANCIAL
OFFICER'S
RESPONSE TO AUDIT REPORT**



**United States
Department of
Agriculture**

Office of the Chief
Financial Officer

1400 Independence
Avenue, SW

Washington, DC
20250

November 16, 2012

TO: Rod DeSmet
Assistant Inspector General
for Audit

FROM: Jon M. Holladay -S- Jon M. Holladay
Acting Chief Financial Officer

SUBJECT: Data Quality Review of American Recovery and Reinvestment Act
Jobs Reported for USDA Programs, Audit Number 50703-002-13

Thank you for the opportunity to address your comments on the Office of Inspector General (OIG) audit entitled "Data Quality Review of American Recovery and Reinvestment Act Jobs Reported for USDA Programs." The following is OIG's recommendation in the report and the Office of the Chief Financial Officer's (OCFO) response.

Recommendation 1:

Direct agencies to develop data tests and guidance to improve their reviews of the jobs information reported on FederalReporting.gov. This includes, but is not limited to, ensuring that the project description fields match the number of jobs reported, recipients with multiple awards are reporting accurately, and recipients are reporting only the jobs created or saved during the quarter being reported.

Management Response:

OCFO's current guidance requires that agencies validate the jobs numbers and project descriptions (see Section 5.2 of the OCFO Recovery Act guidance). In Section 4.2, the guidance explains how to report jobs correctly and provides instructions for the agency methodology to calculate the jobs created. OCFO went beyond the Office of Management and Budget requirements by offering a data tool to show potentially inconsistent jobs numbers. OCFO frequently communicated with the recipient report

reviewers about how to conduct this analysis and provided guidance on checking the data.

OCFO will continue to communicate the importance of conducting a thorough analysis of the jobs numbers reported and how these figures align with the project descriptions. A copy of the OCFO Recovery Act Guidance is attached for your information.

If you have any questions or need additional information, please contact me at (202) 720-5539, or have a member of your staff contact Kathy Donaldson at (202) 720-1893.

Attachment

Informational copies of this report have been distributed to:

Administrator, Office of the Chief Financial Officer

Attn: Agency Liaison Officer (5)

Government Accountability Office (1)

Office of Management and Budget (1)

Office of the Chief Financial Officer

Attn: Director, Planning and Accountability Division (1)

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