



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Special Report

EPA Recovery Act Recipient Reporting and Data Review Process

Report No. 10-R-0020

October 29, 2009



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Abbreviations

ARRA	American Recovery and Reinvestment Act
EPA	U.S. Environmental Protection Agency
OMB	Office of Management and Budget

Cover Illustration: The logo for the American Recovery and Reinvestment Act.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

October 29, 2009

The Honorable Earl Devaney
Chairman
Recovery Accountability and Transparency Board
Washington, DC

Dear Chairman Devaney:

Attached are the results of our limited review of the U.S. Environmental Protection Agency's (EPA's) process for performing data quality reviews of recipient-reported data, as required by the American Recovery and Reinvestment Act (ARRA, or Recovery Act) of 2009. The Recovery Act awarded \$7.2 billion to EPA. We conducted this review to determine whether EPA established a process to perform limited data quality reviews intended to identify material omissions and/or significant reporting errors, and to notify the recipients of the need to make appropriate and timely changes. In the attachment, we provide details for the six specific areas for which you requested information.

Office of Management and Budget (OMB) Memorandum 09-21 requires Federal agencies to develop internal policies and procedures for reviewing reported data and to highlight certain data elements for review. In addition, the memorandum provides a timeline and guidance for (1) recipients to register and report required data, and (2) Federal agencies to review and comment on reported information. The memorandum defines the scope of those data quality reviews, with a focus on material omissions and significant reporting errors, and requires Federal agencies to continuously evaluate recipient efforts to meet Recovery Act reporting requirements.

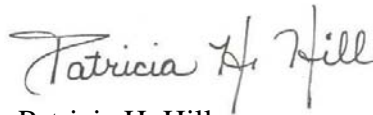
We performed this audit during October 2009 at EPA Headquarters in Washington, DC. We performed this audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence. The evidence is to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions. We reviewed EPA's policies and procedures for reviewing quarterly Recovery Act data and met with the Agency's Recovery Act governing officials to discuss those policies and procedures in addition to the review questions. We had not performed prior reviews/audits related to Recovery Act data quality reviews.

Although we did not test implementation of EPA's procedures for reviewing quarterly Recovery Act data, we believe the Agency sufficiently designed its internal controls to detect material omissions and significant reporting errors.

We shared our results with EPA officials and they generally agreed with the results of this review.

If you or your staff have any questions regarding this report, please contact me at (202) 566-0894 or hill.patricia@epa.gov; or Rudolph M. Brevard, Director, Information Resources Management Assessments, at (202) 566-0893 or brevard.rudy@epa.gov.

Sincerely,

A handwritten signature in cursive script that reads "Patricia H. Hill". The signature is written in black ink and is positioned above the printed name.

Patricia H. Hill

Assistant Inspector General for Mission Systems

Attachment

Attachment 1

**RECOVERY ACT REPORTING
Data Quality Review Guide
For the Inspector General Community
U.S. Environmental Protection Agency**

1) Obtain the Federal agency’s policy and procedures for reviewing quarterly Recovery Act data pursuant to OMB Memorandum 09-21 (section 3.12).

The Agency provided us with the following five documents, one of which is still in draft format. The first two documents listed below discuss the Agency’s process for reviewing quarterly Recovery Act data. In response to our question as to when the EPA draft Procedure for Review of Recovery Act data will be finalized, Agency officials indicated it is a “living document” that will keep changing to meet OMB requirements, and no date has been set to issue the final procedure. In addition, the Agency later indicated that based on discussions with OMB and the Recovery Accountability and Transparency Board, there will be a “lessons learned” review of this initial reporting cycle and adjustments may be made. This will require agencies, including EPA, to modify how and what they are reviewing.

- EPA Procedure for Review of ARRA Section 1512 Recipient Reported Information (DRAFT – V4, October 2009)
- EPA ARRA Reviewer Guidance (October 2009)
- Management Action Plan I (May 2009)
- Management Action Plan II (October 2009)
- EPA Stewardship Plan (July 2009)

2) Determine how the Agency plans to ensure that all prime recipients have filed the required quarterly reports pursuant to section 1512 of the Recovery Act and how the Agency will ensure that it conducts the required reviews of the reported data.

EPA will conduct a limited review of recipient-reported information associated with the six Agency programs with related Recovery Act resources. Agency-specific recipient submission data will be supplied by FederalReporting.gov via a data feed to EPA no later than the 21st day following quarter end. The data shall be composed of all submitted recipient data received on or before the 10th day following quarter end. The Agency later indicated that they have implemented an informal review beginning on day 11 of the cycle. This involves obtaining an extract from federal reporting.gov, producing the identified exception reports and posting on the Agency’s management dashboard, and informally contacting recipients to discuss and clarify any identified issues. Extracted data will be used to assist reviews in two areas of emphasis. The first area will be those data elements subject to a central, macro (Agency-wide) review across all programs. The second area will be a review locally by National Program Managers and regional staff. After completing the macro and local reviews, omissions and errors will be noted and comments provided in the Federal reporting solution.

To ensure prime recipients submit required reports for the first reporting cycle, Agency officials indicated EPA completed a cross check of all DUNs¹ numbers associated with EPA stimulus assistance and contracts against FederalReporting.gov registrants. The Agency’s process for

¹ A Dun & Bradstreet® D-U-N-S® Number is a unique nine-digit sequence recognized as the universal standard for identifying and keeping track of over 100 million businesses worldwide.

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ensuring that reviews were completed consists of an established feedback loop where recipient programs report to a lead person within their geographical area. When reviews are completed, the lead person reports to the Acting Deputy Assistant Administrator for Environmental Information, who then reports to the Assistant Administrator for Administration and Resources Management/Recovery Act Senior Accountability Official. Further, Agency officials indicated that, in many cases, they rely on the prime recipients to ensure reviews are completed for subrecipients.

3) Conduct a walk-through of the agency’s process to perform limited data quality reviews.

The Agency’s process was designed in accordance with OMB Memorandum 09-21. See response to question 1 above for a description of the Agency’s process.

4) Determine whether the agency’s policy and procedures have been designed to emphasize the avoidance of two key data problems: material omissions and significant reporting errors.

Agency officials indicated that EPA’s limited review focuses on two primary elements: material omissions and significant errors. They indicated that they will rely on FederalReporting.gov to minimize material omissions related to specific data fields by requiring completed data fields for successful transmission. In addition, they will continue to cross check DUNs numbers with reports submitted each reporting cycle to identify any missing reports. EPA’s macro reviews will identify potential errors based on pre-established action limits. Any data elements flagged in a macro review are subject to follow-up by the involved program. Local reviews will identify clear errors or anomalies. Further, the Agency generates reports for identifying major omissions and potential significant errors.

We asked Agency officials about other measures they take to prevent errors during submissions. OMB Memorandum 09-21 states “a material omission may still occur to the extent submitted data is not responsive to a specific data request.” Agency officials indicated they concentrate on significant issues within the applicable reporting period, and that they will handle small errors in subsequent reporting periods so that the errors do not persist.

We asked Agency officials about controls for preventing double counting in the case of prime recipient and subrecipient reporting. They indicated that they match who reported the data against recipient or award data. They stated that in doing the reviews, data has been matching well with submitters thus far.

5) Determine whether the Agency has an adequate process in place to remediate systemic or chronic reporting problems.

EPA plans to monitor closely the progress and performance of reporters from quarter to quarter to identify problems that could be deemed systemic or chronic. After the first reporting cycle has been completed, EPA plans to assess the extent and nature of any material omissions or reporting errors. Based on that assessment, tailored outreach to reporters will be used to mitigate continued issues in subsequent reporting periods.

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We asked Agency officials about their process for elevating systemic or chronic problems to the governing body. They indicated that each recipient program is required to report to the Recovery Accountability and Transparency Board. They have not yet identified the form in which problems will be reported. They indicated that these details are on the governing body's agenda and will be addressed in the near future.

- 6) With the understanding that OMB Memorandum 09-21 is a reporting tool rather than a management tool, determine whether the agency anticipates that it will be able to use the reported information as a tool for:**
- a) assessing compliance with the terms and conditions of award agreements,**
 - b) assessing risk, and**
 - c) determining when to release remaining funds.**

EPA has developed a series of exception reports as part of its review process. These reports will allow the Agency to identify material omissions or significant reporting errors by grant and contract recipients. Under the terms of EPA's Stewardship Plan, the Agency will use these reports, along with other information generated during post-award monitoring, to assess compliance with grant and contract terms and conditions. The Agency will also use the reports to identify/mitigate risks associated with providing the public misleading or confusing information or jeopardizing OMB accountability objectives.

We asked Agency officials if they have found the Recovery Act's recipient reporting and review process to be useful. They indicated that this process has promoted consistency with its program and regional offices and promoted emerging controls. It has allowed the Agency to learn about their existing processes where they are doing things correctly, and how to improve where needed. They indicated that they will use reports created for compliance checks with other grant and contract systems in checking accuracy of information.

Appendix A

Distribution

Office of the Administrator
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