

***U.S. DEPARTMENT OF COMMERCE
Office of Inspector General***



Office of the Secretary

***Commerce Has Implemented
Operations to Promote Accurate
Recipient Reporting, but
Improvements Are Needed***

Final Audit Report ARR-19847

October 2009

Office of Audit and Evaluation





Report In Brief

U.S. Department of Commerce Office of Inspector General

October 2009



Why We Did This Review

Recipients of Recovery Act funds must report to FederalReporting.gov on their funding use beginning in October 2009. These quarterly reports detail their projects and activities funded by the Recovery Act and support, with data, their impact on job creation and retention.

As part of its oversight responsibilities, the Recovery Accountability and Transparency Board asked inspectors general to audit bureaus receiving Recovery Act funding to assess their ability to perform reviews, identify reporting omissions and errors, and notify recipients that should make appropriate and timely changes. This helps Commerce oversee the expedient, effective spending of Recovery Act funds on programs vital to stimulating the U.S. economy.

Background

Our objective was to determine whether Commerce bureaus receiving Recovery Act funding have established effective processes to perform limited data quality reviews of recipient information.

To accomplish this, we assessed how each bureau reviews quarterly Recovery Act data. By examining each review process, we determined each bureau's ability to identify and correct systemic reporting problems.

American Recovery and Reinvestment Act of 2009

Commerce Has Implemented Operations to Promote Accurate Recipient Reporting, but Improvements Are Needed (ARR-19847)

What We Found

Commerce and its bureaus have proactively ensured that Recovery Act recipients recognize and meet reporting requirements and deadlines. Commerce Recovery Act implementation officials provided policy, guidance, and oversight to bureau grant and contracts officials to facilitate department-wide standard review processes. Bureau officials established policies and procedures to support compliance with requirements, contacted recipients by telephone and e-mail, provided recipients with training on Recovery Act reporting, and offered recipients tools such as checklists to help guide them through the reporting process.

As requested by the Recovery Board, we completed our audit prior to the first full, finalized review cycle. As such, it was too early to determine whether bureau processes will adequately identify and remediate material omissions and significant data errors. However, we did identify improvements Commerce and its bureaus should make to data quality policies and procedures (especially important as programs mature and review procedures are fully implemented). Given that the reporting process is in its initial stages, uncertainties remain and bureaus will need to address certain issues as processes evolve, as our recommendations detail.

What We Recommend

We recommend that Commerce and its bureaus continue to fine-tune their review procedures by:

- providing guidance on what constitutes a material omission and significant error and documenting this in their policies and procedures;
- ensuring that they implement an automated means of reviewing the data, especially for larger programs with a high volume of recipients reporting; and
- updating and revising policies and procedures as the process matures and more recipient reporting challenges emerge—especially in the areas of subrecipient reporting and job creation and retention.



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

October 30, 2009

MEMORANDUM FOR: Ellen Herbst
Senior Advisor for Recovery Act Implementation
U.S. Department of Commerce
Office of the Secretary

FROM:

Ann Eilers 
Recovery Act Task Force Senior Advisor
and Project Leader

SUBJECT: *Commerce Has Implemented Operations to Promote Accurate Recipient Reporting, but Improvements Are Needed (ARR-19847)*

We attach, for your action, a copy of our final audit report related to our review to determine whether each bureau receiving Recovery Act funding has established a process to perform limited data quality reviews intended to identify material omissions and/or significant reporting errors, as well as notify recipients who need to make appropriate and timely changes. We will also post the report on OIG's Web site pursuant to section 8L of the Inspector General Act of 1978, as amended.

We conducted this audit under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated August 31, 2006. The Recovery Act, charges inspectors general (IGs) to be proactive and focus on prevention. The Recovery Board asked that each IG issue a final report on this review by October 30, 2009. Due to the limited time frame, our audit addressed whether Commerce bureaus had documented processes to identify and remediate material omissions and significant errors, but it did not include a determination of whether the bureaus' processes will adequately accomplish this.

Please submit to us an action plan within 45 calendar days from the date of this memorandum (December 12, 2009) to determine what actions you will take to address each recommendation. DAO 213-2, "Inspector General Inspections and Evaluations," references DAO 213-5, "Audit Resolution and Follow-Up," for detailed procedures for resolving inspection recommendations.

Please direct any inquiries regarding this report to me at (202) 482-4328. Please reference the report number (ARR-19847) in all correspondence.

Attachment

cc: Helen Hurcombe, Commerce, Senior Procurement Director
and Director of the Office of Acquisition Management
Ted A. Johnson, Census Bureau, CFO
Andy Moxam, Census Bureau, Comptroller
William P. Kittredge, PhD, EDA, Director, National Programs
and Performance Evaluation
Sandi Walters, EDA, CFO/CAO
Todd Grams, NIST, CFO
Rachel Kinney, NIST, Audit Liaison
Katherine Fletcher, NIST, Recovery Act Liaison
Ronald Rhodes, NOAA, Recovery Act Liaison
Mark Cato, NOAA, Audit Liaison
Maureen Wylie, NOAA, CFO
Clifton Beck, NTIA, CFO
Milton Brown, NTIA, Audit Liaison

Contents

| | |
|--|---|
| Introduction | 1 |
| Findings and Recommendations..... | 3 |
| I. Data Quality Review Controls Appear to Be in Place, but Improvements Will Be Needed As Programs Become Fully Implemented..... | 3 |
| II. Some Uncertainties Remain for the Recovery Act Reporting Process, and Bureaus Will Need to Fine-Tune Procedures as Processes Evolve | 5 |
| III. Recommendations..... | 6 |
| Summary of Bureau and OIG Comments | 7 |
| Appendix A: Objectives, Scope, and Methodology | 8 |
| Appendix B: Full Text of Department Response | 9 |

Introduction

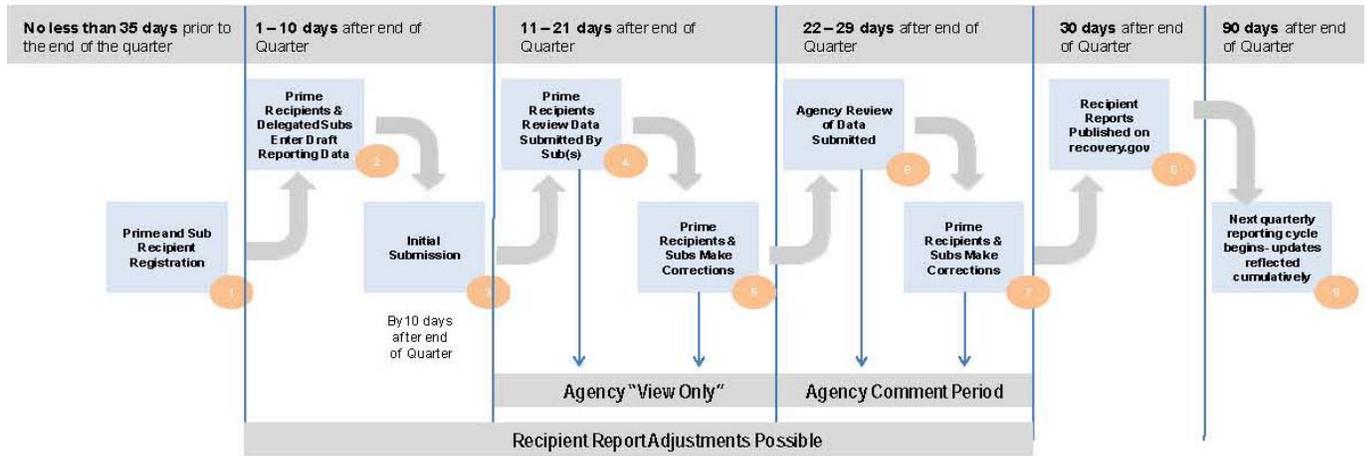
On February 17, 2009, the American Recovery and Reinvestment Act of 2009, Pub. L., No.111-5, was signed into law. Section 1512 requires recipients of Recovery Act funds to report on the use of this funding. This reporting requirement is part of the President's commitment to provide an unprecedented level of transparency and accountability on the use of Recovery Act funds. The Recovery Accountability and Transparency Board is responsible for coordinating and conducting oversight of Recovery Act spending to help prevent waste, fraud, and abuse. The Recovery Board has created a system at the Web site FederalReporting.gov to collect data from recipients receiving these funds. The Recovery Act requires recipients to submit quarterly reports beginning in October 2009 to contain detailed information on the projects and activities funded by the Recovery Act and their impact on job creation and retention.

On June 22, 2009, the Office of Management and Budget (OMB) issued Memorandum M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, providing government-wide guidance for carrying out the reporting requirements identified in Section 1512 of the Recovery Act. As part of its oversight responsibilities, the Recovery Board issued the Data Quality Review Guide, which provided additional guidance to the inspector general (IG) community for performing reviews of bureaus' plans for ensuring data quality of Recovery Act recipient reporting. IG offices will use this guide to conduct audits to determine whether each bureau receiving Recovery Act funding has established a process to perform limited data quality reviews intended to identify material omissions and/or significant reporting errors, as well as to notify the recipients of the need to make appropriate and timely changes.

The Recovery Board asked that each IG issue a final report on this review by October 30, 2009. Due to the limited time frame, our audit addressed whether Commerce bureaus had documented processes to identify and remediate material omissions and significant errors, but it did not include a determination of whether the bureaus' processes will adequately accomplish this. We detail the objectives, scope, and methodology of our audit in Appendix A.

Although the OMB guidance does not apply directly to federal government contracts, during our audit we reviewed bureau-established controls for both grants and contracts because recipients of federal contracts are also required by Section 1512 of the Recovery Act to report funding information.

Figure 1. Recipient Reporting Timeline



Source: Office of Management and Budget Memorandum M-09-21

OMB Memorandum M-09-21 required recipients of Recovery Act funding to register with the FederalReporting.gov Web site and submit their first quarterly reports by October 10, 2009. The prime recipient had until October 21, 2009, to verify submitted data for all Recovery Act funds for which it is responsible, notify subrecipients of reporting errors and omissions, and ensure that they completed any data corrections in a timely manner. The federal bureau then had the opportunity to review and comment on data until October 29, 2009. The data will be available for viewing by the general public at both the Recovery.gov Web site and individual bureau Web sites after this period (see Figure 1).

The Department of Commerce received \$7.9 billion of Recovery Act funds, which are spread across 5 Commerce bureaus and about 35 programs. The largest are the Broadband Technology Opportunities Program (BTOP) and Census Bureau programs at \$4.7 billion and \$1 billion, respectively. Remaining programs range from \$3 million to \$650 million for construction, facilities repair, digital TV (DTV) coupons, equipment procurement, habitat restoration, and science and technology research.

Findings and Recommendations

I. Data Quality Review Controls Appear to Be in Place, but Improvements Will Be Needed As Programs Become Fully Implemented

Our audit determined that the bureaus overseeing the implementation of Recovery Act reporting—the Economic Development Agency (EDA), Census Bureau, National Telecommunications and Information Administration (NTIA), National Institute of Standards and Technology (NIST), and National Oceanic and Atmospheric Administration (NOAA)—have generally established policies and procedures to address the quality of recipient reporting data to ensure compliance with Section 1512 requirements.

Overall, the bureaus and Commerce have been proactive in ensuring that Recovery Act recipients are aware of and meeting the Recovery Act reporting requirements and deadlines (see Table 1). Commerce Recovery Act Implementation officials provided policy, guidance, and oversight to bureau grants and contracts officials to facilitate standard review processes across the Department. Bureau officials contacted recipients by telephone and e-mail, as well as provided recipients with training on Recovery Act reporting and tools such as checklists to help guide them through the reporting process. Bureau officials also inserted language in grant agreements and contracts requiring compliance with the reporting requirements specified in Section 1512 of the Recovery Act.

In addition, Commerce and bureau officials reviewed lists provided by the General Services Administration of recipients that had registered at FederalReporting.gov ahead of the September 30, 2009, registration deadline. This allowed them to identify and follow up with recipients who had not yet registered.

We did identify instances in which bureaus could improve. The policies and procedures for some of the bureaus did not identify (1) what constituted a material omission or significant error, (2) what constituted a systemic or chronic problem and how to correct such problems, or (3) reporting data elements or recipients at high risk for omissions, errors, or problems.

Table 1. Summary of Bureau Policies and Procedures

| | EDA | Census | NTIA | NIST | NOAA |
|--|-------|---------|---------|-------|-------|
| Recovery Act funding (in Millions) | \$150 | \$1,000 | \$5,350 | \$610 | \$830 |
| Policies and Procedures Developed | | | | | |
| General Bureau Review | YES | (1) | (2) | YES | YES |
| Recipients File Timely Reports | YES | (1) | (2) | YES | YES |
| Assessing High Risk | YES | (1) | (2) | YES | YES |
| Material Omissions and Significant Errors | YES | (1) | (2) | YES | YES |
| Systemic or Chronic Problems | YES | (1) | (2) | YES | YES |
| Other Guidance Developed | | | | | |
| Guidance on Recipient Registration | YES | YES | (2) | YES | YES |
| Guidance on Job Creation Data | (3) | (3) | (3) | (3) | (3) |
| Training Provided for Recipient/Reviewer | YES | YES | (2) | YES | YES |
| Checklists or Other Review Tools | YES | (1) | (2) | YES | YES |
| <p>(1) The Census Bureau has five contract recipients who received Recovery Act funding, with the majority of Recovery Act funds allocated for payroll expenses related to various decennial operations. The bureau's policies and procedures appear adequate based on the number of recipients reporting.</p> <p>(2) NTIA will use the majority of its Recovery Act funding for the BTOP grant program. NIST and NOAA will administer the grants under this program. They will award a large number of the grants in upcoming months, with the first recipient reporting due in January 2010. While NTIA has discussed the report review process with NIST and NOAA officials, additional policies and procedures and recipient communications are necessary. We believe that NTIA has taken reasonable steps to commence this process, including steps to ensure the proper reporting for the few DTV and BTOP grants and contracts obligated as of September 30, 2009.</p> <p>(3) The Commerce Office of Acquisition Management issued additional guidance to the bureaus, dated August 18, 2009, on the reporting of job creation and retention pursuant to Section 1512 of the Recovery Act. As bureau programs mature and more reporting challenges emerge, additional guidance may help address the unique aspects of Commerce's varied programs.</p> | | | | | |

II. Some Uncertainties Remain for the Recovery Act Reporting Process, and Bureaus Will Need to Fine-Tune Procedures as Processes Evolve

Currently, all bureaus are performing a 100 percent review of all data reported by recipients of Recovery Act funding. However, we expect the quantity of recipient reporting to increase greatly so that a 100 percent review may not be feasible. Bureaus should consider other review methods, specifically a more automated review. According to program management officials in some bureaus, they are working on an automated solution for implementation when volumes increase. At the time of our audit, they were awaiting data downloads from the FederalReporting.gov system to make further progress on their initiative.

Duplicate reporting of data may occur. The prime recipient is responsible for verifying submitted data for all Recovery Act funds for which it is responsible, notifying subrecipients of reporting errors and omissions, and ensuring that they complete any data corrections in a timely manner. If the prime recipient enters the reporting data for the subrecipient and the subrecipient enters the same reporting data, then FederalReporting.gov will contain duplicate information. At the time of our audit, no clear indication existed as to whether the Web site has controls in place to identify any duplicate reporting.

Our discussions with bureau officials indicate that the reporting of jobs-creation data may pose challenges. Bureau officials have stated that in certain situations, additional guidance on calculating jobs created is needed in order to ensure a consistent calculation across programs. Only one of the bureaus included guidance in its policies and procedures on how to define and report the number of jobs retained and created. While Commerce's Office of Acquisition Management provided guidelines to its bureaus, they may need additional guidance to address the unique aspects of Commerce's varied programs, as well as other reporting challenges that may emerge as bureau programs mature.

III. Recommendations

We recommend that Commerce and its bureaus continue to fine-tune their review procedures by:

- providing guidance on what constitutes a material omission and significant error and documenting this in their policies and procedures;
- ensuring that they implement automated means of reviewing the data for larger programs with a high volume of recipients reporting; and
- updating and revising policies and procedures as the process matures and more recipient reporting challenges emerge—especially in the areas of subrecipient reporting and job creation and retention.

Summary of Bureau and OIG Comments

The Commerce Recovery Act Implementation officials responded to our draft audit report and agreed with our audit recommendations to fine-tune bureau policies and procedures for the review of recipient reporting.

We appreciate the Commerce Recovery Act Implementation officials' response to the draft audit report and their continued efforts to help ensure the quality of the data reported by Recovery Act fund recipients.

Appendix A: Objectives, Scope, and Methodology

Section 1512 of the Recovery Act requires recipients to report funding and project data to the FederalReporting.gov Web site. The objective of this audit was to determine whether Commerce bureaus receiving Recovery Act funding have established effective processes to perform limited data quality reviews of the information reported by recipients. We performed the following steps:

- assessed each bureau's policy and procedures for reviewing quarterly Recovery Act data pursuant to OMB Memorandum M-09-21;
- determined how each bureau plans to ensure that all recipients have filed the required quarterly reports pursuant to Section 1512 of the Recovery Act and how each bureau will ensure that it conducts the required review of the reported data;
- conducted a walk-through of each bureau's process to perform limited data quality reviews;
- determined whether each bureau's policy and procedures emphasize the avoidance of material omissions and significant reporting errors; and
- determined whether each bureau has an adequate process in place to identify and correct systemic or chronic reporting problems.

Because the Recovery Act did not require recipients to report first quarter data until October 10, 2009, and gave them until October 29, 2009, to correct any data errors, our audit did not include a review of the data submitted. As such, we could not determine the accuracy of these data, and it is too early to determine whether the processes put in place by the bureaus will adequately identify and remediate any material omissions and significant errors of the data reported.

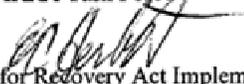
We conducted this performance audit during September and October 2009, under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated August 31, 2006. In addition, we conducted this audit in accordance with generally accepted government auditing standards, which 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 objective. We believe the evidence obtained does provide a reasonable basis for our findings and conclusions.

Appendix B: Full Text of Department Response



UNITED STATES DEPARTMENT OF COMMERCE
Office of the Deputy Secretary
Washington, D.C. 20230

MEMORANDUM FOR: Ann Eilers
Manager, OIG ARRA Task Force

FROM: Ellen Herbst 
Senior Advisor, for Recovery Act Implementation

SUBJECT: Draft OIG Report: *Data Quality Review of ARRA Recipient Reporting Requirements*

Thank you for the opportunity to comment on the data quality review of ARRA recipient reporting audit. We appreciate the proactive evaluation of processes and procedures and agree with recommendations to fine-tune review procedures. With the fast pace of the ARRA implementation, it is particularly important to have independent review of guidelines and procedures early in the implementation so that we may insure continued excellent results.

I appreciate the effort your staff put into the audit and report.