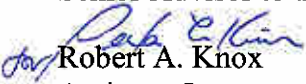




RECOVERY OVERSIGHT OFFICE
Washington, DC 20240

OCT 30 2009

To: Chris Henderson
Senior Advisor to the Secretary for Economic Recovery and Stimulus

From:  Robert A. Knox
Assistant Inspector General, Recovery Oversight Office

Subject: Recovery Oversight Audit – Interim Audit Report on Recovery Act Data Quality Review (ROO-IN-MOA-A001-2009)

We have completed the attached interim audit report on the Department of the Interior's (Department) policies and procedures established to oversee their recipients of Recovery Act funds. As you know, we are taking a two-tiered approach regarding our report on this audit.

This interim report addresses whether the Department has established a process 1) to perform limited data quality reviews to identify material omissions and/or significant reporting errors, and 2) to notify the recipients of the need to make appropriate and timely changes. Later, in the second tier, we intend to issue a final audit report that examines whether these processes have been implemented.

We will post the final audit on our website (www.doi.ig.gov/recovery) and Recovery.gov. Information contained in this audit may also be included in our semi-annual reports to Congress. If you have any questions, please do not hesitate to contact me. Thank you.

Attachment

cc: Assistant Secretary – Policy, Management and Budget
Director, Office of Acquisition and Property Management
Director, Office of Financial Management
Departmental GAO/OIG Audit Liaison
Audit Liaison, Office of the Secretary
Deputy Assistant Director of Audits, Inspections, and Evaluations, Recovery Accountability and Transparency Board
Deputy Inspector General of Audits, U.S. Department of Health and Human Services
Director, Strategic Issues Team, U.S. Government Accountability Office
Assistant Director, Strategic Issues Team, U.S. Government Accountability Office
Analyst in Charge, Strategic Issues Team, U.S. Government Accountability Office

**RECOVERY OVERSIGHT OFFICE**

Washington, DC 20240

**Interim Audit Report on Recovery Act Data Quality Review
(ROO-IN-MOA-A001-2009)****Background:**

The Nation faces what is generally reported to be the most serious economic crisis since the Great Depression. In response, the American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to preserve and create jobs; to assist those most impacted by the recession; to increase economic efficiency by investing in technological advances in science and health care; to invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits and to stabilize state and local budgets. The Recovery Act's combined spending and tax provisions are expected to cost \$787 billion.

This audit, requested by the Recovery, Accountability and Transparency Board (the Board), evaluates DOI procedures for complying with section 1512 of the Recovery Act. Section 1512 of the Recovery Act requires recipients to submit data on a quarterly basis for grants, loans, and federally awarded contracts under the Act. FederalReporting.gov was set up in order to fulfill their reporting obligations. The Department of the Interior (Department) and its bureaus and offices awarding Recovery Act funds are responsible for ensuring recipients are aware of the reporting requirements. The Department is also responsible for validating the information provided by recipients to ensure there are no significant reporting errors and/or material omissions in the data.

The Board requested this review to ensure that the Department has a documented process for reviewing data quality and identifying whether there are any material omissions and/or significant reporting errors. The Board encouraged all Offices of Inspectors' General whose agencies were appropriated Recovery Act monies to undertake this important work as soon as possible and to issue a report to their respective agency by October 30, 2009. The Board will then compile the results and issue a consolidated report identifying any systemic issues and, if appropriate, make government-wide recommendations for improvement. The Board anticipates issuing this consolidated report in November 2009, allowing agencies time to make changes for the second reporting process scheduled to begin in January 2010.

We are taking a two-tiered approach regarding our report on this audit. This interim report addresses whether the Department has established a process 1) to perform limited data quality reviews to identify material omissions and/or significant reporting errors, and 2) to notify the recipients of the need to make appropriate and timely changes. Later, in the second tier, we intend to issue a final audit report that examines whether these processes have been implemented and are achieving intended results.

Objective:

To determine whether the Department has established a process to perform limited data quality reviews intended to identify material omissions and/or significant reporting errors, and notify the recipients of the need to make appropriate and timely changes.

Scope:

We reviewed the Department's process for monitoring recipient reporting of American Recovery and Reinvestment Act funds for the quarter ending September 30, 2009.

Methodology:

To accomplish the audit objectives we:

- Conducted the audit in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States;
- Obtained, reviewed, and documented the Department's policies and procedures for reviewing quarterly Recovery Act data pursuant to OMB Memorandum M-09-21 (section 3.12);
- Reviewed policies and procedures, observed internal control processes, and conducted interviews to determine how the agency plans to ensure all prime recipients have filed the required quarterly reports and how the agency will ensure it conducts the required reviews of the reported data;
- Conducted a walk-through of the agency's process to perform limited data quality reviews;
- Determined 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;
- Determined whether the agency has an adequate process in place to remediate systemic or chronic reporting problems;
- With the understanding that M-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:
 - i) Assessing compliance with the terms and conditions of award agreements,
 - ii) Assessing risk,
 - iii) Determining when to release remaining funds.

Internal Controls:

To plan and perform our audit, we obtained an understanding of the agency's internal controls, determined whether internal controls had been placed into operations, and performed a limited test of controls in order to determine the effectiveness of these controls. We limited our internal control testing to those controls necessary to achieve the objectives of our audit.

Summary of the Department Plan:

The Department issued its draft guidance on data quality reviews on September 14, 2009. Starting October 1, 2009, FederalReporting.gov was available for recipient reporting. All federal contractors, and recipients of financial assistance awards of \$25,000 or greater, are required to report on the expenditure of those funds pursuant to section 1512 of the Recovery Act.

The Department outlined a plan for enforcing recipient reporting and for validating report submissions. The plan defines the roles and responsibilities of the Department and its bureaus and offices and is subject to modification for future reporting periods based on lessons learned.

The Department's guidance states that it has established a multi-pronged approach to ensuring award recipients are aware of the reporting requirements and includes:

- **A cross-check of financial assistance award recipients against the Central Contracting Registration (CCR).** Using the Data Universal Numbering System (DUNS) numbers, the Department ensures each of its Recovery Act financial assistance recipients is registered in CCR. Those not registered are notified to do so.
- **E-mail reminders and training.** Using the e-mail addresses found in CCR, the Department sends reminders to all financial assistance and contract recipients regarding reporting requirements, including the registration guide and templates. Recipients are offered training and bureau-specific webinars to learn how to complete reporting templates. The e-mail reminders also include a point of contact in case there are questions.
- **Preparation for validation.** Bureaus develop a report that contains the DUNS number, award number, Treasury Appropriation Fund Symbol (TAFS), award amount, and amount invoiced. The Department then develops a list of high-risk and high-priority recipients detailing the projects, descriptions of awards, status of projects, and Departmental contracting officer names. High-risk and high priority recipients are determined by the number of awards they have across the Department, dollars obligated to the recipient, and dollars outlayed to the recipient. This list is available to the validation team (tiger team) in the event of questions during the validation period. The tiger team is responsible for validating recipient reporting and is composed of Department, bureau, and office representatives.

The final part of the plan outlines the process for validating recipient data. Each bureau and office awarding Recovery Act funding is expected to devote at least one person for recipient-reporting validation. The validation of data is expected to occur in two phases, a read only phase and a comment phase.

Once entered into FederalReporting.gov, information is available on a read-only basis for a week, during which the tiger teams will identify any recipients with missing reports and incomplete or inaccurate information. After a week, the reports are opened for review and comments. During this phase the tiger teams will comment on FederalReporting.gov for each recipient that was identified in the read only phase. A tracking log will be created to monitor the review and comments made by the tiger team. Once comments have been made, the reports will be sent back to the recipients for corrections. Once the corrections are made by the recipients, the tracking log is updated, giving the go ahead to the tiger team for final validation.

Results:

We determined the Department has established a process to perform limited data quality reviews intended to identify material omissions and significant reporting errors, and notify the recipients of the need to make appropriate and timely changes. We have also determined the Department has policies and procedures designed to emphasize the avoidance of material omissions and significant reporting errors, and have an adequate process in place to remediate systemic or chronic reporting problems.

The Department's plan includes procedures for ensuring recipients are aware of reporting requirements, for preparing for the validation process, for the development of a specialized validation team, and contains certain criteria on what the validations will evaluate. This plan was developed with an established timeline and milestone due dates. The tiger team meets daily during the read-only validation and comment period and acts as the Department's first line of defense in remediating systemic or chronic reporting problems.

The Department stated that, in time, the reported information could possibly be used as a tool to assess risk, and to assess compliance with terms and conditions of award agreements, and to determine when to release funds in the future. The Department stated that as additional quarterly data comes in, they could possibly use the data to identify trends. As they have only received reports for one quarter, they feel this information is insufficient to support an assessment of risk without comparative data.

Observations:

Lack of step-by-step procedures for validation: Although the Department has developed a plan to ensure compliance with recipient reporting requirements and report submission validations, it fails to list detailed, step-by-step procedures on how the data will be validated. The plan does not describe exactly how missing or inaccurate data fields will be identified. This deficiency could result in inconsistent approaches to conducting reviews among the tiger team members. The Department's plan is to develop these step-by-step procedures when the tiger team meets for the validation phase.

We have determined that this deficiency is not from an oversight in planning by the Department, but from an uncertainty of the type of data received from the FederalReporting.gov website. The Department was uncertain on what the format of the data submissions downloaded from FederalReporting.gov will be. We called the FederalReporting.gov Helpdesk for verification, but the Helpdesk was unable to describe how data will be sent to the Department. Because of these uncertainties from FederalReporting.gov, the Department plans to develop these steps after the tiger teams begin to meet. We intend to follow-up and determine if and when these steps are accomplished.