



October 21, 2009

**TO:** Richard J. Turman  
Acting Assistant Secretary  
for Resources and Technology

**FROM:** /Joseph E. Vengrin/  
Deputy Inspector General for Audit Services

**SUBJECT:** Review of the Department of Health and Human Services' Process for Performing Limited Data-Quality Reviews of Information Reported by Recipients of Recovery Act Funds (A-09-09-00113)

The attached final report provides the results of our review of the Department of Health and Human Services' (the Department) process for performing limited data-quality reviews of information reported by recipients of funds authorized under the American Recovery and Reinvestment Act of 2009 (Recovery Act).

To promote transparency and accountability, section 1512 of the Recovery Act requires quarterly reporting by recipients of certain funds made available under the Recovery Act. Section 1512 requires each recipient to submit a report to the applicable Federal agency, not later than 10 days after the end of each calendar quarter, that shows (1) the total amount of Recovery Act funds received and the amount that was spent or obligated, (2) a detailed list of all projects for which Recovery Act funds were expended or obligated, and (3) detailed information on payments to subrecipients and vendors. Further, section 1512 requires that each Federal agency make recipient information publicly available on a Web site.

On June 22, 2009, the Office of Management and Budget issued implementing guidance (M-09-21) for section 1512 that requires recipients to report detailed information on projects funded by the Recovery Act. In addition, M-09-21 specifies that Federal agencies should perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in the reported information and should notify recipients of the need to make appropriate and timely changes.

Our objective was to determine whether the Department had designed a process to (1) perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in information reported by recipients (grantees and contractors) of Recovery Act funds and (2) notify recipients of the need to make appropriate and timely changes.

The Department had designed a process to (1) perform limited data-quality reviews intended to identify material omissions and/or significant errors in information reported by recipients (grantees and contractors) of Recovery Act funds and (2) notify recipients of the need to make appropriate and timely changes. Consequently, this report contains no recommendations.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through email at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov). Please refer to report number A-09-09-00113 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF THE DEPARTMENT OF  
HEALTH AND HUMAN SERVICES'  
PROCESS FOR PERFORMING LIMITED  
DATA-QUALITY REVIEWS OF  
INFORMATION REPORTED BY  
RECIPIENTS OF RECOVERY ACT FUNDS**



Daniel R. Levinson  
Inspector General

October 2009  
A-09-09-00113

# *Office of Inspector General*

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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# *Notices*

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, was enacted February 17, 2009, to preserve and create jobs; to assist those most affected 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.

To promote transparency and accountability, section 1512 of the Recovery Act requires quarterly reporting by recipients of certain funds made available under the Recovery Act. Section 1512 requires each recipient to submit a report to the applicable Federal agency, not later than 10 days after the end of each calendar quarter, that shows (1) the total amount of Recovery Act funds received and the amount that was spent or obligated, (2) a detailed list of all projects for which Recovery Act funds were expended or obligated, and (3) detailed information on payments to subrecipients and vendors. Further, section 1512 requires that each Federal agency make recipient information publicly available on a Web site.

On June 22, 2009, the Office of Management and Budget issued implementing guidance (M-09-21) for section 1512 that requires recipients to report detailed information on projects funded by the Recovery Act. In addition, M-09-21 specifies that Federal agencies should perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in the reported information and should notify recipients of the need to make appropriate and timely changes.

The Recovery Act provided approximately \$167 billion to the Department of Health and Human Services (the Department). The Department established the Office of Recovery Act Coordination to ensure compliance with Federal requirements related to the Recovery Act and to coordinate with the operating divisions that manage Recovery Act funds.

### **OBJECTIVE**

Our objective was to determine whether the Department had designed a process to (1) perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in information reported by recipients (grantees and contractors) of Recovery Act funds and (2) notify recipients of the need to make appropriate and timely changes.

### **SUMMARY OF RESULTS**

The Department had designed a process to (1) perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in information reported by recipients (grantees and contractors) of Recovery Act funds and (2) notify recipients of the need to make appropriate and timely changes. Consequently, this report contains no recommendations.

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## INTRODUCTION

### BACKGROUND

#### **American Recovery and Reinvestment Act**

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, was enacted February 17, 2009, to preserve and create jobs; to assist those most affected 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.

#### **Section 1512 Reporting Requirements**

To promote transparency and accountability, section 1512 of the Recovery Act requires quarterly reporting by recipients of certain funds made available under the Recovery Act. A recipient includes any entity, other than an individual, that receives Recovery Act funds directly from the Federal Government. Section 1512 reporting requirements apply mainly to recipients of grants and contracts for discretionary programs, not to recipients of grants for entitlement and mandatory programs, such as Medicaid.

Section 1512 requires each recipient of Recovery Act funds to report on its use of funds to the applicable Federal agency not later than 10 days after the end of each calendar quarter. The recipient should report:

- the total amount of Recovery Act funds received and the amount that was spent or obligated;
- a detailed list of all projects for which Recovery Act funds were expended or obligated, including the project name, description, and completion status and an estimate of the number of jobs created or retained; and
- detailed information on payments to subrecipients and vendors.<sup>1</sup>

Section 1512 requires that each Federal agency make recipient information publicly available on a Web site.<sup>2</sup>

#### **Office of Management and Budget Implementing Guidance**

On June 22, 2009, the Office of Management and Budget (OMB) issued implementing guidance (M-09-21) for section 1512 of the Recovery Act that requires recipients to report detailed

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<sup>1</sup>A vendor is a dealer, distributor, merchant, or other seller providing goods or services for a Federal program. A recipient or subrecipient may purchase from vendors those goods or services needed to carry out a project.

<sup>2</sup>The Recovery Accountability and Transparency Board established the Governmentwide Web site [www.recovery.gov](http://www.recovery.gov) for this purpose.

information on projects funded by the Recovery Act.<sup>3</sup> An interim final rule amended the Federal Acquisition Regulation to require contractors to report on the use of Recovery Act funds (74 Fed. Reg. 14639 (Mar. 31, 2009)).

Section 4.2 of M-09-21 specifies that Federal agencies should perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in the reported information and should notify recipients of the need to make appropriate and timely changes.

- **Material omissions** are defined as those instances in which required data are not reported or reported information is not otherwise responsive to the data requested. Such omissions would result in significant risk that the public will not be fully informed of the status of a Recovery Act project.
- **Significant reporting errors** are defined as those instances in which required data are not reported accurately. Such reporting errors would result in significant risk that the public will be misled or confused by the recipient report.

Section 3.1 of M-09-21 requires that the information reported by recipients and subrecipients of Recovery Act funds be submitted through [www.federalreporting.gov](http://www.federalreporting.gov), reviewed by the funding agency, and published on [www.recovery.gov](http://www.recovery.gov). Section 3.2 describes the timeline for submission, review, and publication of recipient-reported information. (See the Appendix for an extract from section 3.2.)

## **The Department of Health and Human Services**

The Recovery Act provided approximately \$167 billion to the Department of Health and Human Services (the Department) in additional Federal assistance for health care, public health and human service programs, and health information technology.<sup>4</sup> The funding for discretionary programs included:

- \$10.4 billion for the National Institutes of Health (NIH) to strengthen scientific research and facilities;
- \$5.2 billion for the Administration for Children and Families (ACF) to improve services for children and communities by temporarily expanding the Head Start, Early Head Start, child care development, and community services programs; and
- \$2.5 billion for the Health Resources and Services Administration (HRSA) to strengthen community health care services by constructing and renovating health centers, expanding health care services, and training health care professionals.

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<sup>3</sup>Programs subject to the reporting requirements in section 1512 of the Recovery Act are listed in Supplement 1 of M-09-21.

<sup>4</sup>The majority of the \$167 billion is for entitlement and mandatory programs, such as Medicaid and Temporary Assistance for Needy Families.

The Department established the Office of Recovery Act Coordination (ORAC) in the Office of the Secretary to coordinate implementation of the Recovery Act. At the Department level, ORAC is responsible for ensuring that the Department meets the requirements of the Recovery Act and OMB implementing guidance. ORAC is also responsible for coordinating closely with the Department's operating divisions, such as NIH, ACF, and HRSA, which manage Recovery Act funds.

For the first reporting period (February 17 through September 30, 2009), the Department expects that recipients of Recovery Act funds will submit about 17,500 reports for NIH, ACF, and HRSA grants and contracts. This figure represents 97 percent of the total reports expected by the Department.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the Department had designed a process to (1) perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in information reported by recipients (grantees and contractors) of Recovery Act funds and (2) notify recipients of the need to make appropriate and timely changes.

### **Scope**

We assessed the Department's process for performing limited data-quality reviews of information reported by recipients of Recovery Act funds as of September 30, 2009. At the time of our audit, the Department had not performed any limited data-quality reviews because the deadline for data submission had not occurred. Thus, we could not evaluate the operating effectiveness of any aspect of the Department's process. We intend to perform such an audit in the near future.

We performed our fieldwork in September 2009 at ORAC's and ACF's offices in the District of Columbia, NIH's office in Bethesda, Maryland, and HRSA's office in Rockville, Maryland.

### **Methodology**

To accomplish our objective, we:

- reviewed Federal laws and guidance;
- interviewed ORAC officials about their procedures to ensure that the recipient reporting requirements of section 1512 of the Recovery Act are met;
- interviewed ORAC officials about the Department's process for performing limited data-quality reviews intended to identify material omissions and/or significant reporting errors;

- interviewed NIH, ACF, and HRSA officials about their role in the Department's limited data-quality reviews; and
- reviewed guidance issued by ORAC, NIH, ACF, and HRSA.

We conducted this performance audit 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 objective.

## **RESULTS OF REVIEW**

The Department had designed a process to (1) perform limited data-quality reviews intended to identify material omissions and/or significant reporting errors in information reported by recipients (grantees and contractors) of Recovery Act funds and (2) notify recipients of the need to make appropriate and timely changes.

The Department's process for reviewing data quality, which ORAC developed, is intended to ensure that recipients of Recovery Act funds have clear directions on reporting requirements and that the Department has a consistent approach to conducting data-quality reviews of the reported information. The process includes providing information and training to recipients of Recovery Act funds, performing limited data-quality reviews that focus on material omissions and significant errors, and notifying recipients about identified data-quality issues. NIH's, ACF's, and HRSA's processes are consistent with the Department's process. All of the processes require that recipient reports be published on [www.recovery.gov](http://www.recovery.gov) by October 30, 2009, for the reporting period February 17 through September 30, 2009 (except reports that have been granted extensions because of declared disasters).

This report contains no recommendations.

## **PROVIDING INFORMATION AND TRAINING TO RECIPIENTS**

To inform recipients of their reporting requirements under the Recovery Act, the Department developed program-specific frequently asked questions, held conference calls, and used a variety of other training tools. In addition, NIH, ACF, and HRSA developed sample recipient reports and identified the sources for data elements in award documents to help recipients understand how to complete the reports. The Department also developed a Web-based display of basic award information that recipients can use to check the information they report and a call center for answering recipients' questions.

## **PERFORMING LIMITED DATA-QUALITY REVIEWS**

The Department's limited data-quality reviews are intended to focus on material omissions and the most significant errors in recipients' reports. The Department's interim guidance for data-quality reviews (dated September 14, 2009) defined material omissions and significant errors as:

- failing to submit a report,
- reporting an award amount or an award date that differs from agency records,
- reporting expenditures that are greater than the award amount, and
- reporting unreasonable estimates of the number of jobs created or retained.

The Department's two grant centers, administered by NIH and ACF, are responsible for downloading the recipient data from [www.federalreporting.gov](http://www.federalreporting.gov) for all operating divisions and performing the initial reviews of data quality using automated data checks to identify material omissions and significant errors. The grant centers are supposed to provide the recipient data and the results of the automated checks to the operating divisions for further review.

## **NOTIFYING RECIPIENTS ABOUT DATA-QUALITY ISSUES**

The operating divisions are responsible for determining whether the identified omissions or errors are valid. If they are valid, the operating divisions are also responsible for flagging the reports in [www.federalreporting.gov](http://www.federalreporting.gov) and notifying recipients of any data-quality issues and the expectations for addressing them. If the omissions or errors are not corrected, the reports should remain flagged in [www.federalreporting.gov](http://www.federalreporting.gov).

# **APPENDIX**

**APPENDIX: EXTRACT FROM SECTION 3.2 OF OFFICE OF MANAGEMENT  
AND BUDGET MEMORANDUM M-09-21**

**During days 1-10** following the end of the quarter, recipients and delegated sub-recipients prepare and enter their reporting information. See Section 3.6 for a description of reporting methods. During this period, the data are considered to be in pre-submission status until explicitly submitted. Recipients using the Web-based form method will be allowed to store draft versions of their reports. Draft versions will only be available to the individual creating the report. Recipients using the spreadsheet or system extracted XML options may store draft versions outside the system on recipient-owned computers or workstations. The data will assume the status of “submitted” and conform with the Section 1512 reporting requirements only when the reporting entity explicitly submits it using the web site functions. Submitted reports will be viewable by the appropriate prime recipient and by the Awarding Agency.<sup>1</sup> Prime recipients and delegated sub-recipients that have not submitted their data reports by the end of the 10th day will be considered non-compliant with the recipient reporting requirements.

**During days 11-21** following the end of the quarter, prime recipients ensure that complete and accurate reporting information is provided prior to the Federal agency comment period beginning on the 22nd day. Prime recipients will perform a data quality review as described in Section 4 of this Guidance. Prime recipients are responsible for verifying submitted information for all Recovery funds for which they are responsible, for notifying sub-recipients of reporting errors or omissions, and for ensuring any data corrections are completed in a timely manner. Prime recipients will be responsible for coordinating with sub-recipients on any identified data corrections. To facilitate corrections, the [www.FederalReporting.gov](http://www.FederalReporting.gov) solution will provide contact information for the individual who submitted the report including email contact information. After potential pilot testing of the solution, as mentioned in Section 2.6, it may be determined that the recipient reporting solution may not automatically generate email notifications for prime recipient to sub-recipient communications due to the potential volume resulting from computer-generated notifications.

Agencies may perform an initial review of the information in a “view-only” mode during this time period, but they will not be allowed to provide official feedback to prime recipients. During this period summary statistics for the initial data submissions will appear on [www.Recovery.gov](http://www.Recovery.gov).

**During days 22-29** following the end of the quarter, Federal agencies review and, if determined, comment on the submitted reporting information. Submitted reports will not be editable by prime recipients or delegated sub-recipients during this time period unless notified by the Federal agencies. The Federal agencies will perform a data quality review as described in Section 4 of this Guidance. The Federal agencies will notify the recipients and delegated sub-recipients of any data anomalies or questions through the [www.FederalReporting.gov](http://www.FederalReporting.gov) solution. This notification will unlock the notated report. Capability for Federal agency notation will be included as well. The original submitter must complete data corrections no later than the 29th day following the end of the quarter. Federal agency review will be indicated by the status indicators identified in Section 4.8 of this Guidance.

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<sup>1</sup>Note that “Awarding Agency” is the data field consistent with the data dictionary within the supplemental materials to this Guidance.

No later than 30 days following the end of the quarter, detailed recipient reports are made available to the public on the [www.Recovery.gov](http://www.Recovery.gov) website. Federal agencies are encouraged to link to [www.Recovery.gov](http://www.Recovery.gov) on their respective websites to fulfill their Section 1512 reporting requirements of facilitating the dissemination on recipient reports to the public. Federal agencies may also post recipient information on their respective websites after the data has been posted on the [www.Recovery.gov](http://www.Recovery.gov) website. Any data issues identified beyond the date of publication will be corrected or addressed in the next quarterly report.