

**STATUS OF OPERATING ADMINISTRATIONS'
PROCESSES TO CONDUCT LIMITED QUALITY
REVIEWS OF RECOVERY ACT RECIPIENT DATA**

Department of Transportation

Report Number: MH-2010-002

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Memorandum

U.S. Department of
Transportation

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **ACTION:** Status of Operating Administrations'
Processes to Conduct Limited Quality Reviews of
Recovery Act Recipient Data
Report Number MH-2010-002

Date: October 6, 2009

From: Calvin L. Scovel III 
Inspector General

Reply to
Attn. of: J-1

To: All Secretarial Officers
Federal Aviation Administrator
Federal Highway Administrator
Federal Railroad Administrator
Federal Transit Administrator
Maritime Administrator

This report presents our audit results of the Department of Transportation Operating Administrations' plans for ensuring Recovery Act¹ fund recipients submit accurate, complete, and timely data on the use of these funds, as required by Section 1512 of the Recovery Act. Office of Management and Budget (OMB) guidance states that starting October 22, 2009, Federal agencies are to perform a limited data quality review of recipient information and notify the recipients of two key data problems—material omissions and significant reporting errors. Our audit objective was to determine whether the Department's Operating Administrations have established processes to perform such reviews and notify recipients of the need to make appropriate and timely changes.

We found that the Department's Operating Administrations overseeing the implementation of the Recovery Act—Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), Federal Railroad Administration (FRA), Federal Transit Administration (FTA), and Maritime Administration (MARAD)—have taken steps to ensure that Recovery Act recipients comply with Section 1512 reporting requirements. These steps range from conducting outreach to recipients regarding the specific reporting requirements to drafting processes for performing limited data quality reviews. Each Operating Administration aims to have a process in place before conducting the reviews, and as of September 25, 2009, two of five Operating Administrations have drafted

¹ American Recovery and Reinvestment Act of 2009.

processes. However, it is too early to determine whether these processes will adequately identify omissions and significant reporting errors.

BACKGROUND

Section 1512 of the Recovery Act requires that not later than 10 days after the end of each calendar quarter, each recipient that received Recovery Act funds from a Federal agency submit a report to that agency to include the following: (1) the amounts spent on projects or activities; (2) a list of projects or activities funded by name, including a description and completion status; (3) estimates of the number of jobs created and retained by those projects or activities; and (4) details on sub-awards and other payments. On June 22, 2009, OMB issued guidance² to provide Federal agencies and funding recipients with information to effectively implement Section 1512 reporting requirements. The guidance requires that prime recipients³ enter their data to www.FederalReporting.gov,⁴ the online Web portal for collecting all Recovery Act recipient reports beginning on October 10, 2009.

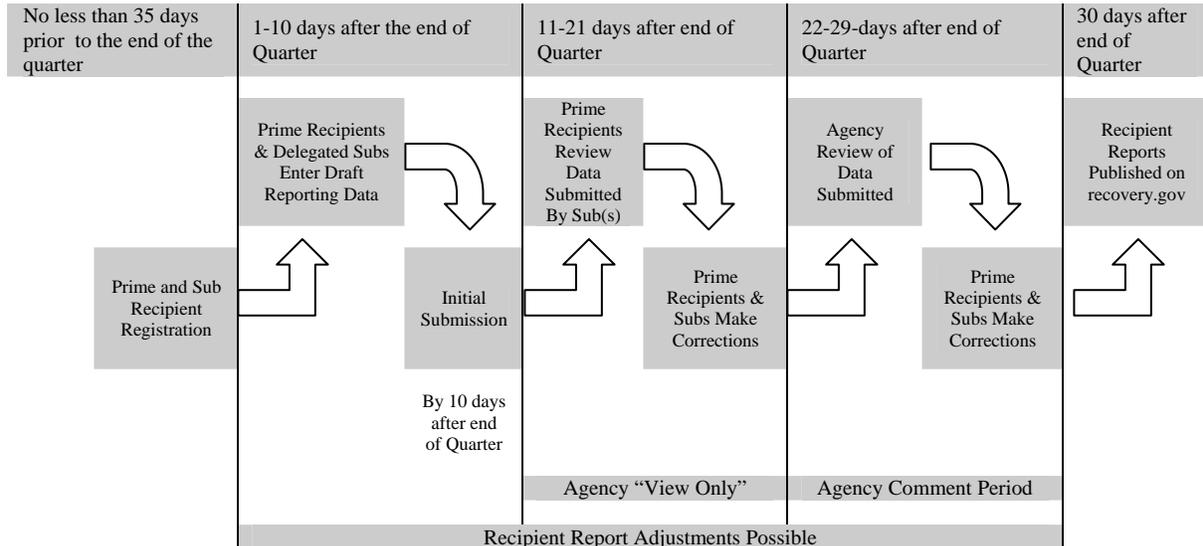
The guidance also requires that 22 to 29 days after each quarter (e.g., October 22, 2009, to October 29, 2009), Federal agencies perform a limited data quality review of the submitted information and notify recipients of two key data problems—material omissions and significant reporting errors. No later than 30 days following the end of the quarter (e.g., October 30, 2009), the detailed recipient reports will be made available to the public on the www.Recovery.gov website. Figure 1 presents OMB’s timeframes of key Section 1512 reporting activities.

² OMB Memorandum for the Heads of Departments and Agencies, M-09-21, “Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009,” June 22, 2009.

³ Prime recipients are non-Federal entities that receive Recovery Act funding as Federal awards in the form of grants, loans, or cooperative agreements directly from the Federal Government.

⁴ Reporting recipients and reviewing Federal agencies must be registered as authorized parties prior to submitting or receiving recipient reports on www.FederalReporting.gov. Registration opened on August 17, 2009.

Figure 1. Recipient Reporting Timeline



Source: Office of Management and Budget

Operating Administrations Expect to Have Processes in Place in Time to Conduct Data Quality Reviews

With the October 10, 2009, deadline fast approaching for Recovery Act fund recipients to start submitting data on the use of these funds, the Department and Operating Administrations have been proactive in assisting recipients in meeting the Recovery Act reporting requirements and deadlines. For example, FTA officials alerted all of its Recovery Act prime recipients via email of registration requirements and conducted webinars to clarify reporting requirements. Further, MARAD officials contacted all 70 of its grant recipients by telephone to encourage registration and reporting. In addition to these efforts, Operating Administration officials inserted language in grant agreements requiring compliance with Section 1512 reporting requirements.

Officials from all the Operating Administrations told us that they will conduct data quality reviews of recipient data, notify recipients of errors, and address systemic or chronic reporting problems when data become available. At the time of our review, the Operating Administrations were in various planning stages for conducting the reviews.

- FAA has prepared a process that includes a description of the data entry process, agency validation processes, validation rules, and advanced validation using statistical analysis.

- FTA has drafted a process for conducting data quality reviews, which includes tasks ranging from conducting an initial overview of the reports to identify blank data fields to preparing analysis of data submitted.
- FHWA has yet to draft a process, but has taken steps toward doing so. FHWA developed a Recovery Act Database System to track all Recovery Act data, including the key data elements required by Section 1512. FHWA described how it plans to validate the data by comparing Section 1512 data with prior recipient report data.
- FRA and MARAD have yet to draft processes but stated that they plan to modify other Operating Administration's processes for such use.

Operating Administrations plan to have processes in place by October 22, 2009—in time to conduct limited data quality reviews, as required by OMB. Department officials stated that once completed, they expect the Operating Administrations will continue to revise the review processes based on lessons learned during the initial data quality reviews (e.g., October 2009). Further, based on recipient reports and data quality review results, Operating Administration officials told us they could withhold funds of recipients who have systemic or chronic reporting problems.

Based on the results of our work to date, it is too early to determine whether the Operating Administration processes will adequately identify and remediate omissions and significant reporting errors. Consequently, we are making no recommendations. As we continue to conduct our Recovery Act work, we will monitor the Operating Administrations' progress, and may conduct additional work of the adequacy of Operating Administrations' and recipients' internal control procedures for ensuring data quality.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We provided our draft report to the Department on September 29, 2009. The Department provided several technical comments that it characterized as minor. We incorporated these comments in the final report as appropriate.

We appreciate the courtesies and cooperation of Department representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-1959, or Madeline Chulumovich, Special Assistant for Economic Recovery, at (202) 366-6512.

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cc: Members of the DOT TIGER team

EXHIBIT A. OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether the Department had established a consistent process to perform limited data quality reviews intended to identify material omissions and/or significant reporting errors and notify Recovery Act recipients of the need to make appropriate and timely changes. To address our audit objective, we conducted expeditious reviews of the Department's and each relevant Operating Administration's plans for establishing internal controls to conduct limited data quality reviews of information submitted by Recovery Act recipients to ensure the data are accurate, complete, and timely.

Specifically, we:

- coordinated with the Recovery Accountability and Transparency Board⁵ and Office of Inspectors General at Health and Human Services, Agriculture, and National Endowment for the Arts to develop a structured review guide that included the audit objective, scope, and audit approach;
- interviewed officials from the Office of the Secretary of Transportation (OST) and each Operating Administration receiving Recovery Act Funds—FAA, FHWA, FRA, FTA, and MARAD—to obtain an overview of the actions taken to date to develop, document, and implement internal controls for performing limited data quality reviews of Recovery Act recipient data pursuant to Section 1512 of the Recovery Act and OMB Memorandum M-09-21; and
- obtained and analyzed, when available, Department and Operating Administration documentation of policies and procedures for reviewing quarterly Recovery Act data pursuant to OMB Memorandum M-09-21 (Section 3.12).

Because the Department's Operating Administrations have yet to complete their documentation for conducting data quality reviews to identify multiple omissions and significant reporting errors, we could not evaluate the effectiveness of the methodology the Operating Administrations used to conduct their reviews. Also,

⁵ The Recovery Accountability and Transparency Board was created by the American Recovery and Reinvestment Act of 2009 with two goals: (1) to provide transparency in relation to the use of Recovery-related funds, and (2) to prevent and detect fraud, waste, and mismanagement. Twelve Inspectors General from various Federal agencies serve with Chairman Earl E. Devaney. The Board issues quarterly and annual reports to the President and Congress, and if necessary, "flash reports" on matters that require immediate attention.

the first quarter data quality reviews will not include the Office of the Secretary's discretionary grants or the Federal Railroad Administration's high speed rail grants because no funds have been obligated.

We conducted this performance audit in September 2009 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.