



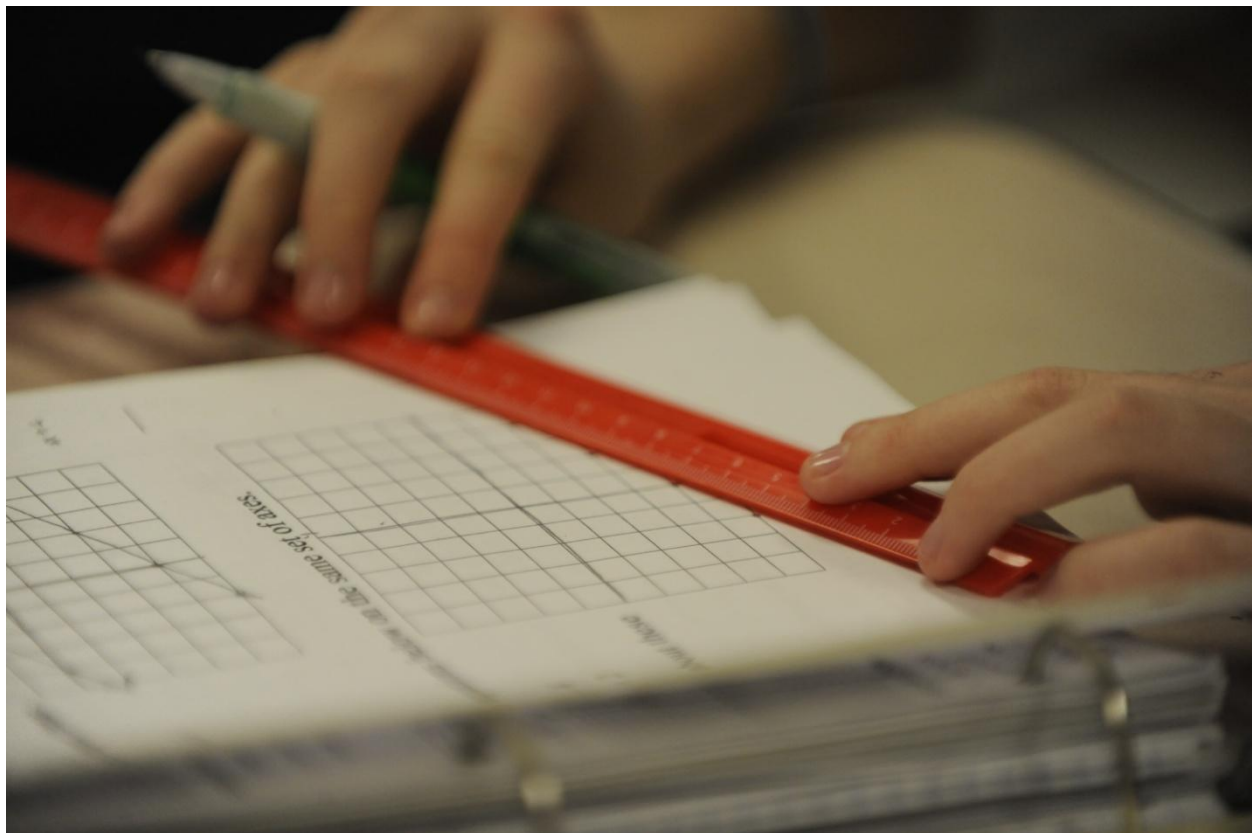
**U.S. Department of Education
Office of Inspector General**



American Recovery and Reinvestment Act of 2009

**The Department's Process to Ensure Data Quality Under the
Reporting Requirements of the American Recovery and Reinvestment
Act of 2009**

Final Audit Report



ED-OIG/A19J0004

October 2009



**UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL**

THE INSPECTOR GENERAL

October 29, 2009

Tony Miller
Deputy Secretary
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202

Dear Mr. Miller:

This final audit report presents the results of our audit to determine whether the Department of Education had established a process to perform limited data quality reviews of recipient reporting under the American Recovery and Reinvestment Act of 2009 to identify material omissions and/or significant reporting errors, and notify the recipients of the need to make appropriate and timely changes. We received your comments on the contents of our draft report. The comments are summarized within the Results section of this report.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation given to us during this review. If you have any questions, please call Michele Weaver-Dugan at (202) 245-6941.

Sincerely,

Mary Mitchelson /s/
Acting Inspector General

The Department's Process to Ensure Data Quality Under the Reporting Requirements of the American Recovery and Reinvestment Act of 2009

Control Number ED-OIG/A19J0004

PURPOSE

The American Recovery and Reinvestment Act of 2009 (ARRA) places a heavy emphasis on accountability and transparency, including reporting requirements related to the awarding and use of funds. Challenges associated with the new reporting requirements include developing the systems and infrastructure for collecting and reporting the required information, educating recipients about the reporting requirements, assessing the quality of the reported information, and using the collected information effectively to monitor and oversee ARRA programs and performance.

This final report presents the results of our audit to determine whether the Department of Education (Department) had established a process to perform limited data quality reviews of recipient reporting under ARRA to identify material omissions and/or significant reporting errors, and notify the recipients of the need to make appropriate and timely changes.

RESULTS

Our audit found that the Department had 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. Specifically, the Department:

- Developed draft policy and procedures for reviewing quarterly ARRA data pursuant to Office of Management and Budget (OMB) Memorandum M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, dated June 22, 2009, which emphasize the avoidance of material omissions and significant reporting errors¹. The Department's draft policy described procedures for conducting data quality reviews of information submitted by recipients of ARRA funding. These procedures included automated data checks to validate selected recipient reported data elements against data in the Department's financial systems. The procedures also included manual reviews of the recipient reported data against specific grant programs or contract criteria to identify outliers in certain data elements. In addition, the Department published clarifying guidance that elaborates on OMB Memorandum M-09-21 guidance and prepared tip sheets for each ARRA grant program to assist recipients in completing the quarterly

¹ OMB M-09-21 defines material omissions as instances where required data are not reported, or reported information is not otherwise responsive to the data requests resulting in significant risk that the public is not fully informed as to the status of a Recovery Act project or activity. It further defines significant reporting errors as those instances where required data are not reported accurately and such erroneous reporting results in significant risk that the public will be misled or confused by the recipient report in question.

report accurately. The clarifying guidance and tip sheets provided instructions to recipients on where to obtain source data and how to input the data into the reporting system.

- Developed plans to ensure that all prime recipients have filed the required quarterly reports pursuant to Section 1512 of ARRA and that the Department conducts the required review of the reported data. The Department developed processes to identify recipients that had not registered, as required, in the Central Contractor Registration database and/or the FederalReporting.gov system. Department officials stated that program offices used this information to provide outreach to recipients to ensure they registered prior to the end of the quarter. Once the recipients submit their quarterly reporting information, the Department plans to run automated data checks to identify recipients that received ARRA funds but did not report the required data.
- Planned a process to remediate systemic or chronic reporting problems. The Department anticipates program offices will contact recipients that either do not respond to the first reporting quarter or whose data includes material omissions or significant errors. The Department plans that this contact will include technical assistance to help ARRA recipients identify and correct conditions that contributed to data quality problems. The Department also plans to review the quarterly data at a state level, in addition to reviewing each individual report, to determine whether there is a systemic problem with the recipient. Finally after the quarterly reporting cycle is complete, the Department plans to maintain contact with recipients to follow-up on any outstanding corrections, communicate lessons learned from the prior reporting periods, and reinforce the importance of data quality.
- Plans to use the reported information as a management tool. The Department's Risk Management Service (RMS) Management Improvement Team (MIT) anticipates reviewing an analysis report, which will summarize the expenditures, infrastructure investments, and job creation/retention reported by the state agencies. The RMS MIT members plan to identify questionable expenditure patterns, job estimates, and other information that appear incorrect in the context of the states' grant awards from the Department and its overall economic condition. This information will be referred to the Department's program staff for further investigation.

The Office of the Deputy Secretary provided a response to the draft audit report emphasizing that it plans to continue efforts to ensure data quality under ARRA.

BACKGROUND

Section 1512 of ARRA requires recipients of ARRA funding to submit a report to the Federal agency providing those funds no later than 10 days after the end of each calendar quarter (beginning the quarter ending September 30, 2009). The report must include the total amount of recovery funds received; the amount of recovery funds expended or obligated to projects and activities; a list of those projects and activities funded by name including a description, completion status, estimates of jobs created and retained; and detailed information on any subcontracts or subgrants awarded by the recipient. The Federal agency must make the reports publicly available no later than 30 days after the end of that quarter.

OMB issued Memorandum M-09-21 to provide governmentwide guidance for carrying out the reporting requirements included in Section 1512 of ARRA. The guidance states Federal agencies should develop internal policies and procedures for reviewing reported data and 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. The guidance states Federal agencies should establish internal controls to ensure data quality, completeness, accuracy, and timely reporting of all amounts funded by ARRA.

The Recovery Accountability and Transparency Board (Board) was established to coordinate and conduct oversight of covered funds to prevent fraud, waste, and abuse. The Board requested that the Office of the Inspector General (OIG) community conduct audits to ensure that Federal agencies have a documented process for reviewing data quality and identifying whether there are any material omissions or significant reporting errors. The Department of Education OIG reviewed the Department's plans for reviewing recipient ARRA reporting for the quarter ending September 30, 2009.

SCOPE AND METHODOLOGY

Our review consisted of a determination of whether the Department had established a process to perform limited data quality reviews intended to identify material omissions and/or significant reporting errors, and notify recipients of the need to make appropriate and timely changes. Accordingly, we reviewed applicable Federal laws and regulations and Department guidance made available to ARRA funding recipients. We conducted interviews with appropriate Department officials to obtain an understanding of the planned data quality review and recipient notification processes. We also obtained and reviewed additional information, to include Department draft internal policies and documentation relating to planned data checks, to gain a further understanding of planned processes and controls. We did not rely on computer-processed data to conduct this audit.

The scope of the audit was limited to the Department's process for monitoring recipient reporting of recovery funds for the quarter ending September 30, 2009. The fieldwork for the audit was conducted at Department offices in Washington, D.C., during the period September 2009 through October 2009. We provided our audit results to Department officials via conference call on October 15, 2009.

Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review with the following limitations. The 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. The audit's objective, scope, and procedures were provided by the Board in its *Data Quality Review Guide*. As such, the Department of Education OIG did not perform work to plan the audit or assess audit risk. However, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

**Anyone knowing of fraud, waste, or abuse involving
U.S. Department of Education funds or programs
should call, write, or e-mail the Office of Inspector General.**

Call toll-free:

The Inspector General Hotline
1-800-MISUSED (1-800-647-8733)

Or write:

Inspector General Hotline
U.S. Department of Education
Office of Inspector General
400 Maryland Ave. S.W.
Washington, DC 20202

Or e-mail:

oig.hotline@ed.gov

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student achievement and preparation for global competitiveness
by fostering educational excellence and ensuring equal access.*

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Acronyms/Abbreviations Used in this Report

ARRA	American Recovery and Reinvestment Act of 2009
Board	Recovery Accountability and Transparency Board
Department	U.S. Department of Education
MIT	Management Improvement Team
OIG	Office of Inspector General
OMB	Office of Management and Budget
RMS	Risk Management Service