
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION



*AMERICAN RECOVERY
AND REINVESTMENT ACT OF 2009*
DATA QUALITY REVIEWS

October 2009 A-15-10-21045

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: October 30, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: *American Recovery and Reinvestment Act of 2009* Data Quality Reviews
(A-15-10-21045)

OBJECTIVE

Our objectives were to determine whether the Social Security Administration (SSA) had established a process to perform limited data quality reviews to (1) identify material omissions and/or significant *American Recovery and Reinvestment Act of 2009* (Recovery Act) reporting errors; and (2) notify the recipients of the need to make appropriate and timely changes. We also reviewed SSA's process for monitoring recipient reporting of recovery funds for the quarter ended September 30, 2009.

BACKGROUND

Under the Recovery Act, SSA received \$1.09 billion for program and operational purposes.¹ Congress also provided \$2 million for SSA's Office of the Inspector General (OIG) to conduct audits and oversee Recovery Act-funded SSA programs, projects, and activities.² Recovery Act oversight requirements state ". . . [n]ot later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency that contains--

1. the total amount of recovery funds received from that agency;
2. the amount of recovery funds received that were expended or obligated to projects or activities; and
3. a detailed list of all projects or activities for which recovery funds were expended or obligated..."³

¹ Pub. L. No. 111-5, Division A, Title VIII, H.R. 1-71 to H.R. 1-72; and Division B, Title II § 2201(e)(2), H.R. 1-339.

² Pub. L. No. 111-5, Division A, Title VIII, H.R. 1-72.

³ Pub. L. No. 111-5, Division A, Title XV § 1512(c), H.R. 1-173.

The Office of Management and Budget (OMB) provided the following guidance to Federal agencies and funding recipients to effectively implement Recovery Act reporting requirements.

- OMB Memorandum 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.
- OMB Memorandum M-09-30, *Improving Recovery Act Recipient Reporting*, September 11, 2009.

Memorandum M-09-21 transmitted Government-wide guidance for fulfilling the reporting requirements included in section 1512 of the Recovery Act. Section 3.12 lists the data elements Federal agencies will use to review recipient reports and requires that Federal agencies develop internal policies and procedures for reviewing reported data.

Section 1512 of the Recovery Act requires that recipients of Recovery Act contracts, grants, or loans submit reports on funds received no later than 10 days after the end of each calendar quarter. FederalReporting.gov serves as the official Government Website for recipient reporting. The first reporting period ended on October 10, 2009. Since this was the first time recipients submitted data reports and some States encountered technical challenges filing bulk reports for their recipients, FederalReporting.gov reported it would remain open for reporting until October 20, 2009. During this 10-day grace period, late filers could submit their required quarterly reports. However, they were first required to explain why their reporting was delayed, and they were informed they would be identified on Recovery.gov as late filers.

To perform our review, we followed the Recovery Act Reporting Data Quality Review Guide, approved by the Recovery Accountability and Transparency Board on September 11, 2009. The Review Guide outlines the six steps, presented in the Results of Review section of this report, for Inspectors General in determining whether Federal agencies 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.

RESULTS OF REVIEW

We determined SSA's policies and procedures are adequate for reviewing quarterly Recovery Act data pursuant to OMB Memorandum M-09-21 (section 3.12). We reviewed SSA's process for monitoring recipient reporting of Recovery Act funds for the quarter ended September 30, 2009, as follows.

1. Obtain the Federal agency's policy and procedures for reviewing quarterly Recovery Act data pursuant to OMB Memorandum M-09-21 (section 3.12).

We obtained and reviewed SSA's policies and procedures for reviewing contractor quarterly Recovery Act reports. Management and policy staff in SSA's Office of Acquisition and Grants (OAG) held an all-hands meeting on April 21, 2009 to discuss

Recovery Act awards. OAG issued a Flash Notice⁴ on April 17, 2009 (amended on September 30, 2009) to its contracting officers detailing their post-contract-award monitoring duties for contractor data submitted to FederalReporting.gov. The notice provided background and highlights of the Recovery Act and the actions required if Recovery Act dollars are used to fund contracts. OAG management and policy staff also met with contracting officers responsible for performing the limited data quality reviews on October 9, 2009 to discuss the policy.

2. Determine how the agency plans to ensure that all prime recipients have filed the required quarterly reports pursuant to section 1512 of the Recovery Act and how the agency will ensure that it conducts the required reviews of the reported data.

Memorandum M-09-21, section 3.12, requires that Federal agencies review recipient reported data. Section 3.12 states that Federal agencies may extract the data elements to validate recipient reports for compliance, accuracy, and consistency with Federal award data. For example, reported data may be used to ensure all Federal recipients have submitted the required reports. Additionally, the guidance states that amounts may be validated for consistency to ensure individual or aggregate values do not exceed the agency amounts awarded or disbursed.

We determined SSA had plans to ensure all prime recipients filed the required quarterly reports and conduct the required reviews of the reported data. These plans are detailed in the Agency's Flash Notice.

3. Conduct a walk-through of the agency's process to perform limited data quality reviews.

We conducted a walk-through of several limited data quality reviews performed by OAG staff and management. We observed staff validating the data reported by several recipients on FederalReporting.gov in October 2009. We also observed senior OAG staff reviewing recipient reports to compare with SSA's acquisition system. The comparisons were made to perform limited data quality reviews as well as determine whether contractors had appropriately registered and submitted reports on FederalReporting.gov.

⁴ Flash Notice 05:09-01.01, *Contract Actions Funded by the American Recovery and Reinvestment Act*, September 30, 2009.

4. Determine 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.

According to OMB guidance,⁵ the definitions of a significant error and material omission are as follows.

A *significant error* is defined as data that is not reported accurately and where such erroneous reporting results in significant risk that the public will be misled or confused by the contractor's report. Examples of significant errors include, **but are not limited to:**

- The cumulative invoiced amount reported is in excess of the obligation;
- The contractor incorrectly selects *fully complete*, to describe an incomplete project; or;
- The contract award/obligation amount was for a relatively small dollar amount, such as \$100,000, and the contractor reports the number of jobs created and retained cumulatively as 100,000.

A *material omission* is defined as data that is not responsive to a specific data element. When reviewing for material omissions, the agency reviewer should do so with the goals of transparency in mind. For instance, where the contractor is required to provide a narrative description, it must be sufficiently clear to facilitate understanding by the general public.

We determined SSA policies and procedures were designed to emphasize avoiding material omissions and significant reporting errors. The policies and procedures were detailed in the Agency's Flash Notice. To emphasize the avoidance of material omissions and significant reporting errors, SSA policies and procedures require that contracting staff and management validate recipient Recovery Act reports with award data in SSA's acquisition database. To avoid material omissions and significant reporting errors in the period ended September 30, 2009, SSA staff and management reviewed recipient data to ensure all recipients had submitted reports. We reviewed documentation prepared by OAG staff to report, to contractors, issues discovered during the limited data quality reviews. We observed SSA management verifying submitted reports to determine whether contractors who reported under the SSA agency code had actually received Recovery Act funding from SSA. Also, SSA contracting staff validated amounts reported for consistency to ensure the individual or aggregate values did not exceed the agency amounts awarded or disbursed.

⁵ OMB, Office of Federal Procurement Policy, Memorandum for the Chief Acquisition Officers and Senior Procurement Executives, Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 52-204-11. The agency review is intended to identify significant errors or material omissions in Recovery Act contractor reports. Agency reviewers are not expected to validate data for which they would not normally have supporting information, such as the compensation of a contractor's top officers. However, an obvious or significant error is something agencies should identify to the contractor.

5. Determine whether the agency has an adequate process in place to remediate systemic or chronic reporting problems.

We determined the Agency had an adequate process in place to remediate systemic or chronic reporting problems, given the low-volume of Recovery Act contracts the Agency has awarded. We learned from SSA management that, because the Agency does not have a large number of Recovery Act awards,⁶ it does not anticipate having systemic or chronic reporting problems. If OAG reviews the reports and finds common errors, it will address the issues.

6. 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:

- a) assessing compliance with the terms and conditions of award agreements,**
- b) assessing risk, and**
- c) determining when to release remaining funds.**

The Agency anticipates it may be able to use the reported information to assess compliance with award agreements only in terms of the Recovery Act reporting requirements, to assess risk in terms of the reporting process, and as a limited tool for determining when to release remaining funds. That is, if a contractor does not register on FederalReporting.gov, they are not complying with the contract's terms and conditions and can be held liable. Also, if a contractor does not make the required reports, they can be held liable for not complying with the contract's terms and conditions. Finally, the Agency can pursue withholding outstanding payments.

CONCLUSION

We determined SSA established a process to perform limited data quality reviews to (1) identify material omissions and/or significant Recovery Act reporting errors and (2) notify the recipients of the need to make appropriate and timely changes. We also reviewed SSA's process for monitoring recipient reporting of recovery funds for the quarter ended September 30, 2009, and found that staff and management were following the policies and procedures they put in place to review contractor reporting.



Patrick P. O'Carroll, Jr.

⁶ As of October 19, 2009, SSA had issued 22 Recovery Act awards and planned to issue approximately 20 additional awards.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Agency Comments

[APPENDIX D](#) – OIG Contacts and Staff Acknowledgments

Acronyms

ARRA	<i>American Recovery and Reinvestment Act of 2009</i>
OAG	Office of Acquisition and Grants
OIG	Office of the Inspector General
OMB	Office of Management and Budget
Pub. L. No.	Public Law Number
Recovery Act	<i>American Recovery and Reinvestment Act of 2009</i>
SSA	Social Security Administration

Scope and Methodology

To accomplish our objective we:

- Reviewed applicable sections of the *American Recovery and Reinvestment Act of 2009* (Recovery Act).
- Reviewed Office of Management and Budget (OMB) memorandums for the heads of departments and agencies.
 - ✓ M-09-10, *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, February 18, 2009
 - ✓ M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009
 - ✓ 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, and Supplement 1, *List of Programs Subject to ARRA Section 1512 Recipient Reporting*, and Supplement 2, *Recipient Reporting Data Model*
 - ✓ M-09-30, *Improving Recovery Act Recipient Reporting*, September 11, 2009
- Reviewed applicable sections of the Federal Acquisition Regulation.
- Reviewed Social Security Administration (SSA) Flash Notice 05:09-01, *Contract Actions funded by The American Recovery and Reinvestment Act (Recovery Act)* and FN 05:09-01.01, *Contract Actions Funded by the American Recovery and Reinvestment Act*, and Attachment A - Recovery Act – Reporting Requirements Contracting Officer’s Checklist.
- Reviewed FederalReporting.gov, registered, and reviewed contractor data.
- Reviewed SSA’s Recovery Act information posted at www.socialsecurity.gov/recovery and www.recovery.gov.
- Reviewed Recovery Act Reporting Data Quality Review Guide for the Inspector General Community. The Data Quality Review Guide was approved by the Recovery Accountability and Transparency Board on September 11, 2009.

- Interviewed Office of Acquisition and Grants staff to:
 - ✓ Obtain SSA's policies and procedures for reviewing quarterly Recovery Act data pursuant to OMB Memorandum M-09-21 (section 3.12).
 - ✓ Determine how SSA plans to ensure all prime recipients have filed the required quarterly reports pursuant to section 1512 of the Recovery Act and how SSA will ensure it conducts the required reviews of the reported data.
 - ✓ Conduct a walk-through of SSA's process to perform limited data quality reviews.
 - ✓ Determine whether SSA's policies and procedures have been designed to emphasize avoiding material omissions and significant reporting errors.
 - ✓ Determine whether SSA 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 SSA anticipates that it will be able to use the reported information as a tool for:
 - a) assessing compliance with the terms and conditions of award agreements,
 - b) assessing risk, and
 - c) determining when to release remaining funds.

We performed our review in Baltimore, Maryland, in September and October 2009. We conducted our 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: October 28, 2009 **Refer To:** S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Margaret J. Tittel /s/ *Mike Gallagher For*
Acting Chief of Staff

Subject: Office of the Inspector General Draft Report (OIG), "American Recovery and Reinvestment Act of 2009 Reporting" (A15-10-21045)--INFORMATION

Thank you for the opportunity to review and comment on the draft report. We appreciate OIG's efforts in conducting this review. We have no comment on the draft report.

Please let me know if we can be of further assistance. Please direct staff inquiries to Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Victoria Vetter, Director, Financial Audit Division

Deborah Kinsey, Audit Manager

Acknowledgments

In addition to those named above:

Jackie Patel, Auditor-In-Charge

Donna Parris, Auditor

Ronald Anderson, Senior Auditor

For additional copies of this report, please visit our web site at www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-15-10-21045.

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Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

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OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.