
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**CONTRACTORS' REPORTING OF JOBS CREATED OR
RETAINED USING AMERICAN RECOVERY AND
REINVESTMENT ACT DOLLARS IN FISCAL YEAR 2011**

April 2012

A-15-12-11214

**EVALUATION
REPORT**



Mission

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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.**
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- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
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SOCIAL SECURITY

MEMORANDUM

Date: April 3, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: Contractors' Reporting of Jobs Created or Retained Using American Recovery and Reinvestment Act Dollars in Fiscal Year 2011 (A-15-12-11214)

OBJECTIVE

Our objective was to verify the number of jobs reported as created or retained by contractors who provided the Social Security Administration (SSA) goods and/or services funded with *American Recovery and Reinvestment Act of 2009* (Recovery Act) dollars in Fiscal Year (FY) 2011 for the quarters ended December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011.

BACKGROUND

The Recovery Act was signed into law on February 17, 2009.¹ The Recovery Act was designed to save and create jobs as well as cushion the economic downturn and make crucial public investments.² The Recovery Act's immediate goals were to create new jobs and save existing jobs, spur economic activity and invest in long-term growth, and foster unprecedented levels of accountability and transparency in Government spending.³

Recipients of Recovery Act funds directly from a Federal agency are required to submit a report to *FederalReporting.gov* not later than 10 days after the end of each calendar quarter. The report must describe the employment impact of work funded by the

¹ Pub. L. No. 111-5, 123 Stat. 115 (2009).

² Executive Office of The President, Council of Economic Advisers, *Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009*, May 2009.

³ http://www.recovery.gov/About/Pages/The_Act.aspx.

Recovery Act, including an estimate of the number of jobs created and retained by the prime contractor, in the United States and outlying areas.⁴

Office of Management and Budget (OMB) memorandums, the Federal Acquisition Regulation (FAR), and Frequently Asked Questions (FAQ) at *FederalReporting.gov* provide guidance to Federal agencies and contractors for calculating the number of jobs created and retained. These resources also provide guidance on effectively reviewing the quality of data submitted by contractors. The guidance is outlined below.

- [OMB Memorandum M-09-21, Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009](#) transmits Government-wide guidance for Federal agencies carrying out the reporting requirements included in section 1512 of the Recovery Act. Although this Memorandum does not apply to Federal contracts, OMB has provided guidance for calculating the jobs created or retained by Federal contractors via FAQs at its Website.⁵ Additionally, relevant guidance for Federal contractors is provided in interim FAR clause 52.204-11.
- [FAR 52.204-11, American Recovery and Reinvestment Act - Reporting Requirements](#) requires that Federal contractors report an estimate of the jobs directly created and retained in the United States and outlying areas.⁶ The Department of Defense, General Services Administration, and National Aeronautics and Space Administration jointly issue the FAR for use by executive agencies in acquiring goods and services.
- [Recovery FAQs for Federal Contractors on Reporting - Reporting/Data Element FAQs #15 \(as of September 30, 2009\)](#) gives preliminary guidance to the prime Federal contractor to determine the Number of Jobs to report on *FederalReporting.gov*. The FAQs state that jobs should be calculated based on full-time equivalent (FTE) positions using cumulative Recovery Act hours worked divided by cumulative hours in a full-time schedule. This FAQ was revised on December 18, 2009 for the quarter ending December 31, 2009 to simplify the calculation methodology for reporting number of jobs and can be found at OMB's Website.⁷

⁴ 48 C.F.R. 52.204-11 (c) through (d)(7). These requirements, among others set forth in 48 C.F.R. 52.204-11, are to be included in all solicitations and contracts funded in whole or in part with Recovery Act funds, except classified solicitations and contracts. 48 C.F.R. 4.1502. 48 C.F.R. subpart 4.15 implements the recipient reporting requirements set forth in Section 1512(c) of the Recovery Act.

⁵ http://www.whitehouse.gov/omb/recovery_faqs_contractors/.

⁶ 48 C.F.R. § 52.204-11(d)(7)(ii).

⁷ http://www.whitehouse.gov/omb/recovery_faqs_contractors/#report15. This FAQ was revised again on July 2, 2010 to delineate certain criteria for reporting jobs for subcontractors.

- [OMB Memorandum M-10-08, Updated Guidance on the American Recovery and Reinvestment Act - Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates \(dated December 18, 2009\)](#) requires that Federal agencies establish a data quality review plan that articulates their data quality review process to, at a minimum, focus on significant reporting errors and material omissions,⁸ such as those related to the Federal amount of the award, Federal award number, recipient name, and number of jobs created or retained. The new guidance also imparts important simplifications to the manner in which job estimates are calculated and reported. The guidance states that recipients will no longer be required to make a subjective judgment on whether jobs were created or retained as a result of the Recovery Act. OMB states that instead recipients will more easily and objectively report on jobs funded with Recovery Act dollars.⁹

OMB M-10-08 also provides guidance on calculating FTEs. The guidance states

In order to perform the calculation, a recipient will need the total number of hours worked by employees in the most recent quarter (the quarter being reported) in jobs that meet the definition of a job created or a job retained The recipient will also need the number of hours in a full-time schedule for the quarter. For instance, if a full-time schedule is 2,080 hours/year, the number of hours in a full-time schedule for a quarter is 520 (2,080 hours/4 quarters = 520). The formula for reporting can be represented as:

$$\frac{\text{Total Number of Hours Worked and Funded by Recovery Act Within Reporting Quarter}}{\text{Quarterly Hours in a Full-Time Schedule}^{10}} = \text{FTE}$$

- [OMB Memorandum M-10-34, Updated Guidance on the American Recovery and Reinvestment Act \(September 24, 2010\)](#) clarifies the lists of Known Exclusions from Reporting in other OMB guidance. Specifically, Federal contract, not yet invoiced no longer represents a valid exclusion from reporting requirements if the FAR clause 52.204-11 in the contract is dated July 2010. It remains a valid exclusion only if the FAR clause 52.204-11 in the contract is dated March 2009.¹¹

⁸ OMB, M-10-08, Part 1 § 3.

⁹ OMB, M-10-08, supra, at pp. 1 and 2.

¹⁰ OMB, M-10-08, supra, Part 2 § 5.3 at p. 13.

¹¹ OMB, M-10-34, Part II: Updated Guidance on Reporting Procedures, Question 1 at p. 4.

In November 2009, the Government Accountability Office (GAO) issued a report on *Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*¹² that examined the reporting of jobs created or retained by Federal agencies. GAO's analyses of recipient data from *Recovery.gov* indicated there was a range of significant reporting and quality issues that needed to be addressed. Specifically, GAO noted issues in data entry, quality review, and FTE calculation. GAO noted that FTE calculations were reported inconsistently even though OMB and Federal agencies provided significant guidance and training.

In July 2010, we issued a report on *Contractors' Reporting of Jobs Created Using American Recovery and Reinvestment Act Dollars (A-15-10-21096)* that recalculated the number of jobs created. That review determined that of nine contractors who provided SSA goods and/or services funded with Recovery Act dollars, eight reported jobs created in a manner inconsistent with OMB guidance because they misinterpreted the guidance. As a result, we requested SSA consider having contracting officers continue communicating with Recovery Act contractors emphasizing that jobs created or retained are to be reported as hours worked and paid for with Recovery Act funds. During this review, we determined whether the contractors complied with OMB guidance for FY 2011.

RESULTS OF REVIEW

A total of 17 contractors reported contract performance related to work for SSA on the *FederalReporting.gov* Website for the calendar quarters ended December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011. Based on our verification of the number of jobs reported as created or retained by nine contractors who received SSA Recovery Act dollars, we determined seven of the nine contractors reported jobs created or retained in a manner inconsistent with OMB guidance. Contractors' errors resulted primarily from their misinterpretation of OMB guidance, such as whether the contractor should be using hours for the quarter being reported on or cumulating hours over one or more quarters. Contractors' errors also resulted from math errors, such as inadvertently including hours worked in one prior quarter in the next quarter.

In addition, we determined that SSA reviewed contractors' job creation reports and verified that SSA's quality review procedures complied with OMB standards. However, SSA's quality reviews were not designed to, and did not, detect the types of errors we found during our detailed study.

¹² GAO, *Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*, pp. 1,6, and 8-10, November 2009.

Inconsistent Reporting

To accomplish our objective, we requested and obtained the methodology and supporting documentation from nine SSA contractors who reported jobs created as of the quarters ended December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011. We reviewed jobs data for the nine contractors and determined

- five contractors had incorrectly calculated the number of jobs reported and therefore incorrectly reported the number of jobs created or retained,
- two contractors correctly calculated jobs created or retained but incorrectly reported jobs created or retained, and
- two contractors correctly calculated jobs created or retained and correctly reported jobs created or retained.

OMB's guidance for calculating the Number of Jobs is based on converting full-time, part-time, or temporary jobs into fractional FTEs. The results of our review are in Table 1.

Table 1: Contractor's Reported FTEs and SSA Office of the Inspector General Re-Calculation of FTEs								
Contractor Name	1st Quarter FY 2011 (Quarter ended December 31, 2010)		2nd Quarter FY 2011 (Quarter ended March 31, 2011)		3rd Quarter FY 2011 (Quarter ended June 30, 2011)		4th Quarter FY 2011 (Quarter ended September 30, 2011)	
	Jobs Created on Website	Re- Calculated Amount	Jobs Created on Website	Re- Calculated Amount	Jobs Created on Website	Re- Calculated Amount	Jobs Created on Website	Re- Calculated Amount
Southeastern Michigan Health Association (1)	0.00	4.60	0.00	5.78	0.00	6.68	0.00	6.93
Northrop Grumman Systems Corporation (1)	R/NA	R/NA	R/NA	R/NA	11.00	2.64	17.50	16.44
Science Applications International Corporation (1)	1.50	2.97	4.44	4.37	2.63	3.07	0.82	0.82
York Telecom Corporation	R/NA	0.57	1.00	0.06	1.00	0.10	1.00	0.32
MedVirginia	0.79	0.79	R/NA	0.95	1.66	0.72	R/NA	R/NA
EHR Doctors (1)(2)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Regenstrief Institute	R/NA	0.57	R/NA	0.78	2.50	0.78	0.58	0.58
Oregon Community Health Information Network, Inc.	1.20	1.66	R/NA	4.46	1.66	3.46	7.92	0.00
Wright Institute (2)	2.44	2.44	2.63	2.63	2.84	2.84	2.98	2.98
R/NA = Reporting Not-Applicable								
(1) – This contractor included subcontractor hours in its FTE calculations.								
(2) – This contractor correctly reported FTEs on the <i>FederalReporting.gov</i> website.								

The contractors' inconsistent interpretations of OMB guidance caused differing results for all four reporting periods. Specifically, we found that

- contractors' reported FTEs did not match contractors' calculated FTEs;
- though contractors stated they did not submit reports (because contractors met one of the exclusion requirements), *FederalReporting.gov* showed contractors submitted reports indicating 0.0 FTE;
- contractors used an incorrect number of hours worked for reasons other than the incorrect quarter(s) were used;
- contractors used an incorrect number of hours in a full-time schedule for the quarter for reasons other than cumulative quarters were used; or
- contractors incorrectly used cumulative hours for hours worked or hours in a full-time schedule.

For example, one contractor explained that FTEs were only reported in quarters when the contractor invoiced those Federal funds. Therefore, for some quarters, the contractor did not report FTEs. The contractor indicated that, upon further research of the reporting guidelines, it believed this reporting method was incorrect. The contractor believed it should have reported jobs created in each quarter regardless of invoicing. Therefore, the contractor reported a total of jobs created during the 2nd and 3rd quarters of FY 2011 in its next report, which was for the 4th quarter FY 2011. Per OMB guidance, the contractor should not have included a total of jobs created for the contract in the 4th quarter FY 2011.

In another case, a contractor stated a 40-hour workweek would be considered a normal workweek. The contract was awarded during the last month of the quarter. Therefore, its Quarterly Hours in a Full-Time Schedule was calculated as 160 hours. The contractor used 1 month's hours as its Quarterly Hours in a Full-Time Schedule. Per OMB guidance,¹³ we multiplied the 40 hours by 52 weeks to calculate 2,080 hours a year. We divided the 2,080 hours by 4 to determine the number of hours in a full-time schedule for the quarter equaled 520 hours.

Based on our analysis of contractors' calculations of FTEs, we believe the contractors made a good-faith effort to ensure complete and accurate reporting. Through our analyses and discussions with the contractors, it appears the inconsistent reporting was due to misinterpretations of OMB guidance. All the contractors concurred with our re-calculations.

¹³ OMB, M-10-08, supra, Part 2 § 5.3 at p. 13.

Errors Not Detected by Quality Review

The Office of Acquisition and Grants' (OAG) quality review process was not designed to detect the contractors' reporting errors we found. Although consistent with OMB's guidance to Federal agencies, OAG's quality review process was not designed to monitor jobs reported as created or retained to the extent where supporting documentation is obtained from contractors to validate information posted on *FederalReporting.gov*. OMB Memorandum M-10-08, requires that Federal agencies establish data quality plans that articulate their data quality review process to, at a minimum, focus on significant reporting errors and material omissions.¹⁴ OAG implemented procedures requiring that contracting officers review contractor reports at *FederalReporting.gov* for consistency with award information, significant errors, and material omissions. Contracting officers review data posted to *FederalReporting.gov* for significant errors.¹⁵ OAG's procedures for detecting significant errors are not meant to require a major research effort.¹⁶ Rather, OAG reviews seek to identify data that are not logical when compared to other data and/or the contract award.¹⁷ According to OMB guidance, the data fields that are of major concern for significant errors are Federal amount of the award, Federal award number, recipient name, and number of jobs created or retained.¹⁸

Contracting officers should continue communicating with Recovery Act contractors emphasizing that jobs created or retained are to be reported as hours worked and paid for with Recovery Act funds consistent with the methodology set forth in OMB guidance, unless the guidance is modified to require otherwise. Additionally, OAG should address these issues by enhancing its guidance issued to Recovery Act contractors.¹⁹ This should help ensure Recovery Act contractors understand OMB reporting requirements with attention to reporting jobs created or retained. Finally, given the number of reporting errors we discovered, OAG should consider periodically validating the jobs reported by Recovery Act contractors.

¹⁴ OMB, M-10-08, supra, Part 1 § 3 at p. 4.

¹⁵ OAG Flash Notice, January 19, 2011, defines significant errors as data that do not appear to be accurate. For example, recipient names that do not match what is recorded in SSA's management systems.

¹⁶ OAG Flash Notice, January 19, 2011, p. 11.

¹⁷ Id. According to OAG's Flash Notice, an example of a "significant error" includes obvious errors, such as a contractor who reports \$1 million in invoices on a \$100,000 award. Other examples include a contractor incorrectly selecting "fully complete" to describe an incomplete project or a contractor reports the number of jobs created and retained cumulatively as 100,000 yet the contract award/obligation amount was for a relatively small dollar amount, such as \$100,000.

¹⁸ OMB, M-10-08, supra, Part 1 § 3.1. at p. 4.

¹⁹ In our October 2009 report, *American Recovery and Reinvestment Act of 2009 Data Quality Reviews* (A-15-10-21045), SSA stated that if OAG's reviews of the reports find common errors, it will address the issue.

OAG informed us that it intended to comply with the Matters for Consideration section of in our 2010 report.²⁰ However, OAG indicated that it did not address the Matters for Consideration in its January 2011 Flash Notice 05 09-01.04 because of OAG staff turnover and the introduction of OMB Memorandum M-10-34. OAG intends to review the contracts awarded using Recovery Act funds to determine whether the contracts are still active. If so, OAG will consider issuing guidance to contracting officers addressing our considerations.

CONCLUSION

Most of the SSA contractors we reviewed reported jobs created or retained inconsistent with OMB guidance. Differing interpretations of the OMB guidance for job count calculations appeared to be the reason for the inconsistencies. OAG's quality review process, although consistent with certain aspects of OMB's guidance to Federal agencies, is not designed to monitor jobs reported as created or retained to an extent where supporting documentation is obtained from contractors to validate information posted on *FederalReporting.gov*. Therefore, it is unlikely that OAG would have detected the reporting inconsistencies we identified.

We are not making recommendations because reporting under these criteria will expire. On September 15, 2011,²¹ OMB directed Federal agencies to accelerate the spending of remaining Recovery Act funds. OMB also directed them to take steps to complete Recovery Act projects by September 30, 2013.

AGENCY COMMENTS

The Agency agreed with the report's findings and conclusions and had no comments (see Appendix C).



Patrick P. O'Carroll, Jr.

²⁰ SSA OIG, *Contractors' Reporting of Jobs Created Using American Recovery and Reinvestment Act Dollars (A-15-10-21096)* July 2010.

²¹ OMB Memorandum M-11-34, *Accelerating Spending of Remaining Funds from the American Recovery and Reinvestment Act for Discretionary Grant Program*, at p 2.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Acronyms

C.F.R.	Code of Federal Regulations
FAR	Federal Acquisition Regulation
FAQ	Frequently Asked Questions
FTE	Full-Time Equivalent
FY	Fiscal Year
GAO	Government Accountability Office
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
U.S.C.	United States Code

Scope and Methodology

Our objective was to verify the number of jobs reported as created or retained by contractors who provided the Social Security Administration goods and/or services funded with *American Recovery and Reinvestment Act of 2009* (Recovery Act) dollars in Fiscal Year 2011 for the quarters ended December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011. We accomplished our objective in three steps.

First, we determined the criteria that provide guidance on how jobs created or retained are calculated. We determined that the Office of Management and Budget (OMB) and Federal Acquisition Regulation (FAR) provided guidance for Federal agencies and contractors to follow to calculate the number of jobs created or retained and for Federal agencies to effectively review the quality of data submitted by contractors. The guidance is outlined in the following.

- 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).
- FAR 52.204-11 *American Recovery and Reinvestment Act - Reporting Requirements*.
- *Recovery FAQs for Federal Contractors on Reporting – Reporting/Data Element FAQs #15* (updated as of September 30, 2009, as of December 31, 2009, and as of July 2, 2010).
- OMB Memorandum M-10-08, *Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates* (December 18, 2009).
- OMB Memorandum M-10-34, *Updated Guidance on the American Recovery and Reinvestment Act* (September 24, 2010).

Second, we requested that Recovery Act recipients who provided goods and/or services to the Social Security Administration provide us the methodology and supporting documentation used to calculate the number of jobs reported as created or retained on *FederalReporting.gov* for the quarters ended December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011.

Third, based on the methodology and supporting documentation provided by the contractors, we recalculated jobs created or retained based on the OMB guidance.²² These OMB documents give guidance to the prime Federal contractor to determine the "Number of Jobs" that will be reported on *FederalReporting.gov*. Full-time equivalents (FTE) are calculated using Recovery Act hours worked divided by hours in a full-time schedule.

OMB Memorandum M-10-08 and FAQs dated December 31, 2009 required that FTEs be calculated on a non-cumulative basis; thus, non-cumulative Recovery Act hours worked are divided by non-cumulative hours in a full-time schedule. See an illustration of the non-cumulative method in Table B-1.

Table B-1

Period	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr
Full-Time Schedule (denominator)	520	520	520	520	520	520
Full-Time ²³ Employee 1	520	520	520	520	520	520
Full-Time Employee 2	520	520	520	520	520	520
Part-Time Employee (half time)	260	260	260	260	260	260
Temporary Employee (340 hours)	0	0	130	130	80	0
Total Hours Worked (numerator)	1,300	1,300	1,430	1,430	1,380	1,300
"Number of Jobs" Reported by Federal Contractor in FederalReporting.gov by Reporting Quarter	2.50	2.50	2.75	2.75	2.65	2.50

Seventeen contractors reported contract performance related to work for SSA on the *FederalReporting.gov* Website for the quarters ended December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011. To accomplish our objective, we requested and obtained methodology and supporting documentation from nine SSA contractors who reported jobs created. Because of the restrictions of the *Paperwork Reduction Act*,²⁴ we limited our requests for supporting documentation concerning the number of jobs created or retained to nine contractors. The *Paperwork Reduction Act* limits identical requests to less than 10 without obtaining prior approval from OMB.

²² OMB, M-09-21, *supra*, OMB, M-10-08, *supra*, OMB, M-10-34, *supra*, and Frequently Asked Questions on OMB's website http://www.whitehouse.gov/omb/recovery_faqs_contractors/

²³ In this illustration, we consider an employee working a 40-hour workweek as a full-time employee.

²⁴ *Paperwork Reduction Act*, 44 U.S.C. 3501 *et seq.*

We performed our review in Baltimore, Maryland, from August to November 2011. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspections*. Based on the tests performed, we concluded the data are sufficiently reliable to support the findings and conclusions of the review.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: March 14, 2012 **Refer To:** SIJ-3

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

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Contractors' Reporting of Jobs Created or Retained Using American Recovery and Reinvestment Act Dollars in Fiscal Year 2011" (A-15-12-11214)—INFORMATION

Thank you for the opportunity to review the draft report. We agree with the report's findings and conclusions and have no comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Teresa Rojas at (410) 966-6784.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Victoria Vetter, Director, Financial Audit Division (410) 966-9081

Mark Meehan, Audit Manager, (410) 966-7147

Acknowledgments

In addition to those named above:

Jackie Patel, Auditor-in-Charge

Ronald Anderson, Senior Auditor

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