



U.S. Department of Energy
Office of Inspector General
Office of Audit Services

Special Report

The Department of Energy's Quality Assurance Process for Prime Recipients' Reporting for the American Recovery and Reinvestment Act of 2009



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Department of Energy
Washington, DC 20585

October 21, 2009

MEMORANDUM FOR THE CHIEF FINANCIAL OFFICER

Rickey R. Hass
FROM: Rickey R. Hass
Deputy Inspector General for Audit Services
Office of Inspector General

SUBJECT: INFORMATION: Interim Special Report on Review of "The Department of Energy's Quality Assurance Process for Prime Recipients' Reporting for the American Recovery and Reinvestment Act"

INTRODUCTION AND OBJECTIVE

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was established to jumpstart the U.S. economy, create or save millions of jobs, spur technological advances in health and science, and invest in the Nation's energy future. The Department of Energy (Department) will receive an unprecedented \$37 billion in Recovery Act funding to support a variety of science, energy, and environmental initiatives. The majority of the funding received by the Department will be allocated to various recipients through grants, cooperative agreements, contracts, and other financial instruments.

To ensure transparency and accountability, the Office of Management and Budget (OMB) requires that recipients report on their receipt and use of Recovery Act funds on a quarterly basis to FederalReporting.gov. OMB also specifies that Federal agencies should develop and implement formal procedures to help ensure the quality of recipient reported information. Data that must be reported by recipients includes total funding received; funds expended or obligated; projects or activities for which funds were obligated or expended; and the number of jobs created and/or retained. OMB requires that Federal agencies perform limited data quality reviews of recipient data to identify material omissions and/or significant reporting errors and notify the recipients of the need to make appropriate and timely changes to erroneous reports.

As part of a larger audit of recipient Recovery Act reporting and performance measurement and in support of a Government-wide review sponsored by the Recovery Accountability and Transparency Board, we completed an interim review to determine whether the Department had established a process to ensure the quality and accuracy of recipient reports.

CONCLUSION AND OBSERVATIONS

Our review revealed that the Department had developed a quality assurance process to facilitate the quarterly reviews of recipient data. The process included procedures to compare existing information from the Department's financial information systems with that reported to

FederalReporting.gov by recipients. In addition, plans were in place to notify recipients of anomalies and/or errors exposed by the quality assurance process. While the Department has made a good deal of progress in this area, we did, however, identify several issues which could, if not addressed, impact the effectiveness of the quality assurance process.

Quality Assurance Process

The Department had developed a strategy to address its oversight responsibilities for ensuring the accuracy and completeness of data reported by Recovery Act recipients. Specifically, our review disclosed that:

- The Department's *Process to Conduct Data Quality Review of Recipient Reporting Required by Section 1512 of the American Recovery and Reinvestment Act of 2009* was finalized on September 30, 2009. This plan was developed to address the Department's responsibilities for conducting reviews of recipient data as outlined in OMB M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*.
- The quality assurance plan outlined the Department's approach to ensuring that all prime recipients had filed quarterly reports required by the Recovery Act. Specifically, the plan outlines the procedures to be followed by the Office of Chief Financial Officer (OCFO) officials, as well as Site Office officials, to regularly review FederalReporting.gov registration data to determine whether all awardees were properly registered. After recipients are registered, the plan requires that OCFO and Site Office officials periodically check that recipients have reported required information, including the correct award number.
- The Department's review methodology included several phases and provided details on the roles and responsibilities for OCFO, Program Office, and Site Office officials. Its plan included timelines and milestone dates to which officials are required to adhere. Based on discussions with Department officials, we completed a conceptual walk-through of the quality assurance process and received clarification on many of its aspects. For example, officials informed us that the eight day period for the review of recipient data by the Department is critical since the information will be published to the public the day immediately following the review period. Therefore, Department officials told us that they must work quickly and efficiently to complete their reviews of recipient data.
- Department officials informed us that their quality assurance plan was designed to emphasize the avoidance of material omissions and significant reporting errors. For instance, the plan outlined a qualitative comparison of recipient data obtained from FederalReporting.gov to agency data obtained from the Department's financial and procurement systems. Specifically, the Department plans to compare four of the data elements reported by the recipients to existing Department information, including the total value of awards, total value of costs or payments, total number of jobs, and project status. To aid in the comparison, the Department established threshold deviations that were based on professional judgment and may be adjusted as the Department begins receiving recipient data. For example, the Department plans to allow variations of less

than 20 percent between what recipients report as the total value of awards to what the Department's systems report as the correct value. Although the quality assurance plan established the Department's threshold deviations for the qualitative assessments, we did not test the implementation of such thresholds. Furthermore, the Department was unable to test the effectiveness of the thresholds because data was not made available in advance of the first quarterly reporting period. Once the comparative analysis is completed, the officials from the OCFO will send anomaly reports of the threshold deviations to cognizant Site Offices. The Site Offices will, in turn, prioritize corrective activities based on the awards with the largest dollar values. Site Offices will be responsible for working with recipients to address any erroneous or incorrect data.

Remaining Quality Assurance Challenges

Although development of the Department's quality assurance process was a significant positive step, several challenges remain that require resolution to help increase the likelihood that Recovery Act reporting objectives are met. In particular:

- OMB requirements are periodically changing and uncertainty exists regarding the quality and timeliness of recipient reporting; therefore, the Department may need to adjust its quality assurance plan. For example, Department officials informed us that certain recipients, such as State Energy Program awardees, may, for various reasons, be unable to report on jobs. As a result, the Department would not be able to conduct a qualitative assessment of that particular data element. Department officials acknowledged that the quality assurance plan will continue to evolve and recognized this as a challenge going forward.
- Although officials told us that they believed their plan was adequate for addressing systemic or chronic reporting problems, there were several issues of concern related to the process. For instance, the Department had not established a coordinated approach for remediating reporting problems. While OCFO officials informed us that systemic and chronic problems would be addressed as they occur, program-level officials told us that they were not always aware of their roles in the remediation process. Program officials also indicated that they were unsure of what actions or steps could be taken against recipients that experience systemic or chronic reporting problems. In addition, the Department had not determined what types of reporting problems should be considered systemic or chronic, and had not identified organizational level definitions.
- Department officials recognized that recipient reporting and related data quality reviews conducted in accordance with OMB M-09-21 could be used for management purposes. For example, data could possibly be used to assess recipient risk, identify non-compliance with terms of award agreements, and determine when or whether to release remaining funding. However, officials had not developed a coordinated plan for such action. Although Department officials stated that they planned to develop an approach for using the data as a management tool, they noted that it was not currently a priority.

Addressing these issues should enhance the Department's ability to ensure that its responsibilities under the Recovery Act are met. An effective quality assurance review process related to recipient data would provide the Department, OMB, and the public with the confidence needed to accurately gauge the progress in achieving Recovery Act goals.

RECOMMENDED ACTIONS

To aid in the Department's efforts in implementing an effective quality assurance process, we recommend that the Chief Financial Officer work with cognizant program officials to:

1. Periodically review the quality assurance process and revise the plan, including adjusting thresholds for comparisons, as necessary;
2. Develop a Department-wide, coordinated approach for addressing systemic and chronic recipient reporting problems; and,
3. Develop a strategy to utilize recipient data to assess compliance with award agreements and contracts, assessing recipient risk, and determining future funding.

MANAGEMENT COMMENTS

Management concurred with each of the report's recommendations and indicated that it would develop corrective action plans to detail how it planned to address the recommendations.

AUDITOR RESPONSE

Management's comments were responsive to our recommendations.

Attachment

cc: Chief of Staff
Director, Office of Risk Management, CF-1.2
Team Leader, Audit Liaison, CF-1.2
Dianne Williams, Office of Risk Management, CF-1.2

SCOPE AND METHODOLOGY

The review was performed between September and October 2009 at Department of Energy (Department) Headquarters in Washington, DC and Germantown, Maryland. We utilized the *Recovery Act Reporting Data Quality Review Guide for the Inspector General Community* provided by the Recovery Accountability and Transparency Board to accomplish our objective.

Specifically, we:

- Obtained and reviewed the Department's policy and procedures for reviewing quarterly Recovery Act data pursuant to Office of Management and Budget Memorandum 9-21;
- Determined how the Department planned to ensure that all prime recipients had filed the required Recovery Act quarterly reports and conducted the required reviews of the reported data;
- Conducted a walk-through of the Department's process to perform limited data quality reviews;
- Determined whether the Department's policy and procedures had been designed to emphasize the avoidance of two key data problems: material omissions and significant reporting errors;
- Determined whether the Department had an adequate process in place to remediate systemic or chronic reporting problems; and,
- Determined whether the Department anticipated that it will be able to use the reported information as a tool for assessing compliance with the terms and conditions of award agreements, assessing risk, and determining when to release remaining funds.

We discussed the report with officials from Office of the Chief Financial Officer on October 13, 2009.

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