

# Inspector General

United States  
Department of Defense



American Recovery and Reinvestment Act-DoD Data  
Quality Review Processes for the Period Ending  
December 31, 2009, Were Not Fully Implemented

# Report Documentation Page

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## Acronyms

DPAP	Defense Procurement and Acquisition Policy
OMB	Office of Management and Budget
OUSD	Office of the Under Secretary of Defense
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
RATB	Recovery Accountability and Transparency Board
TAS	Treasury Account Symbol



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

March 23, 2011

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/  
CHIEF FINANCIAL OFFICER

SUBJECT: American Recovery and Reinvestment Act-DoD Data Quality Review  
Processes for the Period Ending December 31, 2009, Were Not Fully  
Implemented (Report No. D-2011-052)

We are providing this report for your information and use. Adequate data quality reviews are essential to provide transparency and accountability of expenditures so that the American public will know how, when, and where DoD American Recovery and Reinvestment Act funds are spent. DoD did not have controls in place to ensure that recipient data was accurate and significant errors were identified and corrected. This report discusses DoD control structure over data quality reviews performed for the period ending December 31, 2009. We considered management comments on a draft of this report when preparing the final report.

The Office of the Under Secretary of Defense (Comptroller) for Resource Issues comments conformed to the requirements of DoD Directive 7650.3 and were responsive. Therefore, additional comments are not required.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5868 (DSN 329-5868).

*Patricia A. Marsh*

Patricia A. Marsh, CPA  
Assistant Inspector General  
Financial Management and Reporting





# Results in Brief: American Recovery and Reinvestment Act-DoD Data Quality Review Processes for the Period Ending December 31, 2009, Were Not Fully Implemented

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## What We Did

We initiated this audit at the request of the Recovery Accountability and Transparency Board. Our objective was to determine whether DoD fully implemented an effective internal control structure over recipient reporting of American Recovery and Reinvestment Act funds for the period ending December 31, 2009. DoD did not have adequate controls in place to ensure that recipient data was accurate and significant errors were identified and corrected.

## What We Found

DoD did not fully implement an internal control structure over American Recovery and Reinvestment Act recipient reported data. This occurred because:

- DoD did not establish a plan for performing data quality reviews that would identify material omissions and significant errors, and
- DoD did not have procedures in place to monitor contracting and fiscal officer data review processes as prescribed by the Office of Management and Budget (OMB) guidance.

As a result, 1,943 recipient reports with a total award amount of \$1.7 billion contained 2,914 discrepancies on key award information. In addition, DoD did not provide transparency and accountability of expenditures so that the public will know how, when, and where DoD Recovery Act funds were spent.

## What We Recommend

We recommend that the Deputy Under Secretary of Defense (Resource Issues):

- establish a quality assurance plan, including monitoring procedures, to help ensure that recipient data are reported completely, accurately, and timely as stated in OMB Memorandum M-10-08;
- establish policies and procedures for personnel performing quality control reviews and monitoring contracting and fiscal officer data review processes as required by OMB Memorandum M-10-08; and
- require periodic assessments of data quality review processes to evaluate, on an on-going basis, recipient efforts to meet Recovery Act and OMB reporting requirements as stated in OMB Memorandum M-10-08.

## Management Comments and Our Response

The Director, Resource Issues, agreed with all recommendations and stated that DoD will formulate a quality assurance and oversight plan that will document and establish policies and procedures for performing quality control reviews and for monitoring data. On a quarterly basis, DoD will also assess its data quality review process. The Director stated that all actions will be completed by March 15, 2011. No further comments are required. Please see the recommendations table on the back of this page.

## Recommendations Table

<b>Management</b>	<b>Recommendations Requiring Comment</b>	<b>No Additional Comments Required</b>
Deputy Under Secretary of Defense (Resource Issues)		1, 2, 3

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# Introduction

## Audit Objective

Our objective was to determine whether DoD fully implemented an internal control structure that was effective in ensuring recipient data was reported completely, accurately, and in a timely manner; and that any material omissions and significant reporting errors were identified and corrected for the period ending December 31, 2009.<sup>1</sup> We performed this audit at the request of the Recovery Accountability and Transparency Board (RATB). Our audit focused on the internal controls, policies, and procedures defined in Office of Management and Budget (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-10-08 required agencies disbursing American Recovery and Reinvestment Act (Recovery Act) funds to implement a limited data quality review process to identify material omissions and significant errors, and to notify award recipients of the need to make complete, accurate, and timely adjustments. See Appendix A for a discussion of our scope and methodology.

## Background on Recovery Act

Congress passed Public Law 111-5, American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009, providing supplemental appropriations to:

- preserve and create jobs;
- promote economic recovery;
- assist those most affected by the recession;
- provide investments to increase economic efficiency through technological advances in science and health; and,
- invest in transportation, environmental protection, and other infrastructure.

Congress appropriated \$7.4 billion in Recovery Act funds to DoD for the following programs: Energy Conservation Investment; Facilities Sustainment, Restoration, and Modernization; Homeowners Assistance Program; Military Construction; and Near Term Energy-Efficient Technologies. The DoD agencies, such as the U.S. Army Corps of Engineers-Military Programs and the National Guard Bureau, execute the funds through contracts and grants and cooperative agreements.

The Recovery Act is an unprecedented effort to ensure the responsible distribution of funds for the Act’s purposes and to provide transparency and accountability of

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<sup>1</sup> A report will be issued by the DoD Office of the Inspector General for the audit of the U.S. Army Corps of Engineers, Civil Works, Data Quality Review Processes for the Period Ending December 31, 2009. The report will include a review of the \$4.6 billion in Recovery Act funds that Congress appropriated to the U.S. Army Corps of Engineers, Civil Works.

expenditures so that the public would know how, when, and where tax dollars are being spent. As a result, the RATB was created with the responsibility for coordinating and conducting oversight of Federal spending under the Recovery Act to prevent waste, fraud, and abuse.

## **Reporting Requirements for Recovery Act**

The following guidance specifies reporting and internal control review requirements for Recovery Act funds recipients.

### ***Public Law 111-5, American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009***

Section 1512 of the Recovery Act requires recipients to report on the use of Recovery Act funds. The Recovery Act defines a recipient as any entity that receives Recovery Act funds directly from the Federal Government through contracts, grants, or loans, and includes States that receive funds. The prime recipients of contracts, grants, or loans are required, within 10 days after the end of each calendar quarter, to report:

- the total amount of funds received, expended, or obligated,
- a description of projects or activities,
- estimated number of jobs created or retained, and
- detailed information on any contracts or grants awarded to sub-recipients.<sup>2</sup>

To collect the information required by section 1512, the OMB collaborated with the RATB to establish a nationwide data collection system at <http://www.federalreporting.gov>. In addition, the RATB created a Web site to make information reported by recipients available to the public at <http://www.recovery.gov>. The report for the first reporting period ending September 30, 2009, was due October 10, 2009.

### ***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***

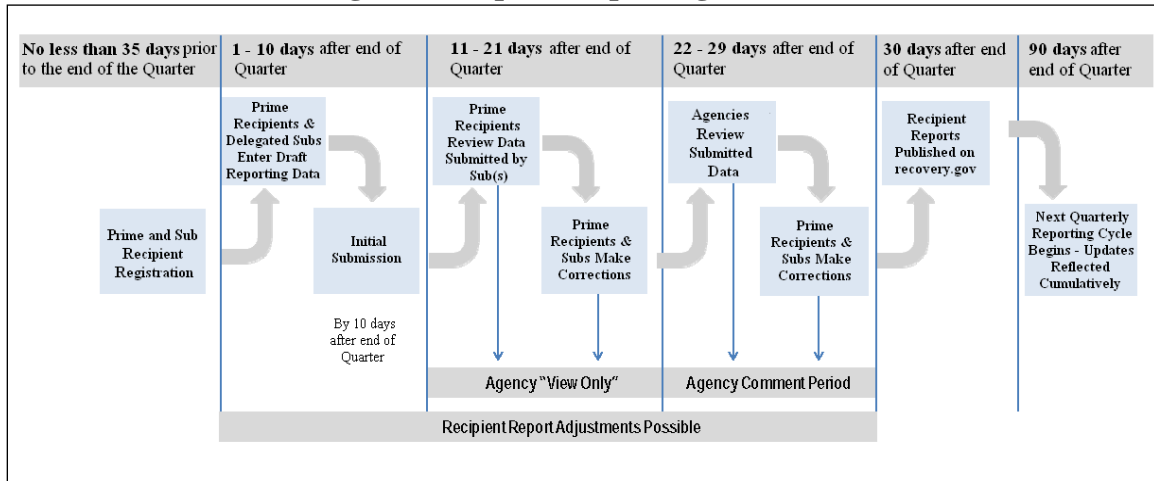
OMB Memorandum (M-09-21) applies to all forms of Recovery Act assistance except for Federal contracts and loan guarantees. The memorandum defines key activities, milestones, and the timeline for recipients to file reports and for Federal agencies to review them. The memorandum requires recipients of Recovery Act funds to

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<sup>2</sup> The prime recipients of contracts, grants, or loans are responsible for reporting the detailed information required by the Federal Funding Accountability and Transparency Act of 2006 on any subcontract or subgrant they award that exceeds \$25,000. Aggregate reporting of awards below \$25,000 or to individuals is permitted. The prime recipient can delegate this reporting responsibility to the subrecipient of the contract or grant.

register at <http://www.federalreporting.gov><sup>3</sup> before submitting their reports. Recipients are required to report on the use of Recovery Act funds no later than the 10<sup>th</sup> day after the end of each calendar quarter. As per the memorandum, the reporting and review period is 30 days. See the figure for a detailed timeline.

**Figure. Recipient Reporting Timeline**



Source: OMB M-09-21

The memorandum requires Federal agencies to develop internal policies and procedures for reviewing reported data and to perform a limited data quality review to identify material omissions or significant reporting errors, and to notify the recipients of the need to make appropriate and timely changes. Material omissions are defined as instances where the recipient does not report the required data or reported information is not responsive to the data requests, resulting in significant risk that the public is not fully informed about the status of a Recovery Act project or activity. Significant reporting errors are defined as those instances where the recipient does not report required data accurately and such erroneous reporting results in significant risk that the public would be misled or confused by the recipient report.

***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 M-10-08 requires Federal agencies that award Recovery Act funds to establish data quality plans. The plans articulate data quality review processes that, at a minimum, require Federal agencies to:

<sup>3</sup> The Web site, <http://www.federalreporting.gov>, is a central Government-wide data collection system used by Federal agencies and recipients of the Recovery Act funds. Federal agencies, prime recipients, and sub-recipients are required to submit data on a quarterly basis for contracts, grants, and loans awarded under the Recovery Act.

- focus on identifying material omissions and significant reporting errors;
- assess the highest priority corrections necessary to reduce the likelihood of significant error;
- assess other corrections that would improve recipient data quality;
- encourage recipients to make corrections that ensure accurate data reporting; and
- evaluate, on an ongoing basis, recipient and sub-recipient efforts to meet Recovery Act and OMB reporting requirements.

In addition, OMB M-10-08 directs Federal agencies to provide key award information to recipients of Federal assistance and contract awards under the Recovery Act in order to improve data quality and reduce inaccuracies in recipient reporting.

***OMB Circular A-123, “Management’s Responsibility for Internal Control,” December 21, 2004***

OMB Circular A-123 states that management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations and compliance with applicable laws and regulations. Management must develop and implement appropriate internal controls and assess their adequacy over programs and operations. In addition, management must consistently apply internal control standards and continuously assess the effectiveness of internal controls.

In addition to identifying risks, the circular requires management to develop and maintain effective internal controls that:

- clearly define and delegate authority and responsibility and establish a suitable hierarchy for reporting within the organizational structure;
- establish policies and procedures to ensure objectives are met;
- communicate relevant, reliable, and timely information to personnel at all levels; and
- monitor the effectiveness of internal controls through periodic reviews, reconciliations, or comparisons of data as part of the regular assigned duties of personnel.

***Defense Procurement and Acquisition Policy Memorandum, “Guidance on Reviewing Contractor Reports Required by the American Recovery and Reinvestment Act of 2009,” December 16, 2009***

The Director, Defense Procurement and Acquisition Policy (DPAP), issued the memorandum to provide DoD contracting officers with guidance and procedures for the recipient reporting process applicable to Recovery Act contract awards. The memorandum states that the scope of the contractor report reviews is to identify material omissions and significant errors in recipient reports. Further, the memorandum states that contracting officers are responsible for ensuring that the reviews are timely, accurate, and complete. In addition, the memorandum provides contracting officers with procedures specific to the review process, including the review of jobs reported by the contractor.

However, according to the memorandum, the contracting officer is not expected to validate contractor data for which the contracting officer would not normally have supporting information; the contracting officer is required to identify and promptly communicate to the contractor obvious material omissions and significant errors for corrective action.

## **Key Personnel Responsible For Matters Related to DoD Recovery Act Funds**

DoD identified the roles and responsibilities of Recovery Act key personnel involved in the quarterly review of recipient reports. DoD identified the Principal Deputy Under Secretary of Defense (Comptroller) as the senior accountable official for all matters related to DoD Recovery Act funds. In addition, the Office of the Under Secretary of Defense (Resource Issues) serves as the overall DoD point of contact for Recovery Act matters. See Appendix B for a list of all key personnel involved in the recipient reporting process.

## **Internal Controls Were Not Fully Implemented for Data Quality Review Processes**

We determined that an internal control weakness in the DoD recipient reporting process existed as defined by DoD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” July 29, 2010. DoD did not have a fully implemented internal control structure over Recovery Act recipient reported data. Specifically, DoD did not have adequate controls to ensure that recipient data was accurate and significant errors were identified and corrected. In addition, DoD did not have procedures in place to monitor contracting and fiscal officer data review processes as prescribed by OMB guidance. We will provide a copy of the report to the senior official responsible for internal controls in the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

# Finding. Recovery Act Data Quality Review Processes Need Improvement

DoD did not fully implement an internal control structure over Recovery Act recipient reported data. Specifically, DoD did not have adequate controls to ensure that recipient data was accurate and significant errors were identified and corrected. The lack of a fully implemented internal control structure occurred because DoD did not establish a plan for performing data quality reviews that would identify material omissions and significant reporting errors. In addition, DoD did not have procedures in place to monitor contracting and fiscal officer data review processes as prescribed by OMB guidance. As a result, 1,943 recipient reports, with a total award amount of \$1.7 billion, contained 2,914 discrepancies on key award information. In addition, the reported data did not provide transparency and accountability of expenditures so that the American public will know how, when, and where DoD Recovery Act funds were spent.

## DoD Needs a Data Quality Plan

*OMB M-10-08 requires that Federal agencies establish data quality plans that outline their Recovery Act data review processes.*

DoD did not establish a data quality plan for performing data quality reviews that would identify material omissions and significant reporting errors. OMB M-10-08 requires that Federal agencies establish data quality plans that outline their Recovery Act data review processes. The guidance requires that the processes focus on identifying material omissions and significant

reporting errors within recipient reports. However, DoD controls did not include a data quality plan that would identify discrepancies and address major concerns for significant reporting errors.

In response to our request for a written data quality plan, DoD stated the following:

...contracting officers maintain the function for reviews of the reports, as stated within the 16 Dec 2009 DPAP memo. The RATB has established multiple control processes that the DoD follows in order to ensure quality control of recipient reporting. The RATB processes include: control number, master list, mis-match list, orphan list, RATB Observations, and non-compliance list. These reports and tools facilitate the Department's monitoring of the recipient reporting and the review process. And your office, at the request of the RATB, provides a quarterly independent review of recipient reporting. In light of these control procedures established by the RATB, the DoD has not issued a separate control or QA [Quality Assurance] plan.

The DPAP Memorandum provided guidance on the review of contract recipient reports and delegated the review responsibilities to the contracting officers; however, the memorandum did not assign responsibilities for monitoring the contracting officers' data review processes. In addition, the memorandum was limited to the discussion of the review of contractor reports.

## Data Reported by DoD Recipients Contained Discrepancies

DoD controls did not ensure that contracting and fiscal officers performed adequate data quality reviews to identify discrepancies in recipient reported data.

OMB M-10-08 identifies the following as key award information for recipient reporting:

- activity code
- award amount
- award date
- award number
- award type
- awarding agency code
- Catalogue of Federal Domestic Assistance Number (for grants and loans)
- funding agency code
- Government contracting office code
- order number for federally awarded contracts
- program source code (Treasury account symbol)

The memorandum requires that recipients accurately report key award information.

*However, recipients of DoD Recovery Act funds reported data containing discrepancies on key award information.*

However, recipients of DoD Recovery Act funds reported data containing discrepancies on key award information. For 2,905 contract and grant recipient reports, we identified discrepancies in the key award information by comparing records in

DoD internal systems to recipient reports at <http://www.federalreporting.gov>. Of the 2,905 recipient reports, 1,943 reports, with a total award amount of \$1.7 billion, contained 2,914 discrepancies. Of the 1,943 recipient reports with discrepancies, 1,895 related to contract recipient reports.

For the 1,895 contract recipient reports, we identified 223 reports with a total award amount of \$310.5 million for which the information recorded in the Funding Agency Code data field in DoD internal systems did not match the information at <http://www.federalreporting.gov>. The Funding Agency Code identifies the agency that received Recovery Act funds. That agency is responsible for funding and distributing the funds to recipients.

For example, Department of the Army contract award recipients reported Funding Agency Codes in <http://www.federalreporting.gov> such as 9700, 5700, or 96CE. However, these codes did not match the codes for the corresponding records in DoD internal systems. The DoD Funding Agency Code for Department of the Army is 2100. Because recipients did not correctly report the Funding Agency Code, reports may not accurately show the Recovery Act funds distributed by DoD Components.

In addition, we identified 301 contract recipient reports<sup>4</sup> with a total award amount of \$272.8 million at <http://www.federalreporting.gov> for which the information reported in the Treasury Account Symbol (TAS) data field did not match the information in DoD internal systems. The TAS identifies the DoD military department that received Recovery Act appropriated funds. Recipients of appropriated funds are required to cite the correct TAS for payment processing. For example, the records from the Department of the Air Force internal system contained TAS 57-3404 (Air Force TAS for Operations and Maintenance-Recovery Act). However, at <http://www.federalreporting.gov>, recipients reported the TAS as 57-3307 (Air Force Military Construction-Recovery Act) or 14-1112, which is a TAS for another Federal agency.

Because recipients did not use the correct TAS, there is increased risk that the funds may be misrepresented or charged to another Federal agency. Furthermore, information reported at <http://www.federalreporting.gov> may not accurately show total expended Recovery Act funds by military department. For a complete list of discrepancies we identified on all key award information, see Appendix C.

## Recipient Reports Contained Significant Errors

OMB developed Memorandum M-10-08 to improve the quality of reported data under the Recovery Act. Federal agencies are to develop data quality plans that focus on significant reporting errors. The memorandum points out the following data fields that are of major concern for significant errors:

- Federal amount of the award,
- number of jobs retained or created,
- Federal award number, and
- recipient name.

From the list of data fields that OMB considers a major concern for significant errors, we identified discrepancies in DoD internal systems and at <http://www.federalreporting.gov> in the “Federal amount of the award” and “Number of jobs retained or created” data fields.

**Federal Amount of the Award.** For 1,895 contract reports reviewed with discrepancies, 345 contained discrepancies in the “Federal amount of the award” data field. Of the 345 discrepancies, 81 percent were greater than or equal to \$1,000. Additionally, we reviewed 48 grant and cooperative agreement reports that contained discrepancies. Of these 48 reports, 22 had discrepancies in the “Federal amount of the award” data field. We found that 86 percent of the grant and cooperative agreement reports had discrepancies greater than or equal to \$1,000.

*Of the 345  
discrepancies, 81  
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<sup>4</sup> We found a total of 302 reports with discrepancies in the Treasury Account Symbol data field. However, one of the reports identified in our analysis pertained to grants.

One recipient reported the “Federal amount of the award” as \$3.2 million at <http://www.federalreporting.gov>, but DoD recorded the award amount for the same recipient as \$474,000 in its internal system. In another instance, a recipient reported the “Federal amount of the award” as \$6.5 million at <http://www.federalreporting.gov>, while DoD recorded the award amount for the same recipient as \$12.1 million. See the table for a summary of the discrepancies found for the “Federal amount of the award” data field.

**Table. Discrepancies in the Federal Amount of the Award**

Component	Contract Reports		Grant and Cooperative Agreement Reports	
	All Reports with Discrepancies	Award Amount Discrepancies	All Reports with Discrepancies	Award Amount Discrepancies
Army	602	97	44	21
Air Force	1,293 <sup>5</sup>	248	4	1
<b>Total</b>	<b>1,895</b>	<b>345</b>	<b>48</b>	<b>22</b>

**Number of Jobs Retained or Created.** We also identified discrepancies in the “Number of jobs retained or created” data field. For contract recipient reports, we identified three reports for which the contract award date was after December 31, 2009, but recipients included those jobs retained or created in the December 31, 2009, reporting period. For example, two recipient reports with award dates of June 16, 2010, reported 12 jobs retained or created during the December 31, 2009, reporting period. Another recipient report with an award date of January 8, 2010, reported 11 jobs retained or created during the December 31, 2009, reporting period. However, OMB M-10-08 states that the reports with award dates after the end of the reporting period for which recipients have reported jobs retained or created are considered discrepancies. Therefore, recipients should not have reported jobs retained or created for these awards during the December 31, 2009, reporting period.

Because DoD did not fully implement an internal control structure over recipient reported data, the reports contained discrepancies in key data fields, which increased the likelihood that reported data on DoD Recovery Act awards might have been inaccurate. Therefore, DoD should establish a data quality plan that clearly outlines the Recovery Act data review process to ensure that material omissions and significant reporting errors are identified and corrected. In addition, DoD should also establish procedures specific to recipients reporting for grants and cooperative agreements.

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<sup>5</sup> The Air Force uses two systems to write contracts. Therefore, we totaled the reports with discrepancies for the two Air Force systems (580 + 713 = 1293). For further information about discrepancies, see Appendix C.

## DoD Did Not Establish Procedures for Monitoring Contracting and Fiscal Officer Data Review Processes

DoD identified the roles and responsibilities of key personnel involved in the Recovery Act and specifically identified contracting officers as being responsible for performing data quality reviews. However, DoD's controls did not include procedures for monitoring the contracting officers' data review processes. See Appendix B for a chart showing DoD key personnel involved in the recipient reporting process.

OMB Circular A-123 requires management to develop and implement monitoring procedures to ensure the effectiveness and efficiency of operations. Further, the guidance requires management to conduct periodic reviews, reconciliations, or comparisons of data as part of the regular assigned duties of personnel. Management should integrate periodic assessments as part of their continuous monitoring of internal controls. However, DoD did not have specific procedures for monitoring the contracting and fiscal officers' data review processes.

*Because management did not have procedures established...DoD could not ensure that recipient reports were free of discrepancies in key data fields.*

Office of the Under Secretary of Defense (Comptroller) (OUSD[C]) and DoD Component personnel described the methods they used to monitor the data review processes. They stated that they conduct high-level reviews of the recipient reports at headquarters because DoD delegated review of the reports to the contracting and fiscal officers.

The high-level reviews are limited to the review of data extracts obtained from <http://www.federalreporting.gov>. However, OUSD(C) and DoD Component personnel stated that they did not have documented procedures for conducting the reviews.

In addition, DoD did not establish procedures for conducting periodic assessments to determine data review processes. DPAP officials stated that DoD did not establish procedures because DoD relied on control procedures provided by the RATB and the DoD OIG periodic reviews (audits). However, DoD OIG periodic reviews (audits) occur after the recipients submit their reports to <http://www.federalreporting.gov> and OMB M-10-08 requires DoD to continuously evaluate recipient reporting.

Because management did not have procedures established to monitor or to perform periodic assessments of the data review processes, DoD could not ensure that recipient reports were free of discrepancies in key data fields. Therefore, DoD should establish procedures for monitoring contracting and fiscal officer data review processes and for performing periodic assessments to ensure that recipient data is accurate and complete.

## Conclusion

DoD did not fully implement an internal control structure over recipient reporting of Recovery Act funds. As a result, 1,943 recipient reports with a total award amount of \$1.7 billion contained 2,914 discrepancies on key award information. Therefore, the data did not provide transparency and accountability of expenditures so that the public will know how, when, and where DoD Recovery Act funds were spent. DoD should establish a plan for performing data quality reviews and for

*As a result, 1,943 recipient reports with a total award amount of \$1.7 billion contained 2,914 discrepancies on key award information.*

monitoring the review processes to comply with Public Law 111-5 and OMB requirements.

## Management Comments on the Finding and Our Response

### ***Deputy Under Secretary of Defense (Resource Issues) Comments on Transparency and Accountability of DoD Recovery Act Funds***

The Director, Resource Issues, provided comments on the finding for the Deputy Under Secretary of Defense and requested we reconsider the statement, “DoD did not provide transparency and accountability of expenditures so the public will know how, when, and where DoD Recovery Act funds were spent.” The Director pointed out that during the period ending December 31, 2009, DoD issued over 3,000 contracts and grants that were subject to the reporting requirements. Only 21 of the recipients did not comply with these requirements. The Director further stated that in addition to the data available on Recovery.gov, the DoD maintains a Web site (<http://www.defense.gov/recovery>) where the public is provided with information regarding Department expenditures of the appropriated ARRA funding.

### ***Our Response***

We believe the Director’s statement is accurate: “During the period ending December 31, 2009, DoD issued over 3,000 contracts and grants that were subject to the reporting requirements. Only 21 of the recipients did not comply with these requirements.” However, the statement identifies only the number of recipients that submitted reports during the period ending December 31, 2009. As stated in the report, 1,943 recipient reports, with a total award amount of \$1.7 billion, contained 2,914 discrepancies on key award information. Based on the significant errors and discrepancies we identified, transparency and accountability were not achieved.

### ***Deputy Under Secretary of Defense (Resource Issues) Comments on Treasury Account Symbol Discrepancies***

The Director, Resource Issues, provided comments on the finding for the Deputy Under Secretary of Defense. The Director provided clarification regarding the statement,

“Because recipients did not use the correct TAS, there is increased risk that the funds may be misappropriated or charged to another Federal agency.” The Director stated that any errors in reporting do not reflect the risk of misappropriation or improper transfer of funds to another agency.

### ***Our Response***

We considered the Director’s comments when preparing the final report. We reviewed the wording and changed “misappropriated” to “misrepresented”.

## **Recommendations, Management Comments, and Our Response**

**We recommend that the Deputy Under Secretary of Defense (Resource Issues):**

- 1. Establish a quality assurance plan specific to recipient reporting, which includes monitoring procedures to help ensure that recipient data are reported completely, accurately, and timely, and that material omissions and significant reporting errors are identified and corrected as stated in the Office of Management and Budget Memorandum M-10-08.**

### ***Deputy Under Secretary of Defense (Resource Issues) Comments***

The Director, Resource Issues, responded for the Deputy Under Secretary of Defense. The Director agreed with the spirit and intent of the recommendation and stated that DoD has taken significant steps to improve the data quality review process. DoD will develop a quality assurance plan which will document and establish policies and procedures for monitoring recipient data. The Director, Resource Issues, stated that all actions will be completed by March 15, 2011, prior to the next reporting period that begins April 1, 2011.

- 2. Establish policies and procedures for personnel performing quality control reviews and monitoring contracting and fiscal officer data review processes as required by Office of Management and Budget Memorandum M-10-08.**

### ***Deputy Under Secretary of Defense (Resource Issues) Comments***

The Director, Resource Issues, responded for the Deputy Under Secretary of Defense. The Director agreed with the spirit and intent of the recommendation. The Director, Resource Issues, stated that DoD’s quality assurance plan will document and establish policies and procedures for personnel performing quality control reviews and monitoring data. The Director, Resource Issues, stated that all actions will be completed by March 15, 2011, prior to the next reporting period that begins April 1, 2011.

**3. Implement periodic assessments of the DoD data quality review processes to evaluate, on an on-going basis, recipient efforts to meet Recovery Act and OMB reporting requirements as stated in OMB Memorandum M-10-08.**

***Deputy Under Secretary of Defense (Resource Issues)  
Comments***

The Director, Resource Issues, responded for the Deputy Under Secretary of Defense. The Director agreed with the spirit and intent of the recommendation. The Director, Resource Issues, stated that DoD will update the quarterly risk assessment plans to include assessments of the data quality review process. The Director, Resource Issues, stated that all actions will be completed by March 15, 2011, prior to the next reporting period that begins April 1, 2011.

***Our Response***

The Director, Resource Issues, comments on Recommendations 1, 2, and 3 were responsive, and no further comments are required.

## **Appendix A. Scope and Methodology of Audit**

We conducted this performance audit from March 2010 through December 2010 in accordance with generally accepted government auditing standards except for fieldwork auditing standards for identifying investigations and assessing fraud risk. We did not follow these two standards because of time limitations for planning and executing this audit, and the unique nature of the data quality review.

Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. Omitting the procedures described above did not limit our ability to conclude on the audit objective to determine whether DoD had fully implemented an internal control structure to ensure recipient data are reported completely, accurately, and in a timely manner, and that any material omissions and significant errors are identified and corrected. The evidence we obtained during our audit provides a reasonable basis for our findings and conclusions.

We developed questionnaires based on Public Law 111-5 and OMB pertinent guidance. We then submitted the questionnaires to the Under Secretary of Defense (Comptroller) and requested that Comptroller personnel forward them to the appropriate points of contact for response. In addition, we met with OUSD(C) and DoD component personnel, which included Office of the Secretary of Defense; Office of the Deputy Assistant Secretary of the Army (Procurement); Army National Guard Bureau; U.S. Army Corps of Engineers – Military Programs; Army Contracting Command; the Naval Facilities Engineering Command; Office of the Deputy Assistant Secretary of the Air Force (Contracting)/Assistant Secretary (Acquisition); Office of the Director Defense Research and Engineering; and the Defense Logistics Agency, to understand their internal controls and processes for reviewing Recovery Act recipient reported data. We also obtained and reviewed DoD's responses to our questionnaires as well as all documentation provided with their responses. In addition, we reviewed DoD guidance for reviewing recipient reports to determine whether the guidance contained the reporting and data quality review requirements outlined in OMB guidance.

For contracts and grants and cooperative agreements, we requested and obtained Recovery Act award data from the Department of the Army, the Department of the Air Force, and the Army National Guard Bureau. We did not obtain the requested data from the Department of the Navy because it did not have an internal system that could provide the necessary data to conduct our analysis. We compared the data reported by recipients at <http://www.federalreporting.gov> for the quarter ending December 31, 2009, with the data obtained from DoD to verify whether the data contained discrepancies, including material omissions and significant errors.

## **Use of Computer-Processed Data**

We did not rely on computer-processed data or the validity or accuracy of computer-processed data in the performance of this audit. Instead, we compared the data recipients reported at <http://www.federalreporting.gov> against the data obtained from DoD internal systems to determine whether DoD internal controls for recipient reporting were effective in identifying data discrepancies, including material omissions and significant errors. We identified discrepancies during the performance of this audit; however, we did not validate the data by tracing it to source documents to determine its validity or accuracy because it was outside the scope of our audit.

## **Prior Coverage of Recovery Act Data Review Process**

The Government Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DoD projects funded by the Recovery Act. You can access the full list of unrestricted reports at <http://www.recovery.gov/accountability>.

### ***GAO***

GAO Report No. 10-581, “Recovery Act—Increasing the Public’s Understanding of What Funds Are Being Spent on and What Outcomes Are Expected,” May 2010

GAO Report No. 10-224T, “Recovery Act—Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention,” November 19, 2009

GAO Report No. 09-672T, “Recovery Act—GAO’s Efforts to Work with the Accountability Community to Help Ensure Effective and Efficient Oversight,” May 5, 2009

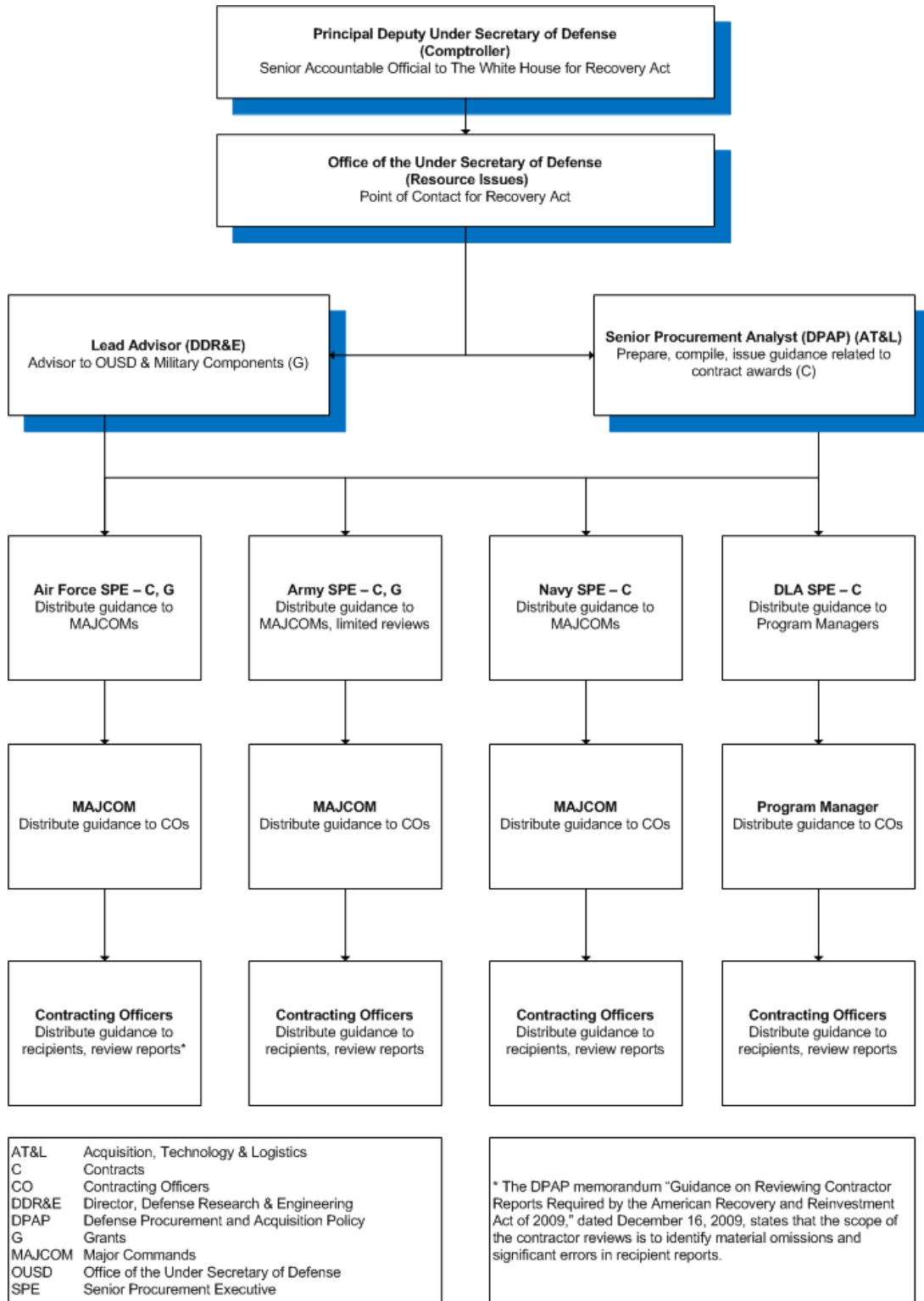
### ***DoD IG***

DoD IG Memorandum No. D-2010-RAM-002, “Results From the Audit of DoD’s American Recovery and Reinvestment Act of 2009 Initial Data Quality Review Implementation,” November 3, 2009

DoD IG Memorandum No. D-2010-RAM-001, “US Army Corps of Engineer Data Quality Review Process for Civil Works Programs,” October 30, 2009

DoD IG Memorandum No. D-2009-RAM-001, “Results from Assessment of DoD’s Plans for Implementing the Requirements of the American Recovery and Reinvestment Act of 2009,” June 23, 2009

# Appendix B. Key Personnel Involved in the Oversight of DoD Recipient Reporting



## Appendix C. Discrepancies Between Data from DoD Systems and Recipient Reported Data at <http://www.federalreporting.gov>

Key Data Fields	Army		Air Force			Total
	Contracts	Grants	Contracts		Grants	
			CBIS <sup>1</sup>	EZ Query <sup>1</sup>		
Activity Code	228	- <sup>2</sup>	236	193	-	657
Award Amount	97	21	94	154	1	367
Award Date	270	41	258	608	2	1,179
Award Number	0	3	1	0	1	5
Award Type	-	0	-	-	3	3
Awarding Agency Code	-	-	72	-	-	72
Catalogue of Federal Domestic Assistance – Grants	-	2	-	-	3	5
Funding Agency Code	156	-	67	-	-	223
Government Contracting Office Code - Contracts	20	-	21	18	-	59
Order Number	18	-	14	10	-	42
Program Source Code (Treasury Account Symbol)	74	1	128	99	0	302
<b>Total Discrepancies<sup>3</sup></b>	<b>863</b>	<b>68</b>	<b>891</b>	<b>1,082</b>	<b>10</b>	<b>2,914</b>
Total Reports with Discrepancies	602	44	580	713	4	1,943
Total Reports Reviewed	901	58	998	942	6	2,905

<sup>1</sup>We separately listed discrepancies identified in each system because the Air Force uses two systems to write contracts (Contract Business Intelligence Service [CBIS] and EZ Query).

<sup>2</sup>“-” indicates a data field for which a comparison could not be made because a data field in DoD’s system did not contain data or contained data that was not comparable to data in <http://www.federalreporting.gov>.

<sup>3</sup> Total discrepancies may exceed “Total Reports with Discrepancies” and “Total Reports Reviewed” because a record may have multiple data field discrepancies.

# Deputy Under Secretary of Defense (Resource Issues) Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

JAN 31 2011

COMPTROLLER

## MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Response to DoD IG Draft Report on "DoD Data Quality Review Processes for the Period Ending December 31, 2009"

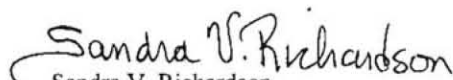
1. The above draft report addresses your review to determine whether DoD fully implemented an effective internal control structure over recipient reporting of American Recovery and Reinvestment Act funds for the period ending December 31, 2009.
2. The report contains three recommendations. While DoD agrees with the spirit and intent of the recommendations, we also note that the OMB Memorandum M-10-8 was published December 18, 2009, leaving little time for Agencies to establish and implement procedures prior to the January 2010 reporting period. Since then, DoD has taken significant steps to improve the data quality process. Implementing the three recommendations will build on this progress, specifically in response to the recommendation that, DoD will formulate a quality assurance and oversight plan. The broad plan will include quality assurance and oversight that will document and establish policies and procedures for personnel performing quality control reviews and monitoring data. Additionally, DoD will update the quarterly risk assessment plans to include assessments of the data quality review process. All actions will be completed by March 15, 2011 prior to the next reporting period that begins April 1, 2011.
3. In addition, DoD would like to provide clarification and ask that consideration be given regarding two points addressed within the report:
  - a. The report states, "DoD did not provide transparency and accountability of expenditures so that the public will know how, when, and where DoD Recovery Act funds were spent." During the period ending December 31, 2009, DoD issued over 3,000 contracts and grants that were subject to the reporting requirements. Only 21 of the recipients did not comply with these requirements. The recipient report data was posted to the Recovery.gov at the conclusion of the reporting cycle, allowing the public to view the reported data in the aggregate and also filter down to respective Agencies. In addition to the recipient reported data which is available on Recovery.gov, the DoD maintains a website ([www.defense.gov/recovery](http://www.defense.gov/recovery)) where the public is provided with information regarding Department expenditures of the appropriated ARRA funding. Specifically, the site



contains weekly financial activity reports, program plans, projects planned by State, and updates to Congressionally approved changes in the program plan.

- b. The report states, "Because recipients did not use the correct TAS, there is increased risk that the funds may be misappropriated or charged to another Federal agency." In response to this point, any errors in reporting do not reflect a risk that there might be a misappropriation or improper transfer of funds to another Agency. These reports are submitted after the funds have been properly obligated and errors in identifying them do not mean that they were used improperly. Also, it is anticipated that any errors in reporting will be corrected during the data quality review process, resulting in the information ultimately providing the desired transparency
4. If you have any additional questions regarding the Department's recipient reporting processes, please contact me at [REDACTED] or at [REDACTED]

Revised

  
Sandra V. Richardson  
Director  
Resources Issues







# Inspector General Department of Defense

