

# U.S. Department of Labor

Office of Inspector General—Office of Audit

EMPLOYMENT AND TRAINING  
ADMINISTRATION



## RECOVERY ACT: DATA QUALITY IN RECIPIENT REPORTING

Date Issued: September 27, 2010  
Report Number: 18-10-002-03-390

## BRIEFLY...

Highlights of Report Number **18-10-002-03-390**, to the the Assistant Secretary for Employment and Training.

### WHY READ THE REPORT

The American Recovery and Reinvestment Act of 2009 (Recovery Act) requires Federal agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how Recovery Act funds are being spent. The Employment and Training Administration (ETA) received \$4 billion of Recovery Act funds. The majority of these funds, \$2.9 billion or 73 percent, was awarded using the Workforce Investment Act (WIA) formula to the 57 states and territories to provide Youth, Adult and Dislocated Worker employment and training activities.

To promote accountability and transparency, recipients are required to report on the use of recovery funds under Section 1512 of the Recovery Act (§1512). All prime recipients are required to submit quarterly reports to [FederalReporting.gov](http://FederalReporting.gov).

The audit covered the second quarterly reporting period ending December 31, 2009, and actions taken to enhance data quality for the third reporting period ending March 31, 2010. Our audit sample consisted of two recipients and four sub-recipients, and was limited to five key data elements: 1) funds received/invoiced, 2) expenditures, 3) number of jobs created or retained, 4) project status, and 5) final report indicator.

### WHY OIG CONDUCTED THE AUDIT

This audit was conducted at the request of Recovery Accountability and Transparency Board (RATB), to determine whether Recovery Act recipient processes for compiling and reporting selected data provide reasonable assurance of compliance with §1512 requirements.

The RATB has compiled data and issued a report using the results of our audit, as well as audits conducted by the Department of Education, Department of Health & Human Services, Department of Homeland Security, and National Science Foundation.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2010/18-10-002-03-390.pdf>

September 2010

## RECOVERY ACT: DATA QUALITY IN RECIPIENT REPORTING

### WHAT OIG FOUND

Of the five key data elements audited, two recipients reasonably reported the amount of Federal funds received, Federal funds expended, project status, and final report status. However, jobs created or retained data was not reported in accordance with §1512 reporting requirements. As a result recipients did not provide the most comprehensive and complete job impact numbers available. Furthermore, inaccurate reporting of jobs created or retained could mislead the public about the number of jobs created or retained, and prevent meaningful comparisons of the data as a whole.

This occurred because one recipient's process did not make use of the correction period to update its data, which resulted in the over-reporting of jobs created or retained for one of its sub-recipients by 10.52, or 26 percent. Another recipient did not consider it practicable to collect jobs created or retained for lower-tier sub-recipients, and jobs created or retained was underreported by 134.25, or 36 percent, for one of its sub-recipients.

We also found that Office of Management and Budget's (OMB) guidance can be clarified and enhanced for the reporting of lower-tier sub-recipient jobs created or retained. In addition, transparency could be optimized by ensuring that the [FederalReporting.gov](http://FederalReporting.gov) website indicates whether expenditures are reported on the cash or accrual basis of accounting.

### WHAT OIG RECOMMENDED

We made two recommendations to the Assistant Secretary for Employment and Training; to instruct one recipient to make full use of the correction period and to consult with OMB on the issuance of guidance for sub-recipient and lower-tier sub-recipient reporting of jobs created or retained.

The Assistant Secretary for Employment and Training agreed with the recommendations.

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**U.S. Department of Labor**

Office of Inspector General  
Washington, D.C. 20210



September 27, 1020

**Assistant Inspector General's Report**

Ms. Jane Oates  
Assistant Secretary for Employment and Training  
U.S. Department of Labor  
200 Constitution Avenue, NW  
Washington, D.C. 20210

The American Recovery and Reinvestment Act of 2009 (Recovery Act) requires Federal agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how Recovery Act funds are being spent. The Employment and Training Administration (ETA) received \$4 billion of Recovery Act funds. The majority of these funds, \$2.9 billion or 73 percent, was awarded using the Workforce Investment Act (WIA) formula to the 57 states and territories to provide Youth, Adult and Dislocated Worker employment and training activities.

To promote accountability and transparency, recipients are required to report on the use of recovery funds under Section 1512 of the Recovery Act (§1512). All prime recipients are required to submit quarterly reports to [FederalReporting.gov](http://FederalReporting.gov). After the initial submission, the agency reviews the data submitted. Reports are then made available to the public on [Recovery.gov](http://Recovery.gov).

The audit objective was to determine whether Recovery Act recipient processes for compiling and reporting selected data provide reasonable assurance of compliance with §1512 requirements. This audit was conducted at the request of the Recovery Accountability and Transparency Board (RATB). The RATB has compiled data and issued a report using the results of our audit, as well as audits conducted by the Department of Education, Department of Health & Human Services, Department of Homeland Security, and National Science Foundation.

The audit covered the second quarterly reporting period ending December 31, 2009, and actions taken to enhance data quality for the third reporting period ending March 31, 2010. The audit was limited to five key data elements: 1) funds received/invoiced, 2) expenditures, 3) number of jobs created or retained (full-time equivalents)<sup>1</sup>, 4) project status, and 5) final report indicator.

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<sup>1</sup> The estimated number of jobs was expressed as "full-time equivalents", which are calculated as total hours worked in jobs created or retained divided by the number of hours in a full-time schedule, as defined by the recipient.

We selected the following two prime recipients: the State of California Employment Development Department (EDD) and New York State Department of Labor (NYSDOL). The recipients were awarded \$489 million and \$169 million, respectively. We also selected two sub-recipients for each prime recipient: the City of Los Angeles Community Development Department (LA CDD), San Diego County Workforce Partnership, Inc. (San Diego County), New York City Department of Labor (New York City), and Suffolk County Department of Labor (Suffolk County). Our selections were based on funds received, the number of jobs created or retained, and ETA monitoring reports issued.

The audit included interviews with Department officials for ETA and Office of Assistant Secretary for Administration and Management (OASAM) located in Washington, D.C. The audit also included interviews and walk-throughs, both at the recipient and sub-recipient locations to understand the design of the internal controls related to reporting §1512 requirements. Interviews were also performed with the respective regional ETA officials to determine their roles as it relates to §1512 reporting. We also performed analytical procedures, such as reasonableness checks of the selected key data elements to identify possible anomalies and data problems.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our finding and conclusions based on our audit objective.

## **RESULTS IN BRIEF**

Of the five key data elements we audited, the two recipients reasonably reported the amount of Federal funds received, Federal funds expended, project status, and final report status. However, jobs created or retained data was not reported in accordance with §1512 reporting requirements. This was because EDD's process did not make use of the correction period, to update its data and NYSDOL did not consider it practicable to collect jobs created or retained for lower-tier sub-recipients. The jobs created or retained for one of EDD's sub-recipients was over-reported by 10.52, or 26 percent, and one of NYSDOL's sub-recipients under-reported jobs created or retained by 134.25, or 36 percent. As a result, recipients did not provide the most comprehensive and complete job impact numbers available. Furthermore, inaccurate reporting of jobs created or retained could mislead the public about the number of jobs created or retained, and prevent meaningful comparisons of the data as a whole.

We also found that Office of Management and Budget (OMB) guidance can be clarified and enhanced for reporting lower-tier sub-recipient jobs created or retained, and transparency could be optimized by ensuring that the FederalReporting.gov website indicates whether expenditures are reported on the cash or accrual basis of accounting. Finally, we identified a best practice to consider for widespread adoption. To ensure complete, accurate and timely reporting to the prime recipient, one sub-recipient implemented an internal system that requires all invoices to go through a three-tier

review process by the program office, finance office, and comptroller before the data is submitted to the state.

We recommend the Assistant Secretary for Employment and Training instruct EDD to make full use of the correction period, and consult with OMB on the issuance of guidance for sub-recipient and lower-tier sub-recipient reporting of jobs created or retained.

In her response to the draft report, the Assistant Secretary for Employment and Training stated that ETA regional staff have instructed EDD to make full use of the correction period to ensure the reasonableness of the data reported to FederalReporting.gov. The Assistant Secretary stated she will consult with OMB for more definitive guidance to eliminate any ambiguity regarding sub recipients' reporting of jobs created and retained. The Assistant Secretary's response to the draft report is included in its entirety in APPENDIX D.

## RESULTS AND FINDING

**Objective — To determine whether Recovery Act recipients processes for compiling and reporting selected data provide reasonable assurance of compliance with §1512 requirements.**

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**Finding — Recipients generally reported consistent and reliable Recovery Act data for most of the required data elements; however, there were problems with the data reported for jobs created or retained.**

This audit was conducted at the request of RATB. The RATB has compiled data and issued a report on September 13, 2010, using the results of our audit, as well as audits conducted by the Department of Education, Department of Health & Human Services, Department of Homeland Security, and National Science Foundation.

To fully answer the objective, RATB will be reporting, as we are, on the following questions:

1. Did Recipients Report in Accordance with §1512 Reporting Requirements?
2. Could the OMB and Agency Guidance Be Further Clarified and Enhanced?
3. Could Transparency Be Optimized under the Current Reporting Data Model?
4. Were There Any Lessons Learned or Best Practices Identified for Widespread Adoption?



## Did Recipients Report in Accordance with §1512 Reporting Requirements?

The two recipients reasonably reported the amount of Federal funds received, Federal funds expended, project status, and final report status. However, jobs created or retained was not reported in accordance with §1512 reporting requirements. This was because EDD's process did not make use of the correction period to update its data, and NYSDOL did not consider it practicable to collect jobs created or retained for lower tier sub-recipients. Moreover, OMB guidance could be clarified and enhanced regarding reporting lower-tier sub-recipient job estimates<sup>2</sup>. As a result, recipients did not provide the most comprehensive and complete job impact numbers available. Furthermore, inaccurate reporting of jobs created or retained could mislead the public about the number of jobs created or retained, and prevent meaningful comparisons of the data as a whole.

### EDD

EDD did not make updates to jobs created or retained, after the initial submission of jobs data to [FederalReporting.gov](http://FederalReporting.gov). EDD had a process in place for §1512 reporting, but did not have formal written internal policies and procedures. Review of the process found that EDD did not make use of the correction period for updating jobs created or retained when corrected data became available. The jobs created or retained for San Diego County, a sub-recipient were over-reported by 10.52, or 26 percent, but EDD did not revise the data during the correction period allowed by OMB.

OMB 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 section 5.2 states:

Effective February 2, 2010, the FederalReporting.gov solution will be open for corrections of all data submitted for the quarter ending December 31, 2009. Recipients will have the ability to make corrections up until the start of the next reporting period. For example, from February 2, 2010 through March 31, 2010, recipients will have the ability to correct data for the quarter ending December 31, 2009.

EDD's process for compiling §1512 data included the receipt of sub-recipient's jobs created or retained data on a quarterly basis. EDD officials stated initial jobs created or retained data were based on estimated hours worked. They stated a visual comparison between the previous and current quarter's number of jobs created or retained was performed. This was a reasonableness test for compliance with OMB's updated guidance M-10-08, which modified jobs created or retained reporting from a cumulative to quarterly basis.

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<sup>2</sup> For details see page 6, *Could the Office of Management and Budget (OMB) and Agency Guidance Be Further Clarified and Enhanced?*

## NYSDOL

NYSDOL's policy for its sub-recipients did not include the collection of jobs created or retained for lower tier sub-recipients. This was because NYSDOL did not consider it practicable to collect jobs created or retained for lower-tier sub-recipients. New York City, a sub-recipient, did not include 134.25 (36 percent) jobs created or retained that were readily available from lower tier sub-recipients.

NYSDOL had formal written internal policies and procedures for §1512 reporting. While its processes were manual, NYSDOL used a multiple-level review process, which required internal certifications following each level of review attesting to the accuracy, completeness, and timeliness of the selected data elements. NYSDOL calculated its administrative jobs created or retained and also received data from sub-recipients. NYSDOL performed an initial review of sub-recipient jobs created or retained data, which was documented via a tracking spreadsheet. The spreadsheet was used to identify any errors or anomalies. A secondary review was performed to ensure all errors initially noted had been resolved.

NYSDOL's policy did not include the collection of jobs created or retained for lower-tier sub-recipients. NYSDOL was advised by external auditors not to include this information and did not instruct its sub-recipients to include the number of jobs created or retained for lower-tier sub-recipients.

OMB did not definitively instruct recipients to report jobs created or retained for lower tier sub-recipients. However, as indicated below, the OMB guidance states that recipients must include an estimate of jobs created and retained by subrecipients and should collect information from all sub-recipients on the number of jobs created or retained "to the maximum extent practicable."

OMB 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, Part 2 Sections 5.2 (6.) and 5.7 state:

Prime recipients of grants ...must include an estimate of jobs created and retained on projects and activities managed by *their* funding recipients (i.e. sub-recipients) ... Prime recipients are required to generate estimates of job impact by directly collecting specific data from sub-recipients and vendors on the total FTE resulting from a sub-award. To the **maximum extent practicable**, information should be collected from all sub-recipients and vendors in order to generate the most comprehensive and complete job impact numbers available. (Bolding added.)

OMB M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act*, dated June 22, 2009, Section 2.2 makes reference to 2 Code of Federal Regulations (CFR) 215 which provides clarification on the definition of a sub-recipient. As defined in 2 CFR 215.2 (ff) and (gg):

*Subaward* means an award of financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower tier subrecipient. . . . *Subrecipient* means the legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided.

New York City reported sub-recipient jobs created or retained data of 372.80. However, data from lower tier sub-recipients showing an additional 134.25 jobs had been created or retained was readily available. This data would have been captured had NYSDOL not made a blanket decision to exclude the reporting of data on lower tier sub-recipient jobs created or retained. ETA supported NYSDOL's position that it was not practicable to collect information for lower-tier sub-recipients. ETA did not issue specific guidance to enable prime recipients to define the "maximum extent practicable." ETA allowed the prime recipient to decide whether to collect jobs data from lower tier sub-recipients.

### **Could the Office of Management and Budget (OMB) and Agency Guidance Be Further Clarified and Enhanced?**

Reporting guidance could be clarified and enhanced regarding reporting lower-tier sub-recipient job estimates. OMB did not definitively instruct recipients to report jobs created or retained for lower-tier sub-recipients. Instead, OMB stated that to the "maximum extent practicable" information should be collected from all sub-recipients in order to generate the most comprehensive and complete job impact numbers available. OMB may need to provide definitive statements on the extent that recipients should report the estimated number of jobs from sub-recipients. OIG provided this information to RATB for inclusion in its recommendations for OMB's consideration.

The definition of a sub-recipient in OMB M-09-21 lacks clarity. When describing who is required to report under the Recovery Act, paragraph 2.2 of M-09-21 defines "sub-recipient" as "non-Federal entities that are awarded Recovery funding through a legal instrument from the prime recipient to support the performance of any portion of the substantive project or program for which the prime recipient received the Recovery funding." Specifying that sub-recipients receive their awards from the prime recipient would indicate that the definition of sub-recipient for Recovery Act reporting purposes may only include first-tier sub-recipients and would exclude lower-tier sub-recipients. However, footnote 6 of M-09-21 makes reference to OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-profit Organizations*, as codified in 2 CFR 215, which clarifies the definition of a sub-recipient to include lower-tier sub-recipients.

Moreover, guidance on whether or not to collect data from all sub-recipients was left open to interpretation. OMB M-10-08, section 5.7 states, "**To the maximum extent practicable**, information should be collected from all sub-recipients and vendors in order to generate the most comprehensive and complete job impact numbers available." (Bolding added.) Not defining "the maximum extent practicable" resulted in inconsistent reporting of job estimates and could mislead the public about the number of jobs created or retained.

## **Could Transparency Be Optimized Under the Current Reporting Data Model?**

The Recovery Act required an unprecedented level of accountability and transparency, including an expectation that the uses of all funds provided under the Act are transparent to the public, and that the public benefits derived from the use of funds are reported clearly, accurately, and timely. After considering the five key data elements, we identified one area where transparency could be enhanced.

OMB's guidance permits recipients to report expenditures of Recovery Act funds either on the cash or accrual basis of accounting. However, [FederalReporting.gov](http://FederalReporting.gov) does not provide a mechanism to allow recipients to indicate which accounting method was used when they submit expenditure information. The accounting method used for reporting expenditures results in timing differences as to when amounts are reported to [FederalReporting.gov](http://FederalReporting.gov). For recipients and/or sub-recipients receiving large Recovery Act awards, these timing differences can result in significant differences in the reported expenditure amounts for a particular quarter. As a result, users of [Recovery.gov](http://Recovery.gov) cannot effectively compare expenditure information reported by recipients using different accounting methods.

NYSDOL reported expenditures for the period ending December 31, 2009, on the cash basis of accounting. The expenditure amount reported included total cash payments made by the recipient and funds drawn and paid to two sub-recipients. Both sub-recipients requested funding in December 2009 for expenditures made in November 2009 (reimbursements). Because the recipient reported on a cash basis, it only reported amounts drawn and disbursed to its sub-recipients during the second quarter. The sub-recipients' actual expenditures for December were not included in the recipient's second quarter report because the reimbursement for these amounts did not occur until January 2010. Had the recipient reported expenditures on an accrual basis, the amount reported in the second quarter would have been approximately \$6.7 million more.

To enhance transparency additional disclosures should be made on the [FederalReporting.gov](http://FederalReporting.gov) website indicating whether expenditures were reported on a cash or accrual basis. We are not making specific recommendations to ETA related to the cash or accrual basis of accounting since the issue relates to [FederalReporting.gov](http://FederalReporting.gov). However, OIG provided this information to RATB for inclusion in its report.

## **Were There Any Lessons Learned or Best Practices Identified for Widespread Adoption?**

San Diego County implemented a noteworthy and thorough internal system to ensure timely reporting to EDD and required all invoices to go through an extensive review process before being approved. Specifically, before requesting funds from EDD, San Diego County reviewed invoiced amounts to its Recovery Act sub-recipients budget and total expenditures to date for allowability. Then, required invoices went through a three-tier review process by the program office, finance office, and comptroller before the data

was submitted to the state. Lastly, San Diego County compared cash on hand and total accounts payable before requesting funds.

## **RECOMMENDATIONS**

We recommend that the Assistant Secretary for Employment and Training:

1. Instruct EDD to make full use of the correction period to ensure the reasonableness and of data reported to FederalReporting.gov.
2. Consult with OMB on the issuance of guidance for a) sub-recipient and lower-tier sub-recipient reporting of jobs created or retained resulting from sub-awards; and b) the meaning of current OMB guidance that directs sub-recipients to report such data “to the maximum extent practicable.”

We appreciate the cooperation and courtesies that ETA, EDD, and NYSDOL personnel extended to the Office of Inspector General during this audit. OIG personnel who made major contributions to this report are listed in Appendix E.



Elliot P. Lewis  
Assistant Inspector General for Audit

# Appendices

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## Appendix A

## Background

The Recovery Act was signed into law by the President on February 17, 2009, to preserve and create jobs, promote economic recovery, and assist those most impacted by the recession. The Recovery Act provided the Department with approximately \$70.8 billion as of August 19, 2010, to provide worker training, extend and increase unemployment benefits, and assist and educate workers and employers regarding expanded access to health benefits.

**Table 1: Department of Labor Recovery Act Funding, as of August 19, 2010**

<b>Program</b>	<b>Amount<sup>a</sup> (millions)</b>	<b>Percent</b>
Unemployment Insurance	\$65,996	93.17
Training and Employment Services	3,950	5.58
State Unemployment Insurance and Employment Service Operations	400	0.56
Community Service Employment for Older Americans	120	0.17
National Emergency Grants for Health Insurance Coverage	40	0.06
Job Corps	250	0.35
Departmental Management	80	0.11
<b>Total</b>	<b>\$70,836<sup>b</sup></b>	<b>100.00</b>

<sup>a</sup> – The amounts other than “Unemployment Insurance and National Emergency Grants for Health Insurance Coverage” were obtained from the Recovery Act dated February 17, 2009. The “Unemployment Insurance amount” was provided by the Office of the Assistant Secretary for Administration and Management, and includes amounts made available for Federal and State Extended Benefits, Extension of Emergency Unemployment Compensation, and Federal Additional Unemployment Compensation programs. The National Emergency Grants for Health Insurance Coverage amounts were adjusted in United States Public Law 111-226 (HR1586).

<sup>b</sup> – The total amount does not include \$6 million provided to the OIG to provide oversight over the Department’s Recovery Act activities.

The Recovery Act requires Federal agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how its tax dollars are being spent. It also specifies that funds be awarded and distributed in a prompt, fair, and reasonable manner.

To promote accountability and transparency, recipients of Federal contracts, grants, and loans awarded are required to report on the use of funds under §1512.

[FederalReporting.gov](http://FederalReporting.gov) serves as the method for submitting reports. This report, due not later than 10 days after the end of the calendar quarter, must include (1) total amount of Recovery Act funds received from that agency; (2) amount of Recovery Act funds received that were spent or obligated to projects or activities; and (3) detailed list of all projects or activities for which Recovery Act funds were spent or obligated. Recipients must report on the completion status of the project or activity and provide an estimate of the number of jobs created and retained by the project or activity.



[FederalReporting.gov](http://FederalReporting.gov) also serves as the method for Federal agencies to view and comment on recipients' reports. Federal agencies are required to continuously evaluate recipient and sub-recipient efforts to meet §1512 requirements as well as the requirements of OMB implementing guidance and any relevant Federal program regulations. When the reporting cycle ends on Day 29 after the end of the quarter, reports are automatically transitioned from Final Submission Status to Published Status and all the data for the reporting cycle is published on [Recovery.gov](http://Recovery.gov) by midnight on day 30.

Several days after the close of the reporting cycle, the Continuous Quality Assurance period begins. [FederalReporting.gov](http://FederalReporting.gov) becomes available to recipients and federal awarding agencies to review and comment on reports, with recipients making any necessary changes or corrections.

OMB issued 10-08, to improve the quality of recipient reported data. This guidance also simplified how job estimates are calculated and reported and when recipients will be able to make their corrections to their filings. This guidance states that recipients will report job estimates on a quarterly, rather than a cumulative basis.

The RATB tasked the U.S. Department of Education's OIG with determining whether Recovery Act recipient processes for compiling and reporting selected data comply with §1512 reporting requirements. The Federal agencies that participated in the audit were Education, Health & Human Services, Homeland Security, Labor, and National Science Foundation.

**Appendix B**

**Objectives, Scope, Methodology, and Criteria**

**Objective**

Our audit objective was to determine whether Recovery Act recipient processes for compiling and reporting selected data provide reasonable assurance of compliance with §1512 requirements.

**Scope**

The Recovery Act provided the Department with \$70.8 billion, to provide worker training, extend and increase unemployment benefits, and assist and educate workers and employers regarding expanded access to health benefits. Of the \$70.8 billion, ETA received \$4 billion. As of December 31, 2009, ETA awarded 475 grants for approximately \$3.6 billion. The audit covered \$2.9 billion or 73 percent, which was awarded using the WIA formula to the 57 states and territories to provide Youth, Adult, and Dislocated Worker employment and training activities. The audit work was performed between March 2010 and August 2010. The audit did not involve detailed test of internal controls or the accuracy and completeness of reported data.

Fieldwork was conducted at the two prime recipients — EDD and NYSDOL who were awarded \$489 million and \$169 million, respectively. For each of the two state prime recipients we audited two sub-recipients, which included LA CDD, San Diego County, New York City, and Suffolk County. Fieldwork was also conducted at the ETA and OASAM national office located in Washington, D.C. Our work was specifically focused on the WIA grants, as the majority of ETA funds were awarded under this program. The audit work focused on the second reporting period ending December 31, 2009, and actions taken to enhance data quality for the third reporting period ending March 31, 2010.

The audit was limited to five key data elements — 1) funds received, 2) expenditures, 3) jobs created or retained, 4) project status, and 5) final report status.

<b>Recipient</b>	<b>Award Amount</b>	<b>Funds Received</b>	<b>Expenditures</b>	<b>Job Created or Retained</b>	<b>Project Status</b>	<b>Final Report</b>
EDD	\$488,646,876	\$152,097,691	\$152,097,691	2,253.00	Less Than 50%	No
NYSDOL	\$169,410,659	\$66,700,770	\$66,700,770	783.97	Less Than 50%	No

- 1. Total Federal Amount of Recovery Act Funds Received or Invoiced (Funds Received/Invoiced).** Grant recipients were to report the total cumulative amount of Recovery Act funds received from the Federal agency.

2. **Total Federal Amount of Recovery Act Expenditures (Expenditures).** Grant recipients were to report the total cumulative amount of Recovery Act funds received that were spent on projects or activities.
3. **Jobs Created or Retained.** Recipients were to estimate the number of jobs created or retained by Recovery Act funds for the quarter. Grant recipients were to also include the number of jobs created or retained by sub-recipients and vendors.
4. **Project Status.** Recipients were to report the completion status of the project, activity, or federally awarded contract action funded by the Recovery Act by selecting from among four options — not started, less than 50 percent completed, 50 percent or more completed, and fully completed.
5. **Final Report.** Recipients indicated whether this was their final report — that is, no further §1512 reports would be submitted for the grant award.

We conducted this performance 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 audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Methodology

The RATB<sup>3</sup> tasked the U.S. Department of Education’s OIG with determining whether Recovery Act recipient processes for compiling and reporting selected data comply with §1512 reporting requirements. The Federal agencies that participated in the audit were Education, Health & Human Services, Homeland Security, Labor, and National Science Foundation.

The OIG audit work was performed in accordance with the RATB [Phase III Recipient Reporting & Data Quality Review Guide](#). This guide outlined the specific audit objectives, scope, methodology, and review procedures for the audit teams to help ensure consistency in the audit approach taken in each state.

We interviewed officials from ETA and OASAM National Office to obtain a listing of grants and contracts and an understanding of its reconciliation process between the grants/contracts and prime recipients reporting in the [FederalReporting.gov](#). Interviews were also performed with the respective regional ETA office to determine their roles as it relates to §1512 reporting.

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<sup>3</sup> The Recovery Act created the RATB composed of 12 Inspector Generals from various agencies, and a Chairman of the Board. The RATB issues quarterly and annual reports on Recovery Act activities to Congress and the President.

We interviewed and performed walk-throughs, at the prime and sub-recipient locations, to review and understand the design of the internal controls related to reporting §1512 requirements. We also performed limited analytical procedures of the data reported in [FederalReporting.gov](http://FederalReporting.gov) for the selected key data elements to identify possible anomalies and data problems. Our review at the sub-recipient level particularly consisted of reviewing documentation supporting jobs created or retained, and expenses to ensure the reasonableness of the data reported.

### Sampling Plan

From its internal grant system, ETA provided a universe of Recovery Act grants awarded as of December 31, 2009. We reviewed the universe data and discussed it with ETA officials to gain an understanding of the reliability of the data. We determined whether the universe was complete by comparing it to the grants extracted from [Recovery.gov](http://Recovery.gov). We concluded that the universe was complete as both lists contained 475 grants awarded by ETA. Ultimately, our analysis found that the extract from ETA was sufficient to use to select recipients for testing.

To assess recipient processes for compiling and reporting selected data for compliance with §1512 reporting requirements, we stratified the universe by program and found WIA grants were the highest dollar amount for the audit period. The majority of these funds were awarded using the WIA formula to the 57 states and territories to provide Youth, Adult, and Dislocated Worker employment and training activities. Of the 57 WIA formula grants, we then stratified the grants to focus on the top 5 dollar amounts awarded. Overall, we judgmentally selected two prime recipients based on funds awarded, the number of jobs created or retained, ETA monitoring, and recipient's location.

To review documentation supporting jobs created or retained and expenses, and to perform testing at the sub-recipient level, we judgmentally selected sub-recipients based on funds awarded, jobs created or retained reported, lack of formal monitoring and feedback from ETA officials.

Our sampling plan was designed to follow the RATB methodology for selecting the recipients using a judgmental approach. Because the grants were not statistically representative, our results and conclusions only pertain to the grants audited, and cannot be generalized to the universe of the 475 grants awarded by ETA.

### **Criteria**

We used the following to perform this audit:

- The American Recovery and Reinvestment Act, signed on February 17, 2009, provided a direct response to the economic crisis. It has three immediate goals, (1) create new jobs and save existing ones, (2) spur economic activity and invest

in long-term growth and (3) foster unprecedented levels of accountability and transparency in government spending.

- Title 2 CFR, Grants and Agreements provided OMB guidance to Federal agencies that helps ensure consistent and uniform government-wide policies and procedures for management of the agencies' grants and agreements.
- On June 22, 2009, OMB issued the first guidance (Memorandum M-09-21) specific to implementing the §1512 reporting requirements. Two supplements to M-09-21 were also published. Supplement 1 listed the programs subject to §1512 recipient reporting. Supplement 2 provided the Recipient Reporting Data Model—a set of specific instructions for completing the various data fields contained in FederalReporting.gov. On December 18, 2009, OMB issued updated guidance (memorandum M-10-08) that simplified the method recipients are to use for calculating and reporting estimated jobs.
- On March 22, 2010, OMB issued guidance (Memorandum M-10-14) clarifying which data elements require that data be limited to that quarter's activity and which should be reported cumulatively. The updated guidance also instructed recipients on when they should classify the §1512 report as "final."

**Appendix C****Acronyms and Abbreviations**

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EDD	State of California Employment and Development Department
Department	Department of Labor
ETA	Employment and Training Administration
LA CDD	City of Los Angeles Community Development Department
NYSDOL	New York State Department of Labor
New York City	New York City Department of Labor
OASAM	Office of Assistant Secretary for Administration and Management
OIG	Office of Inspector General
OMB	Office of Management and Budget
RATB	Recovery Accountability and Transparency Board
Recovery Act	American Recovery and Reinvestment Act of 2009
§1512	Section 1512 of the Recovery Act
San Diego County	San Diego County Workforce Partnership, Inc
Suffolk County	Suffolk County Department of Labor
WIA	Workforce Investment Act.

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## Appendix D

## Employment and Training Administration's Response

U.S. Department of Labor

Assistant Secretary for  
Employment and Training  
Washington, D.C. 20210

SEP 23 2010

MEMORANDUM FOR: ELLIOT P. LEWIS  
Assistant Inspector General for Audit

FROM: JANE OATES *Jane Oates*  
Assistant Secretary

SUBJECT: Response to Draft Report No. 18-10-002-03-390  
"Recovery Act: Data Quality in Recipient Reporting"

Thank you for the opportunity to respond to your draft report cited above. The Employment and Training Administration (ETA) has prepared responses to two recommendations noted in the audit report.

- **Recommendation 1:** *Instruct EDD to make full use of the correction period to ensure the reasonableness of data reported to FederalReporting.gov.*

ETA Response: Staff at the ETA Region 6 office contacted all of the American Recovery and Reinvestment Act (Recovery Act) grantees, including the California Employment Development Department (EDD). Grantees were contacted by e-mail on August 3, 2010, to acknowledge the timely submission of their Recovery Act Section 1512 Reports and to provide instructions on how to take full advantage of the opportunity to ensure reasonableness of data reported to FederalReporting.gov. In addition, ETA Region 6 staff had telephone conversations with many of its Section 1512 Recovery Act reporters, including the California EDD, to discuss actions to be taken during the continuous quality assurance period. On September 20, 2010, ETA Region 6 staff sent another e-mail to the California EDD to remind them about taking full advantage of the opportunity to ensure reasonableness of data reported to FederalReporting.gov.

- **Recommendation 2:** *Consult with OMB on the issuance of definitive guidance for a) sub-recipient and lower-tier sub-recipient reporting of jobs created or retained resulting from sub-awards; and b) the meaning of current OMB guidance that directs sub-recipients to report such data "to the maximum extent practicable."*

ETA Response: Through extensive discussions between ETA and the OIG on the issues of lower-tier reporting of jobs created and data, ETA has no further comment on this recommendation. We look forward to consulting with the Office of Management and Budget to seek the issuance of more definitive guidance to eliminate any ambiguity by recipients of Recovery Act funds in submitting required data.

Again, thank you for the opportunity to comment on the draft report prior to the OIG issuing the final report. If you have any questions, please contact Laura P. Watson at (202) 693-3961.



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**Appendix E**

**Acknowledgements**

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Key contributors to this report were Mark Schwartz, (Audit Director), Lisa LaRosa, Renata Hobbs, Charmaine Thorne, Eliacim Nieves-Perez, and Nadeem Afzal.

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