

Inspector General

United States
Department of Defense



U.S. Army Corps of Engineers
Data Quality Review Process
for Civil Work Programs

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Acronyms and Abbreviations

FAR	Federal Acquisition Regulation
OMB	Office of Management and Budget
PPA	Project Partnership Agreement
RATB	Recovery Accountability and Transparency Board
USACE	U.S. Army Corps of Engineers



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

October 30, 2009

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: U.S. Army Corps of Engineers Data Quality Review Processes
for Civil Works Programs (Memorandum No. D-2010-RAM-001)

The Recovery Accountability and Transparency Board requested this audit. This memorandum provides the results of our review of the U.S. Army Corps of Engineers data quality review processes for its Civil Works Programs for the quarter ended September 30, 2009, for data required by Public Law 111-5, "American Recovery and Reinvestment Act of 2009." We are making no recommendations, and no written response is required. Therefore, we are publishing this memorandum in final form. We will continue to review DOD's progress and issue subsequent memorandums that will discuss our evaluation of DOD's implementation of the Recovery Act.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5886 (DSN 329-5886).

Daniel R. Blair

Daniel R. Blair, CPA
Principal Deputy Assistant Inspector General
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Results in Brief: U.S. Army Corps of Engineers Data Quality Review Processes for Civil Works Programs

What We Did

Our objective was to determine whether the U.S. Army Corps of Engineers (USACE) had established processes to perform limited data quality reviews for its Civil Works Programs. These data quality reviews are intended to: (1) identify material omissions and significant reporting errors in recipient report data and (2) notify the recipients of the need to make appropriate and timely changes. The Recovery Accountability and Transparency Board requested that we perform this time-sensitive audit.

We reviewed USACE guidance and processes for performing limited data quality reviews of data reported by recipients of Federal contracts, grants, and partnership agreements funded by the Civil Works Programs authorized by the American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009. We compared the USACE processes for performing limited data quality reviews to the policy and guidance issued by the Office of Management Budget (OMB). In addition, we obtained USACE data on recipients registered and filing reports on www.FederalReporting.gov.

What We Found

USACE developed processes to perform limited data quality reviews for its Civil Works Programs. These reviews are intended to identify material omissions and significant reporting errors, and to notify Federal contract, grant, and partnership agreement recipients of the need to make appropriate and timely changes. Until OMB issued interim guidance

on September 30, 2009, there was no requirement for Federal agencies and departments to perform limited quality reviews of data submitted by Federal contractors. USACE took steps to inform recipients of Recovery Act funds of the requirement to register and submit the required reports. USACE developed a process to identify and assist recipients that had not registered before the October 1, 2009, reporting start date. USACE has plans to improve the completeness and accuracy of reports filed by recipients on www.FederalReporting.gov.

As of October 21, 2009, USACE reported that about one-third of all contract recipients had not registered, and recipients had not submitted a report on about one-half of the contracts awarded. As a result, the data reported on www.Recovery.gov for the quarter ending September 30, 2009, might contain material omissions or significant reporting errors, resulting in significant risk that the public may not be fully informed as to the status of a Recovery Act project or activity. Because of the reporting deadline for the audit, we did not make site visits to determine reasons for recipients not registering and submitting reports or evaluate the effectiveness of quality control reviews to identify material omissions or significant reporting errors.

Management Comments

We provided our memorandum to USACE on October 27, 2009. USACE provided technical comments, which we incorporated into the final memorandum as appropriate.

Introduction

Objective

Our objective was to determine whether the U.S. Army Corps of Engineers (USACE) had established processes to perform limited data quality reviews for its Civil Works Programs. These data quality reviews are intended to: (1) identify material omissions and significant reporting errors in recipient reported data and (2) notify the recipients of the need to make appropriate and timely changes. We performed this audit at the request of the Recovery Accountability and Transparency Board (RATB).¹ See Appendix A for a discussion of our scope and methodology.

Background

In passing the Recovery Act, Congress provided 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. The Recovery Act also provided unprecedented efforts to ensure the responsible distribution of funds for the Act's purposes and to provide transparency and accountability for expenditures so that the public would know how, when, and where Federal agencies and departments spent tax dollars. Further, the Recovery Act states that the President and the heads of Federal agencies and departments are to manage and expend the funds made available by the Act to achieve its purpose, which includes commencing expenditures for activities as quickly as possible, consistent with prudent management.

As shown on the following table, under the Recovery Act, Congress appropriated \$4.6 billion to USACE for the following Civil Works Programs: Investigations, Construction, Operations and Maintenance, Regulatory Program, Formerly Used Sites Remediation Action Program, and Mississippi River and Tributaries.

USACE Recovery Act Civil Works Programs

Programs	Amount (in thousands)
Investigations	\$25,000
Construction	2,000,000
Operations and Maintenance	2,075,000
Regulatory Program	25,000
Formerly Used Sites Remediation Action Program	100,000
Mississippi River and Tributaries	375,000
Total: USACE Recovery Act Civil Works Programs	\$4,600,000

¹ The Recovery Act established the RATB to coordinate and conduct oversight of the funds appropriated by the Act to prevent fraud, waste, and abuse.

As of September 30, 2009, USACE issued more than 2,750 contracts and modifications and 52 project partnership agreements (PPAs) and grants totalling \$2 billion.²

Recovery Act Reporting Requirements

The following guidance specifies the reporting 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 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. Individuals receiving direct payments from the Federal Government are not subject to the reporting requirements of the Recovery Act. The prime recipients of contracts, grants, or loans are required within 10 days of the end of each calendar quarter (first report due by October 10, 2009) to report the following information on the funds received:

- total amount,
- funds expended or obligated on projects or activities,
- description of projects or activities (to include completion status and estimated number of jobs created or retained by project or activity), and
- detailed information on any contracts or grants awarded to sub-recipients.³

OMB, working with the RATB, established a nationwide data collection system at www.FederalReporting.gov for recipients to report the information required by section 1512. The RATB will make the information reported by recipients available to the public at www.Recovery.com.

Federal Acquisition Regulation (FAR) Case 2009-009, American Recovery and Reinvestment Act of 2009 (the Recovery Act)—Reporting Requirements [Interim Rule], *Federal Register*, volume 74, number 60, March 31, 2009. The FAR issued the interim rule to implement section 1512 reporting requirements of the Recovery Act. Contracting officers are required to include a new clause, 52.204-11, in Federal solicitations and contracts funded in whole or in part with Recovery Act funds. FAR clause 52.204-11 requires contractors to register and report specific data using the online

² PPAs are cooperative agreements awarded to reimburse non-Federal sponsors, generally local government activities, for work performed on water-related environmental projects, such as restoration of wetlands, or protection or resource development projects, such as wastewater treatment and water supply distribution facilities.

³ The prime recipients of contracts, grants, or loans are responsible for reporting the detail information required by the Federal Funding Accountability and Transparency Act of 2006 on any sub-contract or sub-grant they award that exceeds \$25,000. The prime recipient can delegate this reporting responsibility to the sub-recipient of the contract or grant.

reporting tool available on www.FederalReporting.gov. The interim rule requires contracting officers to ensure that contractors comply with the reporting requirements of the FAR clause. However, the interim rules state that contracting officers are not responsible for validating report content, only for ensuring that the contractor submitted the required report. On August 25, 2009, the Civilian Agency Acquisition Council and the Defense Acquisition Regulation Council issued a *Federal Register* notice informing Federal contractors that they could start to register at www.FederalReporting.gov.

OMB Memorandum (M-09-21), “Implementing Guidance for the Reports on the Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009,” June 22, 2009. The memorandum transmits Government-wide guidance for carrying out the reporting requirements in section 1512 of the Recovery Act as it applies to recipients of grants, loans, tribal agreements, cooperative agreements, and other forms of assistance. In addition, the memorandum requires that Federal agencies and departments develop internal policy and procedures for reviewing reported data. The data quality reviews are intended to focus on two key data problems—material omissions and significant errors. The memorandum defines material omissions as instances where the recipient does not report the required data or the reported information is not responsive to the data requests, resulting in significant risk that the public is not fully informed as to the status of a Recovery Act project or activity. The memorandum defines significant reporting errors as those instances where a 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. However, OMB specifically excluded recipients of Federal contracts awarded under the Recovery Act from the provisions of the memorandum. The memorandum states that OMB would issue further guidance on reporting by Federal contractors.

OMB Memorandum, “Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 52.204-11,” September 30, 2009. The memorandum, issued less than 2 weeks before the first reports were available for review on October 11, 2009, provides Federal agencies and departments the information necessary to fulfill their responsibilities for ensuring that Federal contractors comply with FAR clause 52.204-11 reporting requirements. Agency and department personnel are required to review reported contractor data for consistency with contract award information, significant errors, and material omissions. The memorandum states that agency and department personnel are not expected to validate data for which they would not normally have supporting information, such as compensation information required of contractors. However, the reviewers should notify the contractor of any obvious significant error or material omission. The memorandum prescribes the following reporting and reviewing timelines in terms of days after the end of the calendar quarter.⁴

⁴ The reporting and reviewing timelines for recipients of Federal contracts are the same as those for recipients of grants and loans covered by OMB Memorandum M-09-21.

- Day 1-10: Contractors prepare and submit their reports to www.FederalReporting.gov.
- Day 11-21: Contractors review and make any corrections to data they or their sub-contractors report. Agencies may review the contractor's report, but the system will not provide agency reviewers the ability to comment until day 22.
- Day 22-29: The agency reviewer comments, if necessary, on the contractor reported data. The posting of the reviewer's comments will unlock the report for editing by the contractor. The reporting tool includes a review status indicator showing that the agency reviewed with no comments, reviewed with comments, or did not review contractor reported data.
- Day 30: The public can view contractor reports on www.Recovery.gov.

Audit Results

Since OMB issued OMB Memorandum (M-09-21) on June 22, 2009, and the interim guidance on September 30, 2009, USACE has developed processes to perform for its Civil Works Programs limited data quality reviews of data submitted by contract, grant, and PPA recipients as required by section 1512 of the Recovery Act. USACE took steps to inform recipients of Recovery Act funds to register and submit the required reports to www.FederalReporting.gov. In addition, USACE had developed a process to identify and assist recipients that had not registered before the October 1, 2009, reporting start date. However, as of October 21, 2009, USACE reported that in total about one-third of contract recipients had not registered, and recipients had not submitted a report on about one-half of the contracts awarded. USACE has plans to improve the completeness and accuracy of reports filed by recipients on www.FederalReporting.gov.

Recipient Notification

USACE took steps to inform recipients of Federal contracts, grants, and PPAs regarding the requirements and deadlines for registering and submitting reports to www.FederalReporting.gov. Specifically:

- On March 31, 2009, the USACE Directorate of Contracting notified its contracting activities to include the FAR clause 52.204-11 on contractor reporting requirements in Federal solicitations and contracts funded in whole or in part with Recovery Act funds.
- Headquarters, USACE, issued guidance on July 22, 2009, outlining requirements and timelines for recipients to register and submit reports to www.FederalReporting.gov. The guidance instructed USACE personnel to insert recipient reporting instructions in all Recovery Act contracts, grants, and PPAs and to work with recipients to begin registering on August 26, 2009. In addition, the guidance instructed subordinate organizations to review recipient report data and to communicate any required changes to the recipients.
- On September 4, 2009, USACE used its Recovery Act Web site to publish guidelines for prime and sub-recipients to follow in reporting information on www.FederalReporting.gov.

Processes

Registering Recipients

As required by FAR Case 2009-009, March 31, 2009, USACE developed a process to ensure that contractors registered on www.FederalReporting.gov. On September 16, 2009, USACE received the initial report of recipients registered on www.FederalReporting.gov. USACE used the information reported there to develop a

spreadsheet comparing contractors registered on www.FederalReporting.gov to the contractors awarded a Recovery Act funded contract as reported to the Federal Procurement Data System-Next Generation. On September 23, 2009, Headquarters, USACE, instructed subordinate organizations to use the spreadsheet located on the USACE SharePoint Web site to identify and assist contractors that had not registered. In addition, USACE created a spreadsheet to track daily progress made in registering contract recipients. However, USACE officials acknowledged that the contracting personnel responsible for assisting contractors in registering were at that time focused on completing contract awards before FY 2009 year-end. On October 5, 2009, Headquarters, USACE, reminded subordinate organizations of their responsibility to assist contractors in registering on www.FederalReporting.gov and to review and comment on the reported data. Because USACE does not report grants and PPA awards to the Federal Procurement Data System-Next Generation, USACE developed a separate spreadsheet to track registration by the sponsors of grants and PPAs. On October 4, 2009, Headquarters, USACE, notified subordinate organizations that they should follow up to ensure grant and PPA sponsors are registered.

Data Quality Review

Headquarters, USACE, has developed and provided its subordinate organizations with a process to assist in performing limited data quality reviews of reports filed by recipients on www.FederalReporting.gov. USACE had access to reports filed by recipients beginning October 11, 2009. On October 14, 2009, and again on October 19, 2009, Headquarters, USACE, issued instructions on the use of a data validation tool developed to assist contracting personnel in reviewing and validating data reported by contractors. The tool compared contract data from the Federal Procurement Data System-Next Generation to data reported by recipients on www.FederalReporting.gov. The tool generated reports that identified contract recipients that had not registered, recipients that had not filed a report on a contract award, and discrepancies in selected contract data elements reported in the two systems. The instructions stated that the validation tool was to complement, not to replace, the review of individual recipient reports. To conduct quality reviews of data reported by grant and PPA recipients, Headquarters, USACE, gave its subordinate organizations a spreadsheet showing data reported to www.FederalReporting.gov so that they could manually compare grants and PPAs.

Continuing Efforts

As of October 21, 2009, Headquarters, USACE, continued to work with subordinate organizations to get Federal contractors and grant and PPA sponsors to register and submit reports to www.FederalReporting.gov. In addition, USACE instructed subordinate organizations to review reported data for anomalies such as over- or understated jobs created based on contract award amount. However, as of October 21, 2009, USACE reported for the combined Civil Works and Military Programs that about one-third of contractors had not registered and contractors had not submitted a report on about one-half of the contracts awarded. As a result, the data reported on www.Recovery.gov for the quarter ending September 30, 2009, may contain material omissions or significant reporting errors, resulting in a significant risk that the public may not be fully informed as to the status of a Recovery Act project or activity. Going

forward, USACE officials stated that they would conduct an evaluation of the reporting and quality review processes to develop a list of lessons learned and actions needed to improve the completeness of recipient reports. In addition, USACE will continue to refine the data validation tool to assist the contracting personnel in their review and validation of reported data. Further, USACE plans to include a checklist to evaluate the effectiveness of the data quality reviews of recipient-reported data as part of the Recovery Act quarterly quality assurance review program.

Because of the reporting deadline established by the RATB for this audit, we did not visit USACE field organizations to determine why recipients did not register or submit reports. We also did not evaluate the effectiveness of quality control reviews to identify material omissions or significant reporting errors, and consequently, we are not making any recommendations. We will continue to review DOD's progress in implementing the Recovery Act, and we may conduct additional work on the adequacy of USACE's data quality reviews to identify material omissions and significant reporting errors in recipient data.

Appendix A. Scope and Methodology

This is the second in a series of memorandums on the Recovery Act. We conducted this audit from September through October 2009 with limited use of generally accepted government auditing standards. For this audit, we followed the standards of independence, supervision, sufficient evidence, and reporting. Due to the unique requirements of the Recovery Act, along with time limitations for planning and completing this audit, we did not fully comply with the fieldwork auditing standards of assessing fraud risk, reviewing internal controls, and identifying data and information system controls.

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 conclusions based on our audit objectives. We believe omitting the procedures described above did not limit our ability to conclude on the audit objective to determine whether USACE had established processes to perform limited data quality reviews intended to: (1) identify material omissions and significant reporting errors in recipient report data and (2) notify the recipients of the need to make appropriate and timely changes. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

We reviewed the policy and guidance issued by USACE for performing data quality reviews of recipient reported data. We interviewed personnel and performed a limited walk-through at USACE Headquarters to obtain an overview of actions taken and planned to ensure that recipients registered and submitted required reports. We also obtained information about USACE plans for responsible organizations to perform limited data quality reviews for identifying material omissions and significant reporting errors. We compared the USACE processes for performing data quality reviews to the policy and guidance issued by OMB. In addition, we obtained USACE data on recipients registered and filing reports on www.FederalReporting.gov. Because of the reporting deadline established by the RATB, we did not make site visits to USACE organizations to determine reasons for late registration and reporting by recipients or evaluate the effectiveness of the procedures for performing data quality reviews.



Inspector General Department of Defense