



NATIONAL  
ENDOWMENT  
FOR THE ARTS

**NATIONAL ENDOWMENT FOR THE ARTS  
OFFICE OF INSPECTOR GENERAL  
REPORT NO. ARRA-10-01**



**EVALUATION OF NEA OFFICE OF GRANTS  
AND CONTRACTS' PROCESSES TO  
CONDUCT LIMITED QUALITY REVIEWS OF  
RECOVERY ACT RECIPIENT REPORTING  
DATA**

**October 29, 2009**

**REPORT RELEASE RESTRICTION**

In accordance with Public Law 110-409, The Inspector General Act of 2008, this report shall be posted on the National Endowment for the Arts (NEA) website not later than three (3) days after it is made publicly available with the approval of the NEA Office of Inspector General. Information contained in this report may be confidential. The restrictions of 18 USC 1905 should be considered before this information is released to the public. Furthermore, information contained in this report should not be used for purposes other than those intended without prior consultation with the NEA Office of Inspector General regarding its applicability.

## Summary

This report presents the results of the Office of Inspector General's (OIG) evaluation of the National Endowment for the Arts (Endowment) Office of Grants and Contracts' (G&C) plan for ensuring Recovery Act<sup>1</sup> fund recipients submit accurate, complete, and timely data, as required by Section 1512 of the Recovery Act. On June 22, 2009, the Office of Management and Budget (OMB) issued guidance<sup>2</sup>, which states that starting October 22, 2009, Federal agencies are to perform limited data quality reviews of recipient information and notify the recipients of two key data problems, material omissions and significant reporting errors. Our evaluation objective was to determine whether the Endowment has established reporting and payment processes to perform such reviews. (See Exhibit A)

We found that G&C, which oversees the reporting and payment processes, have taken steps to effectively monitor whether Recovery Act recipients are complying with the Section 1512 reporting requirements. These steps range from performing data quality reviews to conducting outreach to recipients on specific reporting requirements. On September 22, 2009, G&C provided the OIG with written plans for reviewing recipient quarterly reports and processing payments.

Although the planned processes appear adequate to monitor recipient reporting and payments, it is too early to determine whether they will identify omissions and/or significant reporting errors. Therefore, we are making no recommendations. As part of our oversight of the Endowment's Recovery Act activities, we will continue to monitor and evaluate the process.

## Background

Section 1512 of the Recovery Act requires that not later than 10 days after the end of each calendar quarter, each recipient that received Recovery Act funds from a Federal agency submit a report to that agency to include the following: (1) total amount of funds received; and of that, the amount spent on projects and activities; (2) a list of projects or activities by name, including description, completion status, and estimates of the number of jobs created or retained and (3) details on sub-awards and other payments.

OMB guidance (M-09-21), dated June 22, 2009, further provides Federal agencies and funding recipients with information to effectively implement reporting requirements. It requires that prime recipients<sup>3</sup> submit their data to [www.FederalReporting.gov](http://www.FederalReporting.gov)<sup>4</sup>, the online Web portal for collecting all Recovery Act recipient reports effective October 10, 2009. The guidance also requires that 22 to 29 days after each quarter (e.g., October 22, 2009, to October 29, 2009), Federal agencies perform a limited data quality review of the submitted information and notify

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<sup>1</sup> American Recovery and Reinvestment Act of 2009, effective February 17, 2009

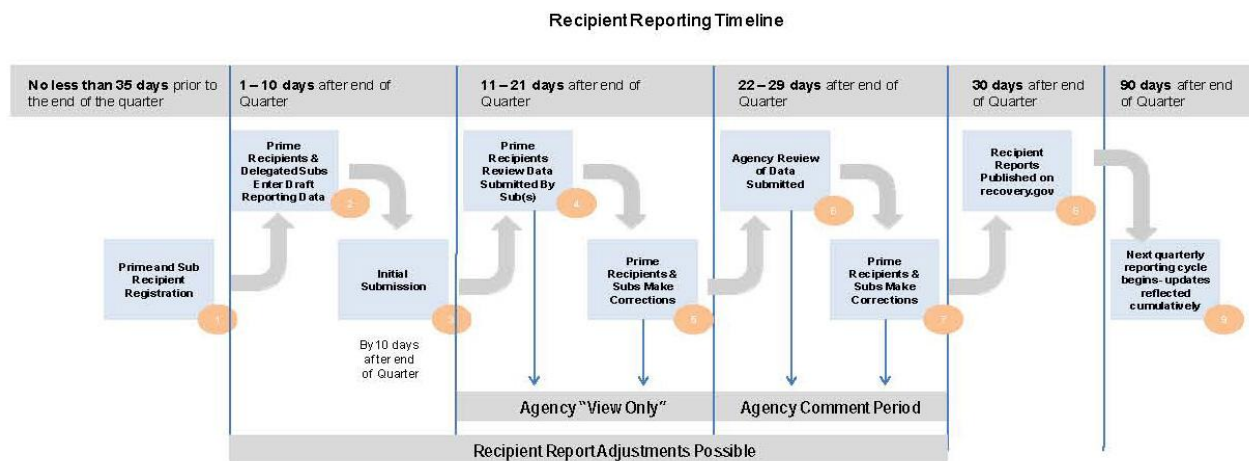
<sup>2</sup> OMB Memorandum, M-09-21, "Implementation Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009," dated June 22, 2009

<sup>3</sup> Prime recipients are non-Federal entities that receive Recovery Act funding as Federal awards in the form of grants, loans, or cooperative agreements directly from the Federal Government

<sup>4</sup> Reporting recipients and reviewing Federal agencies must be registered as authorized parties prior to submitting or receiving recipient reports on [www.FederalReporting.gov](http://www.FederalReporting.gov). Registration opened on August 17, 2009.

recipients of two key data problems, material omissions and significant reporting errors (see Reporting Timeline below). Federal guidelines issued by OMB, September 30, 2009<sup>5</sup>, define material omissions as data that is not responsive to a specific data element. They also define significant errors as data that is not reported accurately and whereby such erroneous reporting could result in a significant risk that the public will be misled or confused by the report.

No later than 30 days following the end of the quarter (e.g., October 30, 2009), the detailed recipient reports will be made available to the public on the www.Recovery.gov website.



Source: Office of Management and Budget, M-09-21, June 22, 2009

### Office of Grants and Contracts Has Processes in Place to Conduct Data Quality Reviews

G&C has been proactive in assisting recipients in meeting the Recovery Act reporting requirements and deadlines. For example, all recipients were alerted via email of registration and reporting requirements and the staff conducted telephone conferences to further clarify reporting requirements. In addition, significant reporting information is available on the Endowment’s Recovery website.

We were informed that dedicated trained staff for the payment and reporting processes (Reporting Team) will conduct data quality reviews of recipient data, notify recipients of errors, and address systemic or chronic reporting issues when data becomes available. The process will include steps to:

- determine whether the recipient provided accurate data elements,
- verify funds received/invoiced to related expenditures,

<sup>5</sup> Memorandum for Chief Acquisition Officers Senior Procurement Executives, dated September 30, 2009

- determine whether FTE calculations are reasonable based on draw downs and positions supported,
- conduct a 100% review of recipient data for the October 2009 reporting, and
- continue to provide outreach to recipients

## **EXHIBIT A: OBJECTIVES, SCOPE, AND METHODOLOGY**

The objective of this evaluation was to determine whether the Endowment had established a consistent process to perform limited data quality reviews intended to identify material omissions and/or significant reporting errors. In addition, we assessed whether procedures were in place to timely notify recipients of the need to make the appropriate corrections. Specifically, the OIG:

- Coordinated with the Recovery Accountability and Transparency Board<sup>6</sup> and Office of the Inspectors General at Health and Human Services, and Agriculture; to develop a structured review guide that included the audit objective, scope, and audit approach.
- Interviewed Grants Office officials to obtain an overview of the actions taken to date to develop, document, and implement internal controls for performing limited data quality reviews of Recovery Act recipient data pursuant to Section 1512 of the Recovery Act and OMB Memorandum M-09-21; and
- Obtained and analyzed written policies and procedures for reviewing quarterly Recovery Act data pursuant to OMB Memorandum M-09-21 (Section 3.12).

Based on the results of our work to date, it is too early to determine whether the processes will adequately identify omissions and significant reporting errors. Consequently, we could not evaluate the effectiveness of the processes.

We conducted this evaluation before the October 10, 2009 recipient reporting deadline in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspections.

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<sup>6</sup> The Recovery Accountability and Transparency Board was created by the American Recovery and Reinvestment Act of 2009 with two goals: (1) to provide transparency in relation to the use of Recovery-related funds, and (2) to prevent and detect fraud, waste, and mismanagement. Twelve Inspectors General from various Federal agencies serve with Chairman Earl E. Devaney. The Board issues quarterly and annual reports to the President and Congress, and if necessary, "flash reports" on matters that require immediate attention.