



NATIONAL
ENDOWMENT
FOR THE ARTS

**NATIONAL ENDOWMENT FOR THE ARTS
OFFICE OF INSPECTOR GENERAL
REPORT NO. ARRA-10-02**



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

April 16, 2010

REPORT RELEASE RESTRICTION

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Summary

This report presents the results of the Office of Inspector General's (OIG) second evaluation of the National Endowment for the Arts (Endowment) Office of Grants and Contracts' (G&C) process for ensuring Recovery Act¹ 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 guidance², 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. Subsequent to this review, OMB issued additional guidance³ which included administrative/technical errors as a third key data problem. Our evaluation objective was to determine the effectiveness of the Endowment's data quality review process and evaluate the accuracy of recipient data reported to www.FederalReporting.gov (See Exhibit A),

Our review determined that G&C's process for performing limited quality data reviews was generally effective for detecting and correcting material omissions and/or significant errors of recipient data reported to www.FederalReporting.gov. However, based on the information we reviewed we could not verify the accuracy of the full-time equivalents (FTEs) calculations reported by the recipients. Therefore, we recommend that G&C strengthen its guidance on FTEs calculations (jobs saved and/or retained) and revise its personnel activity report template to include (1) the number of hours worked by employees during the period, (2) the number of hours considered full-time by the organization and (3) detailed instructions on how to calculate the FTEs. We also recommend that G&C periodically conduct judgmental samplings of personnel activity reports to verify accuracy of FTEs calculations.

Subsequent to our review, G&C revised its personnel activity report template to include the recommended data elements above and agreed to periodically conduct judgmental samplings of personnel activity reports to verify the accuracy of FTEs calculations.

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 submits a report to www.FederalReporting.gov to include the following information:

- total amount of recovery funds received;
- the amount of recovery funds received that were expended or obligated to projects or activities;

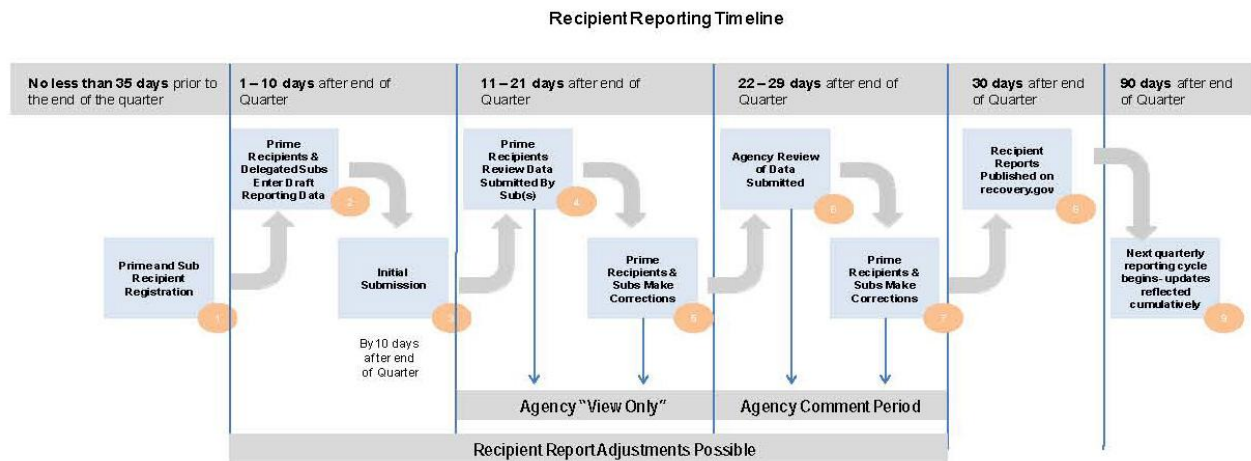
¹ "American Recovery and Reinvestment Act of 2009," effective February 17, 2009.

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

³ OMB Memorandum M-10-14, "Updated Guidance on the American Recovery and Reinvestment Act," March 22, 2010.

- a detailed list of all projects or activities for which recovery funds were expended or obligated (name, description, evaluation of completion status, estimate of number of jobs created and/or retained - reported as FTEs); and
- detailed information on any sub-grants awarded by the recipient to include data elements for amounts of \$25,000 or greater.

OMB also provided guidance in M-09-21 and M-10-14, to assist prime recipients, sub-recipients and awarding agencies implementing Section 1512 reporting requirements. The following milestones in the table below were established for the reporting and reviewing of recipient data.



The guidance further requires agencies to develop internal policies and procedures for reviewing reported data. At a minimum, agencies should review report elements for compliance, accuracy, and consistency with Federal award data. The reviews should focus on identifying material omissions, significant reporting and/or administrative/technical errors which are defined below.

- Material omissions are defined as a failure of a Federal ARRA award recipient to report as required by the terms of their award. They may also include data in a report that is not responsive to a specific data element.⁴
- Significant errors are defined as instances where the recipient did not make the requested correction(s) for the current reporting period, or submit a reasonable explanation of why the data was not incorrect.
- Administrative/technical errors are defined as matters that include, but are not limited to, inadvertent deactivation of reports, duplicate reports, unlinked reports or reports to be

⁴ 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.

deactivated, or technical issues relating to a record identifier. This error type was added by OMB on March 22, 2010, subsequent to our review.

To comply with OMB requirements, the G&C created a team consisting of five staff focusing specifically on Recovery Act activities and performing data quality reviews. G&C also developed guidance and provided training to staff on verifying reported data, assessing its reasonableness, and identifying and tracking discrepancies.

In our prior report on data quality, Report No. ARRA 10-01, dated October 29, 2009, we determined that G&C's planned process appeared adequate to monitor recipient reporting and payments; however, it was too early in the process to determine whether they would identify material omissions and/or significant reporting errors. As part of our continuing oversight of the Endowment's Recovery Act activities, we conducted a follow-up review to determine the effectiveness of G&C's process now that two reporting cycles have closed.

Guidance on FTEs Calculation Needs Strengthening

We determined that G&C's process for performing limited quality data reviews was generally effective for detecting and correcting material omissions and/or significant errors of recipient data reported to www.FederalReporting.gov. However, we also determined that the agency's guidance to recipients on FTEs calculation needs strengthening.

One of the key data elements required for the quarterly report is the estimated number of jobs created or retained by the Recovery Act. OMB Memorandum M-10-08 provides guidance on calculating the estimate number of jobs, expressed as "full-time equivalents" (FTEs). To calculate FTEs, the number of actual hours worked in funded jobs, in whole or in part, should be divided by the number of hours "representing a full-time work schedule for the kind of job being estimated." Practices may vary among organizations as to the number of hours or activities considered full-time. The FTEs should then be adjusted to count "only the portion" funded by the Recovery Act. The guidance does not provide for specific documentation requirements to justify the estimates. However, NEA requires recipients to maintain time and effort reports for all ARRA grant approved salaried positions in its Special Terms and Conditions.

During our review, we judgmentally requested documentation from five recipients to support the number of FTEs reported. The documentation provided did not include the total number of hours considered full-time during the quarter. Therefore, we could not verify the accuracy of the calculations for the reported FTEs.

We also noted the following discrepancies:

- hours used in the calculation of FTEs did not reconcile to the payroll records;
- personnel activity reports did not include the distribution of time spent on ARRA and/or other activities;
- the number of jobs reported were understated or overstated;

- the number of full-time hours used to calculate FTEs could not be verified; and
- fundraising activities were reported as part of the FTEs calculation.

Based on our findings, we recommend that G&C:

1. Strengthen its guidance on FTEs calculations and revise its personnel activity report template to include (1) the number of hours worked by employees during the period, (2) the number of hours considered full-time by the organization and (3) detailed instructions on how to calculate the FTEs.
2. Periodically conduct judgmental samplings of personnel activity reports to verify the accuracy of FTEs calculations.

Management Response

An exit conference was held with G&C on Monday, April 12, 2010. G&C concurred with our recommendations and have revised the personnel activity report to include (1) the number of hours worked by employees during the period, (2) the number of hours considered full-time by the organization and (3) references to guidance on how to calculate FTEs for the quarterly report. In addition, G&C has agreed to periodically request, on a judgmental basis, personnel activity reports to verify the accuracy of FTEs calculations.

EXHIBIT A: OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this evaluation was to determine the effectiveness of the Endowment's data quality review process and evaluate the accuracy of recipient data reported to www.FederalReporting.gov. G&C provided the OIG with a complete listing of all organizations receiving ARRA funding; a total of 699. From the listing, we randomly selected 10% or 70 recipients for testing. We obtained a copy of the recipient's January 2010 quarterly report from www.FederalReporting.gov and verified all data fields to recipient data extracted from the Endowment's Grant Management System (GMS). Additionally, we performed the following activities:

- reviewed relevant OMB and Agency guidance for recipient reporting and agency reviewing requirements;
- verified the DUNS information to Dun & Bradstreet, Inc. Small Business Solutions website;
- ensured reports were filed timely;
- verified data fields were completed and accurately reported;
- assessed whether amounts received and expended seemed reasonable based on payment requests;
- interviewed G&C officials responsible for performing data quality reviews of recipient data;
- analyzed the Endowment's written guidance for reviewing quarterly Recovery Act data pursuant to OMB Memorandum M-09-21, Section 3.12;
- reviewed recipient personnel activity reports and payroll records (This is not part of the G&C quarterly review process.); and
- interviewed recipient officials to determine methods used to calculate FTEs.

To evaluate the accuracy of the reported data, we judgmentally selected personnel activity reports, payroll records and other supporting documentation from five of the 70 sampled recipients. We reviewed this information to determine whether the number of funded jobs reported (FTEs) in www.FederalReporting.gov were consistent with OMB requirements.

We conducted our evaluation fieldwork during February 10 - March 19, 2010, in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspections.