

RECOVERY ACCOUNTABILITY
AND TRANSPARENCY BOARD
2011 ANNUAL REPORT





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Message from the Chair

On behalf of the Recovery Accountability and Transparency Board (the Board), I am pleased to provide this annual report on its accomplishments and activities during 2011. In carrying out our mission as defined by Congress, we continued to enhance transparency and accountability for all Recovery Act spending.

In December 2011, I was honored to be asked by President Obama to be the new chair of the Board, replacing former Inspector General Earl E. Devaney, who retired after nearly 40 years of service to this Nation, the last three at the helm of the Board. Ensuring effective oversight, accountability, and transparency involving Recovery Act dollars was the hallmark of the Board's work under Chairman Devaney, and it is one that I intend to continue.

Throughout 2011, our focus was on improving and enhancing our operations in order to become an even more effective example of open government and innovation in the federal government. We listened carefully to the views of the Executive Branch, Congress, the general public, and the Recovery Independent Advisory Panel and pursued further development of Recovery.gov and our reporting vehicle, FederalReporting.gov. For example, over the last year, the Board:

- Implemented reforms to allow Recovery Act funding recipients to review and update quarterly spending reports in real time in order to provide a more accurate accounting of expenditures. This resulted in improved quality of reported data available to American taxpayers on Recovery.gov.
- Provided details on Recovery Act-sponsored tax benefits and entitlement payments on

Recovery.gov, which continues to attract thousands of visitors each week.

- Created iPhone and iPad applications to provide taxpayers with easy access to maps and data on Recovery Act projects.

- Added the Recovery Explorer to Recovery.gov, which offers taxpayers the ability to create and customize charts and graphs of reported data, including Recovery Act expenditures and jobs created at the state, congressional district, county, and city levels.

Over the last year, the Board continued to employ our Recovery Operations Center, or ROC, to assist Inspectors General (IGs) and other law enforcement entities in tracking Recovery Act funds and their recipients. ROC analysts use sophisticated software tools, government data sets, and open source information to search for questionable connections and fraud in Recovery Act-funded programs. Our findings have been forwarded to IGs for further investigation or audit, or to program officials for action. For example, by analyzing data from the Veterans Benefits Administration and the Social Security Administration, we identified thousands of veterans who were claiming dependents who were dead.

We also identified more than 400 Recovery Act recipients that had previously been terminated for default by federal agencies but had falsely certified that they had not been terminated. Subsequently, the General Services Administration (GSA) determined that 98 of the recipients *(continued on page 2)*





(continued from page 1) identified had had their terminations for default status erroneously reported to the Federal Procurement Data System (FPDS) by GSA. The 98 were removed from FPDS by GSA. The remaining 302 organizations had been awarded more than \$131 million in Recovery Act funds.

We launched an information technology system that provides the IG community and federal agencies the capability to quickly review data for adverse information on existing or potential recipients of Recovery Act contracts, grants, and loans.

Early on, the Board decided to leverage the investigative and audit work of the 29 IGs responsible for the oversight of Recovery Act funds. An integral part of the Board's accountability program, the IGs are vigorous in their efforts to prevent and detect fraud, waste, and abuse in the Recovery program. Over the past three-year period, the IGs have conducted investigations and performed audits, inspections, and reviews that ensure agency compliance with Recovery Act requirements and determine the effectiveness of management internal controls, financial systems/processes, and agency Recovery programs.

From February 2009 through December 2011, the IGs opened more than 1,800 Recovery-related investigations and helped prosecutors obtain 346 convictions. Additionally, IG audit teams conducted 1,945 audits, inspections, evaluations, and reviews and issued almost 2,073 reports on Recovery activities.

The Board has worked closely with the Government Accountability and Transparency Board (the GAT Board), of which I am a member. Created by Executive Order in June 2011, the GAT Board issued a report in December containing recommendations that would apply the approaches developed by the Board to all federal spending. That kind of thinking is contained in the Digital Accountability and Transparency Act, or DATA bill, which would mandate the collection and

display of all federal spending on a single public website. The DATA bill, approved by the House, awaits Senate action.

The establishment of the Board changed the way the federal government oversees taxpayer money once it goes out the door. Although we believe that we have met the transparency and accountability mandates given to the Board, we cannot rest on our success. That is why we are constantly looking to improve our operations and work with our partners in the IG community, federal agencies, and state and local government to help ensure that Recovery Act funds are not stolen or wasted. As those charged with overseeing more than \$800 billion in Recovery Act funds, we will continue to do all we can to protect these vital funds from fraud, waste, and abuse, and improve our transparency efforts to give the American people the clearest picture possible of how their hard-earned tax dollars are being used.

Kathleen S. Tighe
Chair



The Board

In 2011, the Recovery Accountability and Transparency Board consisted of 12 Inspectors General led by Chairman Earl E. Devaney.

Mission Statement

To promote accountability by coordinating and conducting oversight of Recovery funds to prevent fraud, waste, and abuse and to foster transparency of Recovery spending by providing the public with accurate, user-friendly information.

Board Members - 2011

Earl E. Devaney - Chairman

The Honorable Calvin L. Scovel III, Vice Chairman	The Honorable Daniel Levinson
The Honorable Phyllis K. Fong	The Honorable Eric M. Thorson
The Honorable Todd J. Zinser	The Honorable Kathleen S. Tighe
The Honorable Gregory H. Friedman	Mary L. Kendall
The Honorable J. Russell George	Charles Edwards
The Honorable Gordon Heddell	Cynthia Schnedar

Board Committees - 2011

Recovery.gov Committee

The Honorable J. Russell George
- Chair

The Honorable Todd J. Zinser
The Honorable Daniel Levinson
The Honorable Gordon Heddell

Board Staff: Michael Wood

Accountability Committee

The Honorable Kathleen Tighe
- Chair

The Honorable Gregory H. Friedman
Cynthia Schnedar
Charles Edwards

Board Staff: Donald Cox

Recovery Funds Working Group

Mary L. Kendall
- Chair

The Honorable Calvin L. Scovel III
The Honorable Phyllis K. Fong
The Honorable Eric M. Thorson

Board Staff: Cynthia Williams



Transparency - The Mission

Text A* A* A* Google Translator RSS Feeds

RECOVERY.GOV
TRACK THE MONEY

Recovery.gov is the U.S. government's official website providing easy access to data related to Recovery Act spending and allows for the reporting of potential fraud, waste, and abuse

REPORT FRAUD, WASTE & ABUSE

Connect With Us [Facebook] [Twitter] [YouTube] [LinkedIn] [Blog]

All of Recovery.gov Search Go

Looking For? Home About Accountability Where is The Money Going? Opportunities News FAQs & Resources Contact Us

WHAT IS RECOVERY.GOV?
This website was created under the Recovery Act to show the American public how Recovery funds are being spent by recipients of contracts, grants, and loans, and the distribution of Recovery entitlements and tax benefits. [Get Started >>](#)

OVERVIEW OF FUNDING
The American Recovery and Reinvestment Act of 2009 distributes funds in three ways. Since its enactment in February 2009, \$720.1B has been paid out.

Tax Benefits	298.5B
Contracts, Grants and Loans	207.3B
Entitlements	207.3B

Source | Text View of Funding As of 09/30/2011

FUNDING FOR FEDERAL CONTRACTS, GRANTS AND LOANS
February 17, 2009 – September 30, 2011
Based on Funds Available \$0 to \$24

Roll over map to see Recovery data. Click on a state for more details. Territories

Source | Text View of Map Data As of 09/30/2011

See Projects in your Neighborhood [ZIP] Go

MAP GALLERY

FEATURED STORIES
Recovery Funding Boosts Research And Development Spending
More than two-thirds of the reported \$3.9 billion increase in university R&D spending in 2009-10 was paid for by Recovery funds. [Read more about Recovery boosting R&D spending >](#)

RECIPIENT SEARCH
Recipient Name Go

RECOVERY FUNDED JOBS REPORTED BY RECIPIENTS

RECOVERY TWITTER
@RecoveryDotGov
Argonne Receives \$3M to Create Cheaper Magnets
1.usa.gov/vMSNz #ARRA @argonne
@RecoveryDotGov
Argonne Receives \$3M to Create

Homepage, Recovery.gov

The Board has been at the forefront of the growing movement toward greater transparency in how federal funds are being spent. In 2011, the Board raised the standard for transparency by implementing an essential change to the recipient reporting process and by adding a range of enhancements to Recovery.gov to give the public more tools to see how their tax dollars were being spent.

At the close of 2011, the Board had

successfully collected and displayed all recipient-reported data on contract, grant, and loan awards made under the American Recovery and Reinvestment Act of 2009 (the Recovery Act) for ten quarters. The overwhelming majority of recipients continued to report quarterly on their use of funds as required by the Recovery Act, with the number of non-compliers significantly decreasing since the first reporting cycle in October 2009.



Recipient Reporting

The Act mandates that recipients of Recovery awards report quarterly. At the end of 2011, data on more than 270,000 Recovery awards had been submitted by recipients directly to FederalReporting.gov, the Board's inbound data collection website. On the 30th day following the start of quarterly reporting – and only 20 days after reporting has completed – the recipient data is transferred directly from FederalReporting.gov to Recovery.gov, the Board's public-facing, or outbound, website, where it is displayed in charts and maps.

As a result of several changes the Board made to FederalReporting.gov, the Board believes that the data being collected from recipients is of the highest quality. One of the changes the Board made was to extend the quality assurance period after the reporting cycle ended to provide more time for agencies to review reports and recipients to make corrections. Recipients can now make changes to their reports up to approximately two weeks before the start of the next reporting period.

The Board also instituted the Automated Data Change (ADC) Request Module that allows recipients, agencies, the Office of Management and Budget (OMB), and Board staff to request changes to reports and to link reports submitted in quarters other than the most recent one. The ADC also provides a

process for deactivating duplicate reports, changing a report's business key, updating a project's status, marking a report as final, and reflagging reports incorrectly marked as final.

The ADC system allows recipients and agencies to submit change requests directly to FederalReporting.gov. Each request is then evaluated and reviewed by the awarding agency and the Board, both of which have the ability to approve or deny the request. If approved, the change is relayed to FederalReporting.gov and the report is corrected. To maintain a complete record of all reports, each data change is catalogued and an audit trail is created. No data is overwritten.

Change requests may be denied because the recipient or agency is asking to update non-critical data from prior quarters. Since reporting is cumulative, those changes are not necessary; all data can be updated during the next reporting period. Requests to change jobs numbers are also denied per OMB guidance, which specifically disallows changes to the jobs field. A change request will also be denied if the request reason is too vague.

The system includes workflow tracking to ensure that the change request is not lost in the review process. Since the ADC was implemented in April 2011, the Board received 4,535 change requests and processed 3,225.

(continued on page 6)



(continued from page 5) As the quality of the recipient reports has improved, the number of non-compliers has also dropped significantly since the first rounds of reporting. After the first reporting period, OMB provided the Board with a list from federal agencies identifying 4,359 prime awards that should have been reported on by prime recipients but were not. For the quarter ending December 31, 2011, there were a total of 418 awards not reported on by prime recipients – less than half a percent of total. Thirty-four of the 418 awards had not been reported on for two or more reporting cycles and only nine had not been reported on for three or more cycles since October 2009. The Board continues to publicly display on Recovery.gov detailed information on non-compliers.

Recovery.gov

To improve transparency of Recovery spending data, the Board partnered in 2011 with Smartronix, Inc. — the main contractor for Recovery.gov — and with Geospatial Information Systems (GIS) mapping software company Esri to build iPhone and iPad applications based on the recipient data. The free applications were made available in the iTunes store last spring. The apps give the public easy access to maps and details of Recovery Act projects across the (continued on page 8)

Recovery IGs in Action

PHASE THREE AUDIT PLAN Office of Inspector General Department of Defense

Audit teams conducted audits on Recovery Act projects from all three Military Departments. The teams identified that the Department of the Navy lacked a comprehensive strategy and implementation plan to outline the energy program management structure, align resources with legislative energy goals, and identify specific tasks, metrics, and responsibilities for meeting those goals. The audits also identified a lack of proper planning for all projects, and included findings that officials did not:

- have sufficient documentation to support savings-to-investment ratios or simple payback calculations;
- conduct appropriate research and studies to ensure project viability;
- include all costs to complete the project;
- consider all environmental impacts;
- distribute approximately \$1.2 million in Recovery Act funds in a timely manner;
- provide adequate oversight for Recovery Act contracts.

Further, the audits found that officials:

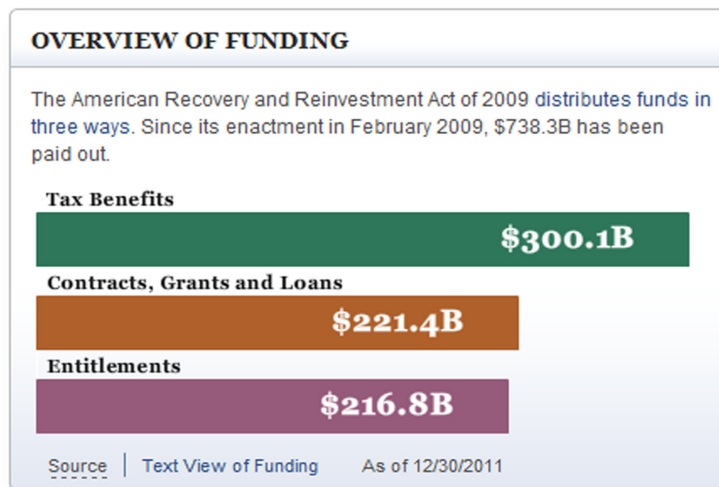
- misinterpreted the Recovery Act and did not select projects that were cost effective, as required by federal legislation and DOD policy;
- prematurely awarded contracts before research on geothermal projects began.

As a result of these audits, DOD took important corrective action, including cancelling five projects valued at \$16.6 million, and implementing significant action to improve the integrity, efficiency, and effectiveness of the energy program.



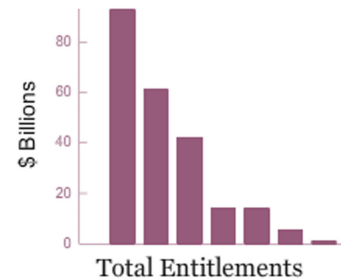
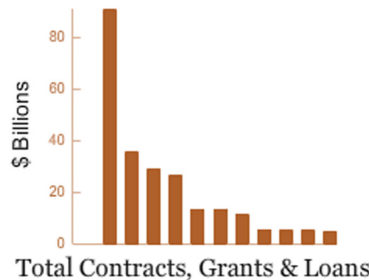
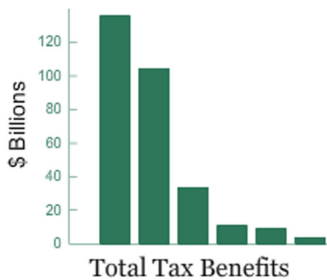
Recovery Act Funding Overview

In May 2011, the Board created the Overview of Funding on Recovery.gov that provides breakdowns of Recovery funding for tax benefits; entitlements; and contract, grant, and loan awards on the bar chart on the home page. Within the three categories are further breakdowns accessed from the home page. For example, under contracts, grants, and loans, subcategories such as education, health, energy, and transportation are displayed.



Overview of Funding detail, Recovery.gov

Breakdown Of Funds Paid Out



Breakdown of Funds Paid Out detail, Recovery.gov

In conjunction with the OMB, the Board made the decision to increase the estimated Recovery Act tax benefit; entitlement; and contract, grant, and loan expenditures shown on Recovery.gov from \$787 billion to \$840 billion. The increase brought the expenditure estimates in line with the President's 2012 budget and with the scoring changes made by the Congressional Budget Office since the enactment of the Recovery Act in February 2009.



(continued from page 6) country and down to local communities. Using a mobile device, citizens can also provide the Board with feedback about the projects. The applications were later named Mobile Apps of the Year by the Government Technology Research Alliance.

To give citizens even more detailed and varied access to the data, the Board added two important enhancements to Recovery.gov. In June 2011, the Recovery Explorer tool was

launched, giving users the ability to drill down into the data by selecting from 5 measures and 15 filters, including funds awarded by state, project status, award type, and spending category to see the data by individual recipients, cities, counties, and congressional districts. Once users have selected the filters and measures, they can create their own charts and graphs showing the data, which can also be exported to an Excel spreadsheet.

In August 2011, the Board introduced the Recipient Profile pages that summarize and display all the data about each prime and sub-recipient, including the total number of awards, total amount received, and the jobs by quarter. In addition to providing more transparency about the recipients, the profiles offer an opportunity for recipients and agencies to verify that the data is correct; if it is not, recipients can then go to FederalReporting.gov to make necessary changes.

From its inception in February 2009, Recovery.gov has displayed extensive and comprehensive data on Recovery contract, grant, and loan awards. In response to recommendations made by the Independent Advisory Panel in February 2011, the Board created the Overview of Funding section to display data not only on the contract, grant, and loan awards, but also on the tax benefits and entitlements available under the Recovery Act.

Recovery IGs in Action

UNSUPPORTED COSTS; INCOMPLETE REPORTS Office of Inspector General Department of Transportation

The Federal Highway Administration's (FHWA) national review teams independently assessed states' management of the more than 12,000 ARRA-funded highway infrastructure projects. DOT-OIG reported that while the national review teams' reports yielded useful data, the reports were not timely and complete, and teams did not properly record corrective actions in FHWA's Recovery Act Database System. Without comprehensive reports and target action dates, FHWA could not ensure corrective actions were identified and taken. FHWA's limited analysis of the teams' results failed to identify national trends, emerging risks, and weakness in its risk response strategies. Since DOT-OIG reported these vulnerabilities, FHWA has taken actions to enhance its national oversight capabilities.



This section, accessed directly from the Recovery.gov home page, first shows the cumulative totals paid out in the three overall Recovery categories — tax benefits; entitlements; and contracts, grants, and loans. The section then breaks down the categories by program. The Overview of Funding also links to Inspectors General reports on the management of the tax benefits and entitlements.

With the development of the Overview of Funding section, and in collaboration with OMB, the Board made the decision to increase the estimated total expenditures of Recovery tax benefits; entitlements; and contracts, grants, and loans shown on Recovery.gov from \$787 billion to \$840 billion. The increase brought the estimates in line with the President’s 2012 budget and with the scoring changes made by the Congressional Budget Office since the enactment of the Recovery Act in February 2009.

Social Media and Awards

The Board increased its engagement with the public through social media, including Twitter, Facebook, YouTube, the Recovery blog, and Flickr. To expand efforts to inform the public about Recovery projects and Board activities, the Board developed the Month-in-Review, an email update that interested users can subscribe to for the latest information on Recovery projects, recent Inspector General audit reports,

Board activities, and agency news releases. At the end of 2011, there were approximately 47,600 subscribers to the Month-in-Review; approximately 17,000 Twitter followers, up from 6,000 in 2010; and 5,000 “Likes” on the Board’s Facebook page, up from 4,000 in 2010.

Finally, Recovery.gov added to its collection of awards the Outstanding Website and Government Standard of Excellence, both from the Web Marketing Association.

Awards Won by Recovery.gov

- 2011 Outstanding Website, WebAward - Web Marketing Association
- 2011 AME (Advertising Marketing Effectiveness) Finalist
- 2011 Government Standard of Excellence, IAC - Web Marketing Association
- 2011 Official Honoree, Financial Services category - Webby Awards
- 2010 Gold Addy Award from the Ad Club of Metropolitan Washington
- 2010 Official Honoree, Financial Services - Webby Awards
- 2010 Silver - Gold Screen Award from the National Association of Government Communicators
- 2010 Award of Distinction - The 16th Annual Communicator Awards
- 2010 Outstanding Website - Web Marketing Association
- 2010 Government IT Innovators Award - InformationWeek
- 2009 Merit Award - Meritalk



Accountability - Partnering for Progress

The Board's other primary mission — accountability — is the central focus of the Recovery Operations Center (ROC), which works in partnership with the 29 Inspectors General whose agencies received Recovery monies to keep a watchful eye on the \$840 billion in Recovery spending. This collaboration has paid remarkable dividends, the most important of which has been the relatively low level of fraud in Recovery Act programs.

As of December 31, 2011, a little more than half a percent of the reported 274,194 prime and sub-recipient awards had open investigations. Oversight data collected by the Board from the IGs reveals that after a preliminary review by the IGs, approximately 500 of the nearly 3,000 investigations involving Recovery awards were closed without further action and cases from nearly 600 investigations were referred for prosecution or agency resolution.

Additionally, the IGs have reported 346 convictions, many of them Social Security fraud cases – important but accounting for relatively small dollar amount losses. Total Recovery funding losses associated with the

346 convictions totaled \$9.1 million, a very small percentage of the estimated \$840 billion in Recovery expenditures.

The work of the IGs in overseeing the management of Recovery funds has gone forward even as the last of the stimulus spending continues to be distributed to the final recipients. As of December 2011, there were 102,674 prime recipients and 171,520 sub-recipients of contract, grant, and loan awards, with 56.6 percent reporting completed



The Recovery Board meeting with the new Chair, Kathleen S. Tighe

projects and 39.7 percent with projects that were ongoing, leaving 3.7 percent with projects not yet started.

Inspectors General have concentrated their audits on internal and financial controls of high-risk programs. *(continued on page 12)*



Audit and Investigative Data Cumulative 2009 - 2011

Agency IG	Total Work Products Issued (Audits, Evaluations, Inspections, and Reviews)	Cumulative Complaints	Whistleblower Allegations Received	Active Investigations	Investigations Closed Without Action	Convictions, Pleas, Judgments
Agriculture	96	60	6	101	36	19
Amtrak	5	1	0	3	1	0
Commerce	19	60	6	8	15	0
CNCS	21	9	0	1	2	1
Defense	152	100	0	31	24	0
Education	60	1,115	102	139	0	43
Energy	72	516	27	75	31	5
EPA	717	79	0	23	69	0
FCC	3	35	0	30	0	0
General Services Administration	105	14	0	53	33	0
Health and Human Services	260	125	8	15	23	0
Homeland Security	18	0	0	0	0	0
Housing and Urban Development	185	48	0	50	19	15
Interior	91	90	2	14	80	0
Agency for International Development	2	0	0	0	0	0
Justice	49	25	1	8	10	0
Labor	29	353	0	256	9	46
NASA	7	10	0	6	7	0
National Endowment for the Arts	7	14	0	0	0	0
National Science Foundation	22	42	0	16	30	0
Railroad Retirement Board	2	0	0	135	12	18
Small Business Administration	31	29	0	32	3	0
Smithsonian Institution	2	0	0	0	0	0
Social Security Administration	26	25	0	574	27	159
State	25	4	1	0	1	0
Transportation	16	424	8	61	60	1
Treasury	9	17	0	4	1	0
Treasury IG for Tax Administration	34	43	0	27	5	0
Veterans Affairs	8	64	0	164	19	39
TOTALS	2,073	3,302	161	1,826	517	346



(continued from page 10) At the close of 2011, the IGs had completed more than 1,900 audits, inspections, evaluations, and reviews of Recovery funds and had issued close to 2,100 reports, many of which provided significant recommendations to agencies on improving the management of those funds.

The Board and the IGs also provided more than 2,300 hours of training and outreach sessions, which included information on fraud prevention, contract and grant management, and suspension and debarment practices. The Board also provided the IGs access to training on the data analytics platform in the ROC.

At the second annual Office of Inspectors General (OIG) Suspension and Debarment Conference in October 2011, which the Board co-sponsored with the National Science Foundation for the second year, more than 400 federal representatives from more than 60 agencies gathered to discuss more effective use of suspension and debarment in Recovery Act investigations, as well as other investigations.

At the conference, Michael Wood, Executive Director of the Board, spoke on proactive efforts by the Board and IGs to identify and prevent fraud at an early stage. The Board's primary fraud prevention efforts are centered in the ROC.

Recovery Operations Center

Evolving from a simple hotline and referral operation to a powerful integrated platform using cutting-edge forensic technology, the ROC has reshaped the traditional view of fighting fraud. Twenty-two government and commercial data sets are integrated into a single analytical platform used by ROC analysts to identify potential fraud. Searching significant amounts of data about recipients of Recovery awards, the analysts look for risk indicators,

Type of Training	% of Total
Fraud Prevention	50.4%
Recovery Overview	17.4%
Grants and Contracts Management	21.5%
Single Audit	3.5%
Whistleblower	0.7%
Suspension/Debarment	0.9%
All Other	5.6%
Target Audience for Training	
Federal	59.8%
Mixed	21.8%
State	10.3%
Private	4.0%
Local	2.7%
Tribal	0.3%
All Other	1.1%



such as criminal convictions, lawsuits, tax liens, bankruptcies, risky financial deals, or suspension and debarment proceedings. Using expanded GIS capabilities, analysts have the ability to display data on maps and discover indicators or patterns of potential fraud. Analysts perform in-depth analyses of awards and, when called for, forward reports to the appropriate IGs for additional inquiry.

Using the ROC platform, the Board conducted a series of projects in 2011 - some developed in tandem with outside agencies, others developed internally. Examples of these projects include the following:

- A joint effort between the Board and the Department of Veterans Affairs OIG uncovered more than 150 potential shell companies that may have improperly received Recovery funds. Testifying before a congressional subcommittee, Board Vice Chairman Calvin Scovel III reported that the 150 shell companies could be fronts set up to receive set-aside and sole-source contracts designated for Service-Disabled Veteran-Owned Small Businesses. Approximately half the companies received more than \$1 million each in Recovery funds; more than \$1 billion in sole-source and set-aside Recovery Act contracts were awarded to *(continued on page 14)*

Recovery IGs in Action

Questionable Qualified Motor Vehicle Deductions Treasury Inspector General for Tax Administration

The Recovery Act provides individuals with a Qualified Motor Vehicle (QMV) deduction - an additional deduction for state sales tax and excise tax on the purchase of certain motor vehicles. The Internal Revenue Service cannot verify whether individuals claiming a QMV deduction are entitled to the deduction at the time their tax returns are processed because individuals do not have to provide any third-party documentation to support that they actually purchased a qualified motor vehicle and, if a qualified vehicle was purchased, the amount paid in sales/excise taxes.

In an April 2011 audit, the Treasury Inspector General for Tax Administration (TIGTA) found that the IRS had failed to identify 4,257 individuals claiming excessive QMV deductions so the possible issuance of erroneous tax refunds could be withheld. In total, these individuals had claimed more than \$151.1 million in QMV deductions. TIGTA also identified 473 cases of individuals in prison, deceased, or underage claiming about \$1.02 million in QMV deductions.

TIGTA made five recommendations, all of which were agreed to by IRS management.



(continued from page 13) companies claiming to be Service-Disabled Veteran-Owned Small Businesses. The potential shell companies were referred for further investigation to the IGs of the federal agencies awarding the contracts

- Another project by the Board was based on an outside tip identifying 28 potentially fraudulent Medicare providers all operating out of two unoccupied buildings in Miami, Florida. The ROC team analyzed the data and found that the 28 were indeed suspect.

The analysts were also able to identify an additional 160 potential fraudulent providers in the same area. All findings were provided to the Health and Human Services OIG for follow-up investigation.

To provide federal agencies and government oversight personnel access to the ROC's specialized accountability module, in 2011, the Board created FederalAccountability.gov. The site is a password-protected portal to two tools, FastAlert and ToolBox+. FastAlert has been developed as a one-stop-shop for quickly

Recovery IGs in Action

STATES' USE OF RECOVERY ACT FUNDS AND DATA QUALITY

Office of Inspector General
Department of Education

As part of a broad, nationwide effort, ten audits of state organizations and selected sub-recipients were completed by the Department of Education OIG to determine whether states and their sub-recipients used and reported Recovery Act funds in accordance with applicable laws, regulations, and guidance. Although most of the reviewed states and sub-recipients generally used Recovery Act funds appropriately, the OIG did identify specific areas of noncompliance and areas that could be improved. For example, six of the state agencies had issues with the data reported to Recovery.gov, including unreliable job numbers. Additionally, the OIG found one state agency had \$16 million in unsupported costs due to an accounting issue. At the sub-recipient level, the OIG did not see any broad misuse of funds, however, 27 of the 34 sub-recipients audited had some findings of a lack of internal controls or unallowable costs. This included a total of \$441,647 in unallowable or unsupported costs across 15 different sub-recipients.

States Audited

Oklahoma	Utah
Missouri	Louisiana
South Carolina - SEA	Illinois
Milwaukee (Wisconsin)	Virginia
California	South Carolina - Dept. of Education



reviewing certain designated data sets such as the suspension and debarment list for risk indicators prior to making awards, as well as providing continued oversight through the life cycle of awards. The ToolBox+ offers federal law enforcement entities access to the ROC's advanced analytic technology via a single, secure login.

In conjunction with the launch of FederalAccountability.gov, the Board put in place a pilot program for the OIGs of the Departments of Education, Homeland Security, Justice, and the Interior that allowed them access to the ROC's accountability module directly from their own departmental workstations to conduct case-sensitive research using the ROC's advanced capabilities.

The Board will continue to add functionalities and additional data sets to FederalAccountability.gov as the need develops.

Recovery IGs In Action

GUARANTEED HOUSING LOANS TO INELIGIBLE BORROWERS

**Office of Inspector General
Department of Agriculture**

The Recovery Act provided the United States Department of Agriculture (USDA) with almost \$10.5 billion to guarantee single family housing loans in rural areas. Rural Development, a mission area within USDA, is responsible for issuing guarantees on loans made by private lenders. The lenders are to provide loans to borrowers who meet specific eligibility criteria, such as designated income limits and the financial resources to repay the loan.

The USDA OIG reviewed a statistical sample of 100 loans drawn from 81,000 Recovery Act loans guaranteed by Rural Development. Of these 100 loans, the OIG determined that 33 borrowers were ineligible because they did not demonstrate a sufficient ability to repay the loan, their income exceeded the designated limits, they possessed sufficient resources to obtain loans without a government guarantee, or they already owned adequate housing in the local commuting area. Based on the results, the OIG estimated that almost 37 percent of Rural Development's Recovery Act portfolio were ineligible, with a projected total value of \$4.16 billion. The OIG also projected that 11,661 loans (more than 14 percent of the Recovery Act portfolio) with a total value of \$1.3 billion were made to borrowers who are at a greater risk of defaulting on their loans. In its report, the OIG included 29 recommendations to Rural Development for program improvements. Agency officials generally supported the need for program improvement and agreed to implement corrective actions related to all 29 of the OIG's recommendations.



Updating Congress on Transparency and Accountability

Providing transparency and accountability for the \$840 billion stimulus initiative has been challenging but the benefits have been significant, testified two Board members - the Honorable Gregory H. Friedman and the Honorable Todd J. Zinser, Inspectors General of the Department of Energy and the Department of Commerce, respectively - before the House Science, Space and Technology Subcommittee on Oversight and Investigations on November 30. Joining Mr. Friedman and Mr. Zinser were Frank Rusco of the Government Accountability Office and the Honorable Allison Lerner, Inspector General of the National Science Foundation, and Gail Robinson, Deputy Inspector General of NASA.

In his testimony, Mr. Zinser noted that the Commerce Department had implemented effective internal controls over its recipient reporting procedures, resulting in an overall low rate of data error. "However," he said, "this success arose as the result of the Department's grants and contracts personnel performing many manual procedures to compensate for grant and contract system inadequacies. We made recommendations on several areas in which the Department could reduce its reliance on manual effort, increase the efficiency of its reporting, and improve data quality," Mr. Zinser added.

Mr. Friedman stated that the Department of Energy (DOE) received \$35.2 billion in Recovery funding – more than \$8 billion in addition to its fiscal 2011 budget – posing considerable administrative and procedural challenges to efficient and timely distribution of funds. One DOE program, the ongoing weatherization of homes and offices, received ten times its normal amount of funding.

But the DOE's Office of Science has "generally complied with Recovery Act requirements, expended funds in a timely manner, and employed sound project management practices," Mr. Friedman said.

Michael Wood, Executive Director, for the Board, also testified, noting that "transparency leads to public engagement, which in turn enhances the government's effectiveness and improves the quality of its decisions." Wood added that the Recovery Act had the positive effect of shifting the accountability goals from fraud detection to fraud prevention. "Typically, when the goal of an initiative is fraud detection, IGs come to the table with a great deal of enthusiasm while agencies appear less motivated.

"One valuable lesson we have learned is that when the common goal is fraud *prevention*, agencies and IGs are equally enthusiastic," he continued, "and a remarkable collaborative effort takes place between the two. As a result, the Recovery Board is piloting fraud-prevention tools with agency program personnel as well as OIGs. Taxpayers have every right to know where and how their hard-earned dollars are being spent, and government officials must be held accountable," Wood concluded.



Challenges/Next Steps

Challenges

The Board has experienced many successes since its inception in 2009. Now, as it goes forward and builds on those successes, it faces a series of challenges. The Board has encountered obstacles in obtaining data for use by the ROC from federal agencies and commercial providers, including narrow policy interpretations regarding access, lack of statutory authority, cost, and format of the data sets themselves.

computerized comparison matching programs. The Board was also denied access to information from other data sets because it was not recognized as an “entity” authorized by certain Acts. Finally, there were prohibitive costs. In one instance, a \$50,000 per month charge was required to gain access to other information sources.

One considerable challenge the Board found related to recipient reporting was the lack of a uniform, standardized numbering

system for contract and grant awards. The notion of a uniform governmentwide award ID number (UAID) was first highlighted in a report on data quality issued in 2010 by USDA OIG along with five other OIGs.

In June 2011, Board Chairman Earl E. Devaney testified before the House Committee on Oversight and Government Reform that disparate award

identification numbers make

tracking federal spending unnecessarily arduous and complicated. Every quarter, as the Board tried to determine who did and who did not report, mismatches occurred between the award numbers

(Continued on page 18)



The Government Accountability and Transparency Board discusses the next steps with the Vice President.

For example, the ROC’s ability to analyze data is sometimes constrained by the Computer Matching and Privacy Protection Act (CMA), specifically with regard to the restrictions and procedures surrounding



(continued from page 17) reported by recipients on FederalReporting.gov and the award numbers reported by the agencies to OMB.

Next Steps

To determine the feasibility of developing and implementing a UAID, the Board commissioned a study from The Mitre Corporation (Mitre). In December 2011, Mitre presented its report, outlining the advantages of and reasons for a UAID, and how agencies, recipients, taxpayers, and government oversight organizations would be impacted.

Mitre determined that the UAID would facilitate integration and matching of federal award information and would be a key factor in the successful integration and streamlining of federal award management and data collection initiatives. The standardization of the award ID would also help eliminate duplicative and overlapping processes, data, and reports. The Board continues to explore the feasibility of and solutions and alternatives for developing and implementing a UAID.

In order to better meet the needs of the

oversight community, the Board will proceed with further enhancements to the ROC capabilities, adding new data sets, a fraud scorecard that will allow for risk assessments, and an expansion of the pilots to include more IGs and agency program officials.

Two initiatives building on the successes of the Board were introduced in June 2011. President Obama issued an Executive Order creating the Government Accountability and Transparency Board (GAT Board) and directing the Recovery Board to work with the GAT Board to apply the approaches developed by the Recovery Board to all federal spending.

Also in June, Congressman Darrell Issa introduced a version of the Digital Accountability and Spending Transparency Act (DATA bill) in the House of Representatives; a few days later, Senator Mark Warner introduced a version of the DATA bill in the Senate. The DATA bill would transfer all the Recovery Board's functions to a separate permanent commission, the Federal Accountability and Spending Transparency Commission, to track all government spending.



Appendices

Appendix A:

■ Organizational Structure

Appendix B:

■ Congressional Appearances

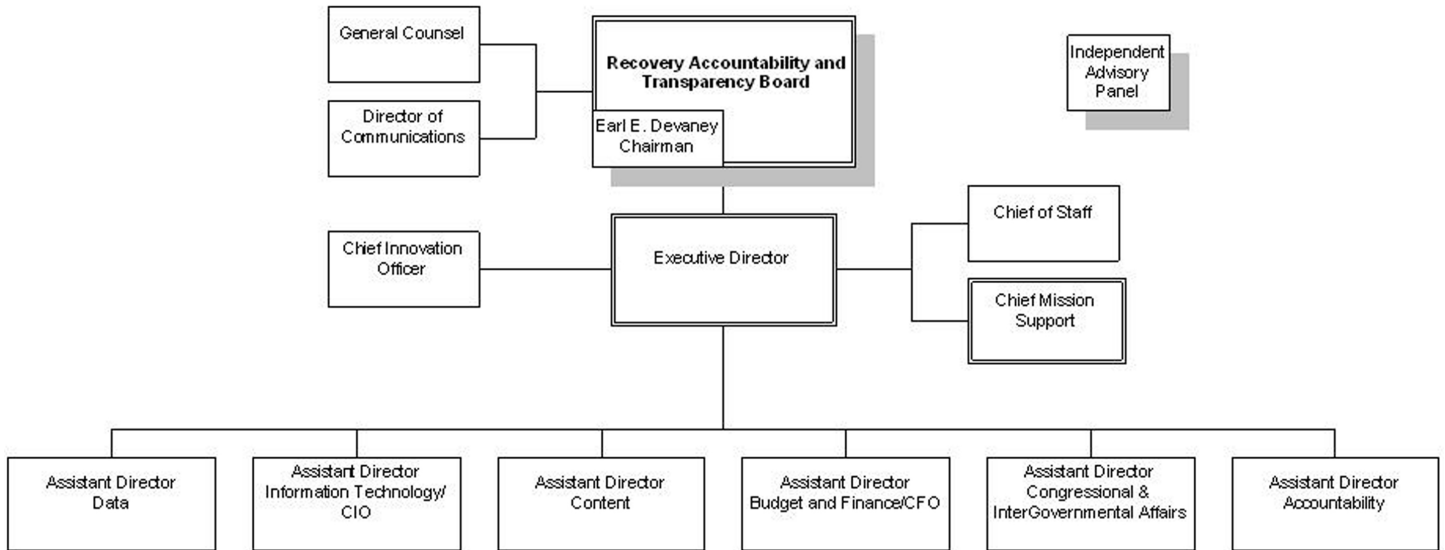
Appendix C:

■ Independent Advisory Panel



Appendix A: Organizational Structure

Recovery Accountability and Transparency Board - 2011





Appendix B: Congressional Appearances

BOARD MEMBER TESTIMONY

In 2011, members of the Board testified before Congress on specific Recovery programs and on management practices of other programs that related to or were affected by the provisions of the Recovery Act.

The Honorable Todd J. Zinser, Inspector General, Department of Commerce, testified on February 9, 2011 before the Appropriations Subcommittee on Commerce, Justice, Science and Related Agencies, United States House of Representatives, on Fiscal Year 2012 Appropriations.

The Honorable Todd J. Zinser, Inspector General, Department of Commerce, and the Honorable Phyllis K. Fong, Inspector General, Department of Agriculture, testified on February 10, 2011 before the Subcommittee on Communications and Technology, Committee on Energy and Commerce, United States House of Representatives, on Recovery funds for Broadband Spending.

Mary L. Kendall, Acting Inspector General, Department of the Interior, testified on March 1, 2011 before the House Committee on Appropriations Subcommittee on Interior and Related Agencies, United States House of Representatives, on challenges facing the Department of the Interior.

The Honorable Gregory H. Friedman, Inspector General, U.S. Department of Energy, testified on March 17, 2011 before the Subcommittee on Oversight and Investigations Committee on Energy and Commerce, United States House of Representatives, on the Department of Energy's implementation of the Recovery Act.

The Honorable Kathleen S. Tighe, Inspector General, Department of Education, and the Honorable Daniel R. Levinson, Inspector General, Department of Health and Human Services, testified on March 17, 2011 before the Committee on Appropriations, Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, United States House of Representatives, on improper payments. (Kathleen S. Tighe was appointed Chair of the Board by President Obama in December 2011.)

The Honorable Calvin L. Scovel III, Inspector General, Department of Transportation, testified on May 4, 2011 before the Committee on Transportation and Infrastructure, United States House of Representatives, on ensuring Recovery funds are spent appropriately to maximize program goals.

The Honorable J. Russell George, Treasury Inspector General for Tax Administration, testified on May 25, 2011 before the Committee on Ways and Means Subcommittee on Oversight, United States House of Representatives, on the Internal Revenue Service's administration of refundable tax credits.

(continued on page 22)



(Continued from page 21) The Honorable Calvin L. Scovel III, Inspector General, Department of Transportation, and Vice Chairman of the Board, testified on May 25, 2011 before the Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security, United States Senate, on the Recovery Board's use of technology in its accountability and fraud prevention efforts.

Board Chairman Earl E. Devaney testified on June 14, 2011 before House and Senate Oversight Committee on Achieving Transparency and Accountability in Federal Spending in Fiscal Year 2011. He met individually with congressmen and senators to discuss the evolution of the Recovery Board's operations, answer questions, and provide updates.

The Honorable Phyllis K. Fong, Inspector General, Department of Agriculture, testified on June 23, 2011 before the Committee on Agriculture, Nutrition and Forestry, United States Senate on use of Recovery funds.

Mary Kendall, Acting Inspector General, Department of the Interior, testified on October 6, 2011 before the House Committee on Small Business, Subcommittee on Contracting and Workforce, on the challenges of administering contracts between the federal government and small businesses.

The Honorable Gregory H. Friedman, Inspector General, Department of Energy, testified on November 2, 2011 before the Subcommittee on Regulatory Affairs, Stimulus Oversight, and Government Spending, Committee on Oversight and Government Reform, United States House of Representatives, on the Department of Energy's use of \$35.2 billion in Recovery funding.

The Honorable Todd J. Zinser, Inspector General, Department of Commerce, testified on November 30, 2011 before the Subcommittee on Investigations and Oversight Committee on Science, Space and Technology, United States House of Representatives, on Stimulus Oversight: An Update on Accountability, Transparency and Performance.

The Honorable Gregory H. Friedman, Inspector General, Department of Energy; the Honorable Todd J. Zinser, Inspector General, Department of Commerce; the Honorable Allison Lerner, Inspector General, National Science Foundation; and Michael Wood, Executive Director of the Board, testified on November 30, 2011 before the House Subcommittee on Investigation and Oversight, on Ensuring Transparency and Accountability of Recovery funding.



Appendix C: Advisory Panel

On January 25, 2011, the Board's Advisory Panel – Steven Koch, Chris Sale, Malcolm K. Sparrow, and Edward Tufte - held a public meeting in Annapolis, Maryland in accordance with the Federal Advisory Committee Act. One month later, the Panel submitted a report to the Board and noted that the Board had done “an exemplary and expeditious job of bringing a high degree of transparency to the spending associated with the contracts, grants, and loans elements of the American Recovery and Reinvestment Act of 2009”; however, the Panel noted “there is more work to be done to meet the Board’s important goals of transparency and accountability.” The Panel’s report included a series of recommendations that the Board take to create on Recovery.gov a level of transparency regarding tax benefits and entitlements under the Recovery Act similar to what was being displayed for contracts, grants, and loans.

To meet that end, the Panel recommended that the data on tax benefit and entitlement elements be reorganized and further explained so the public could readily understand how the funds in the two areas were distributed; and that IG audit reports relating to tax benefits, entitlements, and contract, grants, and loans be separated into three subsections so the public could see how the funds were being managed.

The Panel also recommended that the Board continue to conduct analyses on recipients of contracts, grants, and loans and incorporate a random or representative sampling component to its audit selection and should review programs of Recovery funding expected to exceed \$1 billion in total cost for which there are no valid estimates of overpayment rates. The information on the overpayment rates should be prominently displayed on Recovery.gov.

The Board reviewed the recommendations and took the following steps to address them:

1. Created the Overview of Funding Section on Recovery.gov, which provides a breakdown of the funding for every Recovery tax benefit, entitlement, and contracts, grants, and loans program. The section also links to the IG audits for each category.

2. Worked collaboratively with the IGs to identify the audits incorporating random or representative sampling and sent a letter to the IGs encouraging the use of random sampling.

3. Posted on Recovery.gov the Recovery programs expected to exceed \$1 billion in total costs with improper payment rates for each as provided by the federal agencies. A link to paymentaccuracy.gov where the Office of Management and Budget displays improper payment rates by agency was also provided.



The Advisory Panel at the public meeting in Annapolis, MD.



Earl E. Devaney, Chairman of the Recovery Board, returns to Vice President Joseph Biden and the United States Treasury \$2.9 million of the original \$84 million appropriated to the Board in 2009 for use in 2009, 2010, and 2011.



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