



U.S. Department of Housing and Urban Development

Office of Inspector General

451 Seventh Street, SW

Washington, DC 20410-4500

Phone: (202) 708-0390 Fax: (202) 708-1354

November 16, 2011

MEMORANDUM FOR: Lisa E. Danzig, Acting Director for the Office of Strategic Planning and Management, S

James B. Ward

FROM: James B. Ward, Director, Inspections and Evaluations Division, Office of Investigation, GIH

SUBJECT: Review of Information Reported by HUD Recipients Pertaining to the Number of Jobs Created and Retained With American Recovery and Reinvestment Act Funds, IED-11-008M

INTRODUCTION

The Office of Inspector General, Inspections and Evaluations Division (IED), conducts independent, objective examinations of U.S. Department of Housing and Urban Development (HUD) activities, programs, operations, and organizational issues.

Section 1512 of the American Recovery and Reinvestment Act of 2009 and Office of Management and Budget (OMB) guidance require recipients and subrecipients of Federal assistance awards to report on the nature of projects and the number of jobs created and retained using Recovery Act funds. This information must be reported quarterly by recipients to FederalReporting.gov, a nationwide data collection system created and managed by OMB and the Recovery Accountability and Transparency Board. To provide transparency in the use of Recovery Act funds, the reports are then made available to the public on the Recovery.gov Web site and individual agency Web sites.

While recipients have the primary responsibility for the quality of information submitted under the Recovery Act, oversight authorities, including Federal awarding agencies, the Recovery Board, and Federal agency inspectors general, have roles to play in data quality. Accordingly, our office conducted an evaluation to determine the accuracy of the information reported by HUD recipients pertaining to number of jobs created and retained with Recovery Act funds.

Our review of supporting documentation from five selected HUD recipients disclosed that the methodology of counting the quarterly hours worked for reporting was not consistent among

recipients and there were instances of discrepancies between actual hours worked and hours used in the calculation of jobs for reporting to FederalReporting.gov. We question the accuracy of the job calculations and, in some instances, the data used in these job calculations by recipients, subrecipients, and vendors. However, due to the small sample size, we could not calculate the impact on the nationwide data.

In our draft report transmitted to the Director of the Office of Strategic Planning and Management on September 23, 2011, we recommended that the HUD Recovery Implementation Team determine whether the discrepancies disclosed in this review are material omissions or significant reporting errors as described in OMB guidance. We also recommended that the Recovery Team establish additional review steps in its monitoring program to ensure the quality of the reported jobs data.

On October 17, 2011, the Acting Director advised us that the Recovery Team determined that there are no material omissions in the reporting of jobs funded by the Recovery Act in reports submitted to HUD. While the Recovery Team “is certain that there are some errors in the number of jobs reported”, they do not believe they are significant. However, the Acting Director added that after further discussions with program office staff and with grantees submitting major job over count errors in the most recent quarter, the Recovery Team will take additional review steps toward ensuring the quality of reported jobs data (refer to appendix A for complete response). Since the Recovery Team plans to send HUD’s updated job counting guidance to all active recipients following the close of the October reporting period, we are recommending that the Acting Director provide assurance that the corrective action is accomplished.

BACKGROUND

The Recovery Act was signed into law by President Obama on February 17, 2009. As required by Section 1512 of the Recovery Act and OMB guidance, dated June 22, 2009 (M-09-21), recipients began submitting quarterly reports on the use of Recovery Act funding through FederalReporting.gov and have reported estimates of number of jobs created and retained for the calendar year quarter ending September 30, 2009 (2009Q3). OMB guidance was amended December 18, 2009 (M-10-08) based on lessons learned from the first reporting period. The recipients now report job estimates on a quarterly basis rather than a cumulative basis. Part 2, Section 5 as well as Attachment A of the amended OMB guidance describes in detail the methodology to be used by recipients in calculating the number of full-time equivalent jobs created based on actual hours worked by relevant employees in a reporting quarter.

Section 1512 of the Recovery Act

The Section 1512 reports contain estimates of jobs created and jobs retained. These estimates are entered by recipients into the “number of jobs” data field in the reports submitted to FederalReporting.gov. A job must be counted as either a job created or a job retained; it cannot be counted as both.

- A job created is a new position created and filled or an existing unfilled position that is filled, funded by the Recovery Act.
- A job retained is an existing position that is now funded by the Recovery Act.

The estimate of the number of jobs created and retained by the Recovery Act should be expressed as “full-time equivalents” (FTE). In calculating an FTE, the number of actual hours worked in funded jobs is divided by the number of hours representing a full work schedule for the kind of job being estimated. These FTEs are then adjusted to count only the portion corresponding to the share funded by Recovery Act funds.

FederalReporting.gov

FederalReporting.gov is a centralized data collection system administered by OMB and overseen by the Recovery Board. It collects data required by Section 1512 of the Recovery Act. Most of the data collected relate to funding amounts, project details, and job creation.

Prime recipients that receive Recovery Act funds directly from the Federal Government in the form of grants, loans, or cooperative agreements must enter their data into FederalReporting.gov no later than the 10th day after the end of each calendar year quarter. The prime recipients may require any of their subrecipients to report directly to FederalReporting.gov or may gather subrecipient data and report the data directly. The Federal agencies providing such funds must make the reports publicly available no later than the 30th day after the end of each calendar year quarter.

Recipients have the ability to make corrections until the start of next reporting period. They do not have the ability to make corrections to prior quarters.

Responsibility for Data Quality

Data quality is an important responsibility of key stakeholders identified in the Recovery Act. Prime recipients, as owners of the data submitted, have the principal responsibility for the quality of information submitted. The prime recipients are required to generate estimates of job impact by directly collecting specific data from subrecipients and vendors on the total FTEs resulting from a subaward. Although the prime recipient may delegate reporting responsibility to subrecipients, the prime recipient is ultimately responsible for the data provided. In addition, Federal agencies funding Recovery Act projects and activities, OMB, the Recovery Board, and Federal agency inspectors general provide a layer of oversight that augments recipient data quality.

OMB has issued guidance and updates to Federal agencies to improve the quality of data reported under Section 1512 of the Recovery Act. While a specific methodology regarding the review of recipient data quality is not required, Federal agencies are to establish data quality plans that articulate their data review process to, at a minimum, focus on significant reporting errors and material omissions.

HUD's Data Quality Monitoring

The Recovery Act included \$13.6 billion for projects and programs administered by HUD. HUD established the Recovery Implementation Team within the Office of Strategic Planning and Management to monitor and maintain Recovery Act funding and reporting. The team downloads recipient reports from FederalReporting.gov, runs recipient data through a number of automated checks for compliance and errors based on a “risk-based” approach, and sends program-specific reports to designated lead staff from each program office in headquarters. The lead staff has been designated to monitor Section 1512 compliance. The lead staff of some programs works directly with the recipients, and for other programs, the lead staff sends information to regional or local offices for follow-up.

HUD was ranked fifth in number of jobs created and retained as of the end of the fourth quarter of 2010. According to the Recovery.gov Web site, the number of jobs created and retained in HUD projects and programs was as follows:

<u>Reporting period</u>	<u>Number of jobs created and retained</u>
2009 3 rd quarter (2009Q3)	22,243.30
2009 4 th quarter (2009Q4)	16,143.14
2010 1 st quarter (2010Q1)	20,458.49
2010 2 nd quarter (2010Q2)	26,717.36
2010 3 rd quarter (2010Q3)	27,670.85
2010 4 th quarter (2010Q4)	27,941.07

Scope and Methodology

Our evaluation focused mainly on the job data reported by HUD recipients located in the State of New York and covered the reporting periods from the third quarter of 2009 through the fourth quarter of 2010. As published on the Recovery.gov Web site, New York State recipients of Recovery Act funding ranked fourth in total job creation and retention nationwide.

To understand Recovery Act reporting requirements, we reviewed the OMB guidance and updates and HUD supplements to OMB memorandums.

We analyzed Section 1512 reported data provided by all HUD recipients to gain an overview of how Recovery Act funds were distributed geographically and among various HUD programs and projects. From this database, we retrieved the job data pertaining to the New York State recipients as follows:

<u>Reporting period</u>	<u>Number of jobs created and retained</u>
2009 Q3	677.99
2009 Q4	1,223.09

2010 Q1	1,412.77
2010 Q2	1,813.28
2010 Q3	1,953.08
2010 Q4	2,128.91

We discussed with the HUD Recovery Implementation Team the policies and procedures that were implemented by HUD for ensuring the quality of data submitted under Section 1512 to avoid material omission and significant reporting errors.

To understand how the New York office monitored its Recovery Act recipients, we addressed our questions and concerns to the staff of the New York Office of Community Planning and Development and New York Office of Public Housing. We selected five recipients that received a substantial amount of Recovery Act funding and reported the largest number of jobs created and retained in HUD’s New York State jurisdiction (refer to appendix B for details). We analyzed detailed breakdowns of reported quarterly job data and calculations provided by each of the selected recipients. We also reviewed related time and payroll records of a small sample of recipient, subrecipient, and vendor employees to determine whether reported hours were accurate and job calculations were consistent with OMB guidelines.

Results of Review

Our limited review of the jobs data and calculations of the five selected HUD recipients disclosed inconsistencies in the methodology of counting the quarterly hours worked and various discrepancies between the hours recorded on time and payroll records and the hours included in Section 1512 reporting. We question the accuracy of the job calculations and, in some instances, the accuracy of the data used in these calculations. Based on our limited scope, we were not able to determine whether these inconsistencies and discrepancies were material and had an impact on the overall data reported by recipients.

We reviewed the time and payroll records of the sampled employees who worked for recipients, subrecipients, and vendors; reviewed job calculations; and noted the following discrepancies in the job data:

a) Clerical or Entry Errors

Reported FTEs were calculated based on the number of employees in a labor category, hours worked per week, number of weeks in a quarter, and percentage of funds attributable to Recovery Act projects. We found several clerical or entry errors in the calculation of FTEs. For example, (1) a recipient entered the wrong number of employees into the labor category in the calculation (40 instead of 1), resulting in an over reporting of 17.94 FTEs, and (2) a recipient entered the wrong percentage attributable to Recovery Act projects into the calculation (6 instead of 0.6), resulting in an over reporting of 32.40 FTEs.

b) Inconsistency in Counting Hours Worked

The method of counting the number of hours worked for a quarter was not consistent among the recipients, subrecipients, and vendors. In some cases, the reported hours were based on the actual number of days worked in a reporting period; however, in other cases, the reported hours were based on the pay period ending dates included in the reporting period. For example, one vendor reported that an employee worked 455 hours for 2010Q1, which represented the total hours worked from January 1 through March 31, 2010; however, another vendor reported for the same quarter that its employee worked 420 hours, representing the total hours worked by pay period in the quarter which ended March 19, 2010. The inconsistencies in counting the number of hours resulted in a difference of 35 hours.

According to OMB and HUD guidance, recipients should use total actual hours worked in the job calculation. Some recipients and subrecipients did not reflect the actual hours worked in their calculations of jobs. In some cases, the recipient and subrecipient did not include overtime and compensatory hours in their calculations. In other cases, the recipients used the standard weekly hours instead of the actual hours worked in the reporting period. These discrepancies resulted in inaccurate reporting as shown below.

- Two subrecipients did not include all of the actual hours worked by their employees when submitting the information to the prime recipient for reporting, resulting in underreporting their labor hours for 2010Q3 by 348.50 (.67FTE) and 533.50 (1.03 FTEs), respectively.
- A recipient did not report the employees' actual hours worked. The reported hours were based on number of weeks in a quarter, multiplying by a 35-hour work week without considering any overtime hours worked. As a result, the labor hours for the two selected labor categories, construction project manager and real property manager, were underreported by 1,228 (2.70 FTEs), 1,657(3.64 FTEs), and 671.75 (1.48 FTEs) for 2009Q4, 2010Q1, and 2010Q2, respectively.

Lack of Review of Job Data

Our review disclosed that some vendors did not review their job data before submitting the data to their prime recipients, resulting in errors in job calculation and reporting.

- A vendor of a recipient erroneously included the hours worked for two employees during 2010Q3 in the 2010Q4 job calculation. As a result, 384 hours (.74 FTE) were duplicated in and over reported for 2010Q4.
- Two vendors of a recipient over reported the employees' actual hours worked for 2010Q2 by 4,867 (9.36 FTEs). Neither the vendors nor the recipient were able to explain the reasons for the discrepancies.

We discussed our results with the Director of Community Planning and Development and the Director of the Office of Public and Indian Housing's Planning and Analysis Division in the New York office. They both stated that their staffs had performed several monitoring reviews of Recovery Act funding, expenditures, and project activities; however, they had not performed a review of the quality of the reported job data.

Recommendation

To fully inform the public regarding job creation and retention activities using Recovery Act funding, it is essential to report accurate data. In this regard, we recommend that the Acting Director for the Office of Strategic Planning and Management ensure that the additional review steps and guidance for accurate reporting of job data as described in appendix A to this report is implemented. To ensure the quality of reported jobs data, the Recovery Team should at a minimum re-emphasize OMB's guidance in calculating the estimated number of FTE jobs created based on the actual hours worked by employees in a reporting quarter.

Appendix A - HUD Office of Strategic Planning and Management's Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

MEMORANDUM

Date: October 17, 2011
To: James B. Ward, Director, Inspections and Evaluations Division, Office of Investigation, GIH
From: Lisa E. Danzig, Acting Director, for the Office of Strategic Planning and Management, S
Cc: Patricia Bush, Loyd LaMois, Lisa Abell, Director, Budget Division DOTB
Re: Response to Review of Information Reported by HUD Recipients Pertaining to the Number of Jobs Created and Retained with American Recovery and Reinvestment Act Funds, IED-11-008M

Attachments:

Thank you for the opportunity to review the draft review of the information reported by HUD recipients pertaining to the number of job created and retained with American Recovery and Reinvestment Act (Recovery Act) funds dated September 23, 2011.

The draft report recommends that the Recovery Team determine whether the discrepancies disclosed in the report are material omissions or significant reporting errors as described in the OMB guidance, and establish additional review steps in its current monitoring program to ensure the quality of the reported job data. We respectfully respond below:

There are no material omissions in the reporting of numbers of jobs funded by ARRA in reports submitted to HUD. All reports have at least reported zero jobs. Material omissions are defined as instances where required data is not reported or reported information is not otherwise 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 Recovery Team is certain there are some errors in the number of jobs reported; however, we do not believe that they are significant. We know that the most egregious errors have been identified and corrected through HUD's monitoring and intervention with the reporters. Every day during the period of recipient reporting and agency review, the Recovery Team downloads the agency extract from Federal Reporting, and evaluates each report for completeness and accuracy by running the data through a series of formulas comparing recipient reported data to information from HUD systems.

The number of jobs reported is filtered through four formulas, resulting in four potential error flags. The errors are described in the table below.

10) Column CQ, "Major Jobs Over-Count" indicates "TRUE" when the recipient's reported jobs divided by their real award amount is below \$15,800 (the annualized federal minimum wage.)
11) Column CR, "Probable Jobs Over-Count" indicates "TRUE" when the recipient's reported jobs divided by their real award amount is below \$60,000
12) Column CS, "Major Jobs Under-Count" indicates "TRUE" when 1) the recipient received an award of over \$500k, 2) the recipient indicated a project completion status of "Greater Than 50% Complete" (or "3" on the spreadsheet), AND 3) the recipient reported creating less than one job.
13) Column CT, "Probable Jobs Under-Count" indicates "TRUE" when 1) the recipient had drawn down over \$40,000 by the end of the quarter 2) the recipient marked their project as underway, AND 3) the recipient reported less than 0.50 jobs.

During the period of recipient reporting and agency review the results of the Recovery Team review are sent daily to the lead program staff for ARRA for review and follow-up. Nevertheless, certain errors persist in the data. In some cases, recipients contacted regarding errors in the number of jobs reassert their confidence that their reported numbers are correct.

The Recovery Team has worked with the Program Offices and the recipients to ensure transparency and accuracy in their reporting of the number of jobs created and retained with Recovery Funds. We believe our data review, consisting of comprehensive, automated evaluation combined with manual review by program staff represents a best in class response to conscientious, cost-effective compliance and data-quality monitoring.

Additionally, numerous guidance materials have been provided to the recipients. HUD provided a job calculator based on the revised jobs counting guidance in OMB Memorandum M10-08, as a tool for recipients in April 2010. Also HUD has conducted many in-person trainings, webinars, and conference calls for recipients to address job reporting concerns. Most programs continue to update their guidance to recipients quarterly. Such guidance is posted on HUD's Recovery Web pages and is mailed to recipients. These instructions include updated instructions on calculating jobs.

In earlier quarters we invested significant time contacting reporters of suspected major jobs undercounts data, but repeatedly, grantees assured HUD staff that the numbers were in fact accurate. Nevertheless, the Recovery Team continues to identify suspected job under-counters and forward them to program staff for review and action as they deem prudent.

However, discussions with program office staff and with grantees submitting major job over-count errors this quarter make clear that there is still lingering confusion among recipients about how to estimate jobs funded. The Recovery Team, therefore, will take the following additional steps toward ensuring the quality of the reported jobs data:

1. The Recovery Team will email HUD's updated jobs counting guidance to all currently active recipients following the close of the October reporting period and during the period of Agency Review. We will ask recipients to review the guidance and to correct their entry at Federal Reporting, if necessary.

2. The Recovery Team has already contacted all reporters submitting a major job over-count error in October. Several have been corrected. We will follow-up with the remaining recipients to correct these errors. We will continue this practice. Addressing over-counts minimizes the possibility that HUD or the Government would be accused of padding jobs numbers.

I hope that you will take the above comments into consideration when finalizing your report. I appreciate the opportunity to review this report prior to its publication. If you have any questions or need additional information, please contact me at (202) 402-3704 or lisa.e.danzig@hud.gov.

Sincerely,



Lisa E. Danzig
Acting Director

Appendix B

Number of Jobs Created and Retained Reported to FederalReporting.gov

Name of recipient	*CFDA #	2009Q3 Jobs	2009Q4 Jobs	2010Q1 Jobs	2010Q2 Jobs	2010Q3 Jobs	2010Q4 Jobs
Housing Authority of New York City	14.885	27.30	187.10	148.37	305.77	396.10	775.81
NYS Dept of Housing & Community Renewal	14.258	5.08	58.99	166.09	288.65	311.34	237.73
NYC Office of Management & Budget	14.253	64.50	185.90	203.50	269.43	54.48	106.09
NYC Dept of City Planning	14.257	113.00	361.40	380.49	366.73	372.30	386.71
NYS Office of Temporary & Disability Assistance	14.257	0.00	59.61	72.75	82.45	82.39	87.97
Totals		209.88	853.00	971.20	1,313.03	1,216.61	1,594.31
New York State Totals per HUD Recovery Database		677.99	1,223.09	1,412.77	1,813.28	1,953.08	2,128.91
Recipient %		30.96%	69.74%	68.74%	72.41%	62.29%	74.89%

* HUD Recovery Act-funded program codes included in the Catalog of Federal Domestic Assistance (CFDA)

CFDA#14.885 - Public Housing Capital Fund Stimulus (Formula)

CFDA#14.258 - Tax Credit Assistance Program (grants for capital investments in low-income housing tax credit projects)

CFDA#14.253 - Community Development Block Grant Recovery Act Entitlement Grants

CFDA#14.257 - Homelessness Prevention and Rapid Re-Housing Program