U.S. Department of Housing and Urban Development
Office of Inspector General
451 7th St., SW
Washington, DC 20410

October 30, 2009

MEMORANDUM NO.: 2010-DP-0801

TO: Elizabeth S. Wilmott, Senior Program Manager for Economic Recovery, S
Jerry E. Williams, Chief Information Officer, Q
Anthony Scardino, Acting Deputy Chief Financial Officer, F

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FROM: Hanh Do, Director, Information Systems Audit Division, GAA

SUBJECT: Review of HUD's Process for Monitoring Recipient Reporting for the
American Recovery and Reinvestment Act of 2009

INTRODUCTION

The American Recovery and Reinvestment Act of 2009 (Recovery Act) includes $13.61 billion for projects and programs administered by the U.S. Department of Housing and Urban Development (HUD). The Recovery Act created the Recovery Accountability and Transparency Board (Board) to coordinate and conduct oversight of covered funds to prevent fraud, waste, and abuse. The Board has required the Inspector General community to evaluate Federal agencies' process for monitoring recipient reporting of Recovery Act funds for the quarter ending September 30, 2009. The audit reports are to be issued to their agencies no later than October 30, 2009. The reports will also be submitted to the Board, which will compile the results and issue a consolidated report with recommendations for improvement across the Federal government.

OBJECTIVE

The objective of this audit was to determine whether HUD had developed a process for performing limited data quality reviews of recipient reporting of recovery funds. As part of our continuing efforts to meet the Office of Management and Budget (OMB) directive[1] that Inspectors General perform audits and inspections of their respective agencies awarding, disbursing, and monitoring of Recovery Act funds, we plan to conduct an audit to determine whether data submitted by Recovery Act grantees are complete and accurate at a later date.

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1 OMB Memorandum M-09-15: "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009"

RESULTS OF REVIEW

Highlights

Our review found that HUD has made progress in the quality assurance process. HUD has established a Recovery Implementation Team that has developed Department-wide policies and procedures and provided guidance to HUD program offices. The Recovery Implementation Team has developed a process for performing limited data quality reviews of recipient reporting of Recovery Act funds. The team has also developed procedures to identify and notify the recipients of the need to make appropriate and timely changes to data submissions. HUD has begun reviewing data reported to FederalReporting.gov[2] by recipients and identified possible data errors that require follow-up.

Our review also found areas that HUD needs to address. Not all prime recipients[3] have filed all of the required quarterly reports. HUD has not ensured that the prime recipients review the data submitted by subrecipients[4]. HUD has not developed a process to identify subrecipients that demonstrate systemic or chronic reporting problems and/or otherwise fail to correct such problems as identified by the primary recipients.

Auditee Comments and OIG's Evaluation of Auditee Comments

We received written comments from HUD on October 30, 2009. The Department noted several areas of common ground with OIG and provided additional information that describes HUD's extensive efforts to ensure accountability and transparency in this very important initiative. The complete text of the comments can be found in appendix B of this memorandum.

We acknowledge that HUD has made progress and will continue to improve the overall quality assurance process over time. We have identified areas that require HUD's attention as it continues to make progress. We have made changes as appropriate to the memorandum.

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2 FederalReporting.gov is a central government wide data collection system for Federal agencies and recipients of Federal awards under Section 1512 of the Recovery Act. Recipients will access this site to fulfill their reporting obligations. Federal Agency and recipient users will be able to submit reports, view and comment on reports (Federal agency and prime recipient users), and update or correct reports.

3 Prime recipients are non-Federal entities that receive Recovery Act funding as Federal awards. The prime recipient is responsible for reporting of all data required by Section 1512 of the Recovery Act. A prime recipient may delegate responsibility to its subrecipient to report information into FederalReporting.gov.

4 Subrecipients are non-Federal entities that are awarded Recovery funding through a legal instrument from a prime recipient.

<u>**Detailed Results of Review**</u>

The Board identified six areas for the Inspector General community to review. They are listed below along with the results of our review.

1. **Obtain HUD's policy and procedures for reviewing quarterly Recovery Act data pursuant to OMB Memorandum M-09-21[5].**

   HUD established a Recovery Implementation Team to develop Department-wide policies and procedures and provided guidance to HUD program offices. The team has developed and provided to the program offices a Department-wide process for reviewing the quality of the quarterly Recovery Act data submitted by the recipients. In addition to Recovery Act and related guidance developed by OMB, the HUD Recovery Implementation Team developed a Department-wide data quality review process for reviewing the quarterly Recovery Act data. This process provided program offices guidance on how to review the quarterly Recovery Act data submitted by HUD's primary grant recipients. Program offices can issue specific guidance to grantees related to data quality control. Some program offices have issued additional guidance.

2. **Determine how HUD plans to ensure that all prime recipients have filed the required quarterly reports pursuant to Section 1512 of the Recovery Act[6] and how the agency will ensure that it conducts the required reviews of the reported data.**

   - The Recovery Implementation Team has developed Department-wide policies and procedures and provided guidance to HUD program offices. The program offices have e-mailed guidance on how to register and report in FederalReporting.gov to the recipients. Each program office has an outreach strategy to follow up with those recipients that did not submit their reports. This process includes multiple telephone phone calls and e-mails with support materials.

   - HUD's Secretary and Deputy Secretary issued a letter and an e-mail to HUD's Recovery Act funding recipients and program staff to remind them of the registration requirement in FederalReporting.gov and reporting deadlines required

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5 OMB Memorandum M-09-21 "Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009" provides Federal agencies and funding recipients with information necessary to effectively implement the reporting requirements included in section 1512 of the Recovery Act.

6 Section 1512 of the Recovery Act requires recipients and subrecipients to submit reports on the use of Recovery Act funds on a quarterly basis. The reports are due no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009). The Section 1512 report contains aggregate information on awards, programs, activities, and employment impact.

by the Sections 1512 of the Recovery Act. HUD is operating a call center to assist recipients with their submission of Recovery Act reports.

- The HUD Recovery Implementation Team conducted training classes for recipient and program offices. HUD also maintains a Web site (www.hud.gov/recovery/reporting) where grantees can review HUD-issued policies and guidance related to the Recovery Act.

3. **Conduct a walk-through of HUD's process to perform limited data quality reviews.**

   The process that HUD uses to perform limited data quality reviews is as follows:

   a) Data migration: HUD downloads data files from FederalReporting.gov periodically after the 10th day after the end of each calendar quarter and imports the files into HUD's Recovery Act reporting system for recipient data.

   b) Comparison: The Recovery Act reporting system compares the FederalReporting.gov data with data collected from HUD's financial systems. For every significant error, a flag will be generated. Significant error flags will generate a comment that an error has been detected and direct the recipient to "check your records and correct your submission." Also, the system will generate program error summary reports and e-mail them to program principal officials. HUD program staff and the HUD Recovery Implementation Team will manually enter the automated comments generated from the Recovery Act reporting system into FederalReporting.gov.

4. **Determine whether HUD's policy and procedures have been designed to emphasize the avoidance of two key data problems: material omissions and significant reporting errors.**

   HUD has designed its policy and procedures to emphasize the avoidance of the two key data problems as follows:

   - Material omissions: After October 10, HUD compared award numbers in reports downloaded from FederalReporting.gov to award numbers in HUD systems to identify prime grant recipients that had not reported Section 1512 data in FederalReporting.gov. HUD's Recovery Act reporting system generates a report that lists the recipients that have not reported data. The report can be broken down in separate files for each program so that program office officials can contact the nonreporting recipients. The files are e-mailed to program principal officials for action.

   - Significant errors: HUD used four data categories to identify reports with significant errors: (1) award amount, (2) total received, (3) total spent, and (4) jobs. An error flag and comments are generated for each significant error. The

Recovery Act reporting system will generate program error summary reports and e-mail them to program principal officials. The HUD program staff and the HUD Recovery Implementation Team will manually enter the automated comments generated from the Recovery Act reporting system into FederalReporting.gov.

5. **Determine whether HUD has an adequate process in place to remediate systemic or chronic reporting problems.**

   Process for Prime Recipients

   - HUD has developed and implemented a data quality control process to identify prime grant recipients that demonstrate systemic or chronic reporting problems. HUD is in the process of informing prime grant recipients that did not submit the required data to FederalReporting.gov to ensure that they submit the data.

   - HUD will use the Recovery Act reporting system to automatically identify significant errors by reviewing the four data categories and provide those error comments to the prime recipients. HUD has developed a Department-wide approach to enforce Section 1512 reporting requirements. For all recipients that fail to report in FederalReporting.gov by the end of their first applicable reporting cycle, HUD will generate a notification/warning letter to be sent to the recipients. The non-reporting recipients will be given an opportunity to correct the omission by reporting in the next quarterly reporting cycle. If they fail to report a second time, HUD will initiate further enforcement actions. The second-level enforcement action includes formal or informal hearings, suspension of access to funds, or other actions.

6. **With the understanding that M-09-21 is a reporting tool rather than a management tool, determine whether HUD anticipates that it will be able to use the reported information as a tool for assessing compliance with the terms and conditions of award agreements, assessing risk, and determining when to release remaining funds.**

   - HUD anticipates that it will be able to use the reported information as a tool for assessing compliance with the terms and conditions of award agreements, assessing risk, and determining when to release remaining funds.

<u>AREAS IN NEED OF IMPROVEMENT</u>

1. HUD has not ensured that the prime recipients review the data submitted by subrecipients. The prime recipients are responsible for reviewing data submitted by subrecipients during the post-submission review period that runs from the 11th to the 21st day of the reporting month. OMB Memorandum 09-21 requires prime recipients to maintain an updated inventory of subrecipient delegations and crosscheck all data records to avoid double counting in their reports. To ensure prime recipients

implement their responsibilities, OMB also requires Federal agencies to review prime recipient processes and procedures for collecting, reviewing, and reporting Section 1512 information. HUD indicated that due to the large number of recipients, the program offices have only provided guidance to prime recipients and have not been able to monitor prime recipients' processes for monitoring subrecipients.

2. Not all prime recipients have filed all of the required quarterly reports. For the October 10, 2009, reports filed by the prime recipients as of October 22, HUD's verification process found that recipients had not submitted their reports for 4,209 out of 11,456 grant awards in FederalReporting.gov. HUD's verification process was to compare award numbers in reports downloaded from FederalReporting.gov to the award numbers in HUD's financial system. We attribute this problem to the following:

   - HUD has limited capability for identifying all prime grant recipients that have not registered in FederalReporting.gov before the October 10 reporting deadline and following up with those recipients to ensure that they registered and reported their data in a timely manner. To identify all nonregistered prime grant recipients and contact them before October 10, HUD used an automated system to compare the DUNS[7] numbers between reports downloaded from FederalReporting.gov and HUD's systems. However, HUD's systems do not maintain the DUNS numbers for all grants awarded before the Recovery Act. If those recipients did not register in FederalReporting.gov, HUD could not identify them and directed the program offices to follow up with these nonregistered grant recipients early in the registration and reporting process. With the large amount of non-reported recipients as of October 22, 2009, it is possible that HUD program offices will not be able to follow up with all of these recipients to ensure that they register and report data in FederalReporting.gov.

   - HUD indicated that during the registration and reporting process, some grantees experienced access and technical problems with the HUD and OMB call-in centers. For instance, some grantees did not know which help desk they should call since there are three call-in centers: the OMB call-in center, HUD's Recovery Act call-in center, and the HUD help desk call-in center. HUD's Recovery Implementation Team was working with OMB and HUD's help desks to solve the problems. The Recovery Implementation Team also provided guidance to program offices on how to help grantees with some of the technical problems during the registration and reporting process.

3. Regarding the process for subrecipients

   OMB Memorandum 09-21 requires Federal agencies to continuously evaluate prime recipient and subrecipient efforts to meet Section 1512 requirements as well as

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7 DUNS stands for "data universal numbering system." DUNS numbers are issued by Dun and Bradstreet and consist of nine digits. OMB has adopted the use of DUNS numbers as a way to keep track of how Federal grant money is dispersed.

implement guidance and any relevant Federal program regulations. In particular, Federal agencies will work to identify and remediate instances in which:

- Prime recipients that demonstrate systemic or chronic reporting problems and/or otherwise fail to correct such problems as identified by the Federal agency;

- Subrecipients that demonstrate systemic or chronic reporting problems and/or otherwise fail to correct such problems as identified by the recipient or Federal agency; and

- Prime recipients that demonstrate systemic or chronic deficiencies in meeting its responsibilities to review and identify data quality problems of subrecipients consistent with the requirements of this guidance.

While HUD has developed a process to identify prime recipients with systemic or chronic reporting problems and/or otherwise fail to correct such problems as identified by HUD.

We found that:

- HUD has not developed a process for identifying those prime recipients that delegated reporting responsibility to subrecipients and did not perform data quality reviews and work with designated subrecipients to address any data quality issues due to the large number of prime recipients and subrecipients. However, HUD plans to select a sample of prime recipients, based on risk, to investigate their data quality review process.

- HUD has not developed a process for identifying subrecipients that demonstrate systemic or chronic reporting problems and/or otherwise fail to correct such problems as identified by the primary recipients. However, HUD plans to integrate this requirement into its process for monitoring prime recipients. The October reporting period is the first opportunity HUD has had to learn the identities of the subrecipients of these awards. HUD plans to identify problems with subrecipient reporting when it selects a sample of prime recipients to review their data quality control process.

RECOMMENDATIONS

We recommend that the Recovery Implementation Team

1. Require the HUD program offices to review the primary recipients' processes and procedures for collecting, reviewing, and reporting Recovery Act data to ensure that they are in compliance with the Recovery Act.

2. Ensure that HUD officials continue to monitor the non-reporting prime grantees to ensure that they register and submit Section 1512 data in the next quarterly report.

3. Develop a process to identify subrecipients that demonstrate systemic or chronic reporting problems for data quality.

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Appendix A

<u>**Scope and Methodology**</u>

The review was performed between September and October 2009 at HUD headquarters, Washington, DC. We used the "Recovery Act Reporting Data Quality Review Guide for the Inspector General Community" provided by the Board to accomplish our objectives. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Specifically, we

- Evaluated HUD's policy and procedures for reviewing quarterly Recovery Act data pursuant to OMB Memorandum M-09-21;

- Obtained and reviewed supporting documents to determine whether HUD program offices provided guidance and assistance to grant recipients;

- Evaluated actions and process used by HUD to ensure that all prime recipients filed the required quarterly reports;

- Interviewed HUD's Recovery Implementation Team/HUD officials on its process to perform limited data quality reviews;

- Performed analyses of documents provided by the Recovery Team to determine reporting status of HUD's grant recipients;

- Attended meetings held between HUD's Recovery Implementation Team and program office managers;

- Reviewed HUD's grant award agreements procedures and enforcement plan to determine whether HUD has an adequate process in place to remediate systemic or chronic reporting problems; and

- Reviewed relevant Federal laws and regulations, including Recovery Act guidance issued by the Office of Management and Budget.

Appendix B

Comments from the U.S. Department of Housing and Urban Development

FROM: Elizabeth S. Willmott, Senior Program Manager for Economic Recovery, S
           Jerry E. Williams Chief Information Officer, Q
           Anthony Scardino, Acting Deputy Chief Financial Officer, F

TO: Hanh Do, Director, Information Systems Audit Division, GAA

SUBJECT: Comments on Review of HUD's process for monitoring recipient reporting for the
           American Recovery and Reinvestment Act of 2009

Thank you for the feedback and for the opportunity to review the discussion draft audit report. The HUD Recovery Team notes several areas of common ground with HUD-OIG. Along with factual corrections, we have additional information to provide that describes HUD's extensive efforts to ensure accountability and transparency in this very important initiative.

We have additional information to provide for the report:

Overall

"HUD's Recovery Act reporting system" should be "HUD's Recovery Act Management and Performance System" and appropriate changes made to other references to this system in the report.

Area #2, page 2

To support Recovery funding recipients in the completion of these unprecedented required quarterly reporting requirements, HUD has conducted extensive and proactive outreach to grantees. This technical assistance has included:

- ✓ a website with numerous guidance materials and tip sheets (e.g., a completed "dummy template" pre-populated with generic information that will be common across all recipients),
- ✓ a call center (paid for by CPD and PIH) – which fielded several thousand calls over the reporting period,
- ✓ written guidance,
- ✓ webinars by OMB,
- ✓ trainings by the Office of Departmental Grants Management and Oversight,
- ✓ four hour-long conference calls in partnership with the National Affordable Housing Management Association (NAHMA) and American Association of Homes and Services for the Aging (AAHSA), and
- ✓ dedicated staffing of a highly used email help desk, reportinghelp@hud.gov – which fielded over 1,000 emails and led to hundreds of explanatory phone calls between grantees and HUD staff.

The Program Offices also sent out guidance tailored for their grantees, used program-specific email help desks and posted updates regularly to both email list servers and agency webpages. The HUD Director of Public Engagement sent out emails to a list of the major industry associations. HUD also convened a regular informal conference call to share experiences and best practices with other federal agencies in preparing for reporting.

HUD program staff conducted active outreach during the "late submission" period. Staff members across programs have developed a process to identify and communicate directly with every grantee that reported late, did not report, or had problems with their submission. This includes phone calls to grantees, email reminders (e.g., an automated email reminder system from HPRP's e-snaps system), list server messages, and guidance posted on program web sites.

Areas #3 and #4, page 3

Regarding 3a: OCIO extracted the data from FederalReporting.gov daily (every morning) and uploaded into RAMPS. OCIO generated the reports and provided it to the different program offices who in turn reached out to their grantees.

Our automated Data Quality Review process checks all reports for errors in the following four categories. All grantees with these types of errors are currently being contacted via the Federal Reporting commenting process: Award Amount; Total Received; Total Expended; and Number of Jobs. We also have generated new reports with four types of outliers: Job creation over two with an award amount below $100k; Job creation of zero with an award amount over $10 million; Duplicate reports; and Top 15 grantees for "Cost of Jobs" (Award Amount / # of Jobs). All grantees associated with records that fall into these four categories have been contacted in the data quality review period. Grantees have also been contacted to correct the following: wrong agency code, wrong Treasury Account Symbol, wrong CFDA number, etc.

Area #6, page 4

- "HUD anticipates that it will be able to use the reported information as a tool **for compliance, including the following potential actions:** assessing compliance with the terms and conditions of award agreements; assessing risk; and determining when to release remaining funds."

We have the following responses to the "Areas in Need of Improvement."

Area in Need of Improvement #1

This finding relates to sub-recipients who have been delegated reporting responsibility. However, the current language in this finding appears to be directed to the prime's responsibility for data submitted by sub-recipients regardless of their reporting status (delegated or not delegated). The reasons for our non-concurrence are as follows:

- Grantees in the Public Housing Capital Fund and Office of Native American Programs are not considered to have sub-recipients.
- OHHLHC ARRA Grantees (Prime recipients) do not delegate reporting responsibility and collect and evaluate data submitted by sub-recipients and vendors before reporting data on behalf of the sub-recipient.
- CDBG-R staff anticipated that few grantees will delegate direct reporting responsibilities to their sub-recipients. Because many prime grantees will enter data on sub-recipients directly, they will be in a position to review sub-recipients' data and make any corrections before it is entered. Moreover, 24 CFR 570.501(b) of the CDBG regulations explicitly states: "The recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, sub-recipients, or contractors does not relieve the recipient of this responsibility. The recipient is also responsible for determining the adequacy of performance under sub-recipient agreements and procurement contracts, and for taking appropriate action when performance problems arise…."

Moreover, there is no Recovery Act requirement that grantees identify sub-recipients in advance (nor is there any programmatic statutory or regulatory requirement in this regard). Given that most grantees (or their sub-recipients) have just begun to implement their program, that this is the first quarter for which prime recipients were required to submit their reports, and that OMB reporting requirements were finalized only weeks before the October 1 reporting period began, HUD could not have any historical data with which to identify sub-recipients.

However, we recognize that this monitoring process is an important issue. Now that sub-recipient information is included in the FederalReporting.gov reports, HUD will use that information to identify prime recipients who delegated responsibility, and programs will provide further explicit guidance to grantees emphasizing the need/responsibility for prime recipients to review their sub-recipients' reports.

Area in Need of Improvement #2

As of the publication of this report, the Recovery Accountability and Transparency Board has decided to exempt Project-Based Rental Assistance from reporting requirements, based on the premise that those funds constitute "payments to individuals." Without that program considered in our report total, HUD recipients actually reported in a much higher overall percentage than previously stated. With this in mind, as of the publication date of this report, over 90 percent of HUD recipients have reported into FederalReporting.gov. This should be considered impressive progress, considering that this is a brand-new system.

Moreover, grantees had no opportunity to practice in the system or to see it firsthand until the first day of reporting. Many HUD Recovery Act programs and grantees were in the very earliest stages of post-grant-award program implementation at the time of reporting deadline. While HUD did everything possible in order to ease the burden of grantees, these circumstances were challenging nonetheless.

HUD did take aggressive action to mitigate confusion with the systems. HUD programs communicated to the grantees in all stages of the process that they should go to the Recovery Act call center with any questions on registration, reporting and any agency comments. Also, the program offices are responding back, where appropriate, to the grantees that have questions or comments relating to the agencies' comments.

On page 5, the statement that "HUD systems do not maintain the DUNS numbers for grants awarded before the Recovery Act" is inaccurate. The agency does maintain DUNS numbers, but HUD does not have a complete and up-to-date list of DUNS numbers for all recipients. For example, the DUNS numbers that HUD has on file for given recipients may differ from the DUNS numbers those recipients choose to use. This problem is especially prevalent when interacting with large and complicated recipient organizations which have more than one DUNS number and changing staff members. However, this is an issue that multiple programs are working aggressively to fix in the coming months.

On the same page, in overall response to the point, note that the program offices have been able to identify the grantees who were awarded grant funds by using other identifier fields, such as the funding and award ID numbers located in LOCCS, as well as organization name, and using this information to compare against the registered data in FederalRecovery.gov. This information was used to outreach to those prime recipients who have not registered in the system. These additional strategies significantly improved the process of identification.

On page 5, while the statement that "some grantees did not know which help desk to call" may be true in some few instances, actually HUD made all possible efforts to communicate proactively through the website, written guidance materials and third-party industry associations to identify the HUD call center as the source of information for programmatic questions and the FederalReporting.gov call center for technical questions about the OMB site. Considering that the reporting system was not a HUD-managed system, we feel that this was the right thing to do.

Area in Need of Improvement #3

First, several facts need to be recognized. This finding relates to sub-recipients who have been delegated reporting responsibility. However, the current language in this finding appears to be directed to the prime's responsibility for data submitted by sub-recipients regardless of their reporting status (delegated or not delegated). The reasons for non-concurrence are described in our response to Areas in Need of Improvement #1 above.

Also, decisions regarding whether or not to use sub-recipients, the selection of specific sub-recipients, and ensuring compliance with requirements, all rest with the prime recipients. HUD does not have any contractual relationship with grantees' sub-recipients, and thus the principal responsibility for monitoring sub-recipients lies with the grantees, not with HUD.

On page 6, it is an unreasonable evaluation that "HUD has not developed a process to identify those prime recipients *who delegated reporting responsibility* to sub-recipients and did not perform data quality reviews and work with designated sub-recipients to address any data quality issues due to the large number of prime recipient and sub-recipients."

On page 6, the statement that "HUD has not developed a process to identify sub-recipients that demonstrate systemic or chronic reporting problems…" is not reasonably applicable to the first cycle of reporting. This period is the first time that sub-recipients will have reported into the system, meaning that any judgment of "systemic" and "chronic" problems is premature. HUD will analyze the reports from this period to identify potential concerns about sub-recipient reporting and determine the optimal approach for monitoring and review.

As noted in our response to Areas in Need of Improvement #1, now that sub-recipient information is included in the FederalReporting.gov reports, HUD will use that information to identify prime recipients who delegated responsibility and sample those primes for their data quality review processes prior to the next quarter. Prior to the next quarter reporting period, programs will provide further explicit guidance to grantees emphasizing the need/responsibility for prime recipients to review their sub-recipients' reports.

RESPONSES TO RECOMMENDATIONS

1. Require the HUD program offices to review the primary recipients' processes and procedures for collecting, reviewing, and reporting Recovery Act data to ensure that they are in compliance with the Recovery Act.

    Response: This goal will be met through our extended data quality review process in the coming months, by using a risk-based approach to sample prime recipients for data quality follow-up and review.

2. Ensure that HUD officials continue to monitor those non-reporting prime grantees to ensure they register and submit section 1512 data in the next quarterly report.

    Response: This is already underway for the future quarters.

3. Develop a process to identify *sub-recipients* that demonstrate systemic or chronic reporting problems for data quality.

    Response: Now that sub-recipient information is included in the FederalReporting.gov reports, HUD will use that information to identify prime recipients who delegated responsibility and sample those primes for their data quality review processes prior to the next quarter. Decisions regarding whether or not to use sub-recipients, regarding the selection of specific sub-recipients, and regarding ensuring compliance with requirements, all rest with the prime recipients. HUD does not have any contractual relationship with grantees' sub-recipients, and thus the principal responsibility for monitoring sub-recipients lies with the grantees, not with HUD. However, we will sample the review processes and procedures of those prime recipients who did in fact delegate responsibility.