



SOCIAL SECURITY

MEMORANDUM

Date: July 28, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: Contractors' Reporting of Jobs Created Using American Recovery and Reinvestment Act Dollars (A-15-10-21096)

The attached final report presents the results of our review. Our objectives were to verify the number of jobs reported as created or retained by Social Security Administration contractors who received *American Recovery and Reinvestment Act of 2009* awards as of the quarters ended September 30, 2009 and December 31, 2009.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in black ink that appears to read "Patrick P. O'Carroll, Jr."

Patrick P. O'Carroll, Jr.

Attachment

QUICK RESPONSE EVALUATION



***Contractors' Reporting of Jobs Created
Using American Recovery and
Reinvestment Act Dollars***

A-15-10-21096



August 2010

Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.

Background

OBJECTIVE

Our objective was to verify the number of jobs reported as created or retained by Social Security Administration (SSA) contractors who received *American Recovery and Reinvestment Act of 2009* (Recovery Act) awards as of the quarters ended September 30, 2009 and December 31, 2009.

BACKGROUND

On February 17, 2009, the Recovery Act was signed into law.¹ The Recovery Act was designed to save and create jobs as well as cushion the economic downturn and make crucial public investments.² The Recovery Act's immediate goals were to create new jobs and save existing jobs, spur economic activity and invest in long-term growth, and foster unprecedented levels of accountability and transparency in government spending.³

The Recovery Act oversight requirements call for any recipient of Recovery Act funds directly from a Federal agency to submit a report to *FederalReporting.gov* not later than 10 days after the end of each calendar quarter. The information in the report is required to include, among other things, (1) the total amount of recovery funds invoiced, and (2) a narrative description of the employment impact of work funded by the Recovery Act, including an estimate of the number of jobs created and the number of jobs retained by the prime contractor, in the United States and outlying areas.⁴

Several Office of Management and Budget (OMB) memorandums, the Federal Acquisition Regulation (FAR), and Frequently Asked Questions (FAQ) at *FederalReporting.gov* provide guidance to Federal agencies and contractors for calculating the number of jobs created or retained and to Federal agencies to effectively review the quality of data submitted by contractors. The guidance is outlined below.

¹ Pub. L. No. 111-5.

² Executive Office of The President, Council of Economic Advisers, *Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009*, May 2009.

³ http://www.recovery.gov/About/Pages/The_Act.aspx

⁴ 48 C.F.R. 52.204-11 (c) through (d)(7). These requirements, among others set forth in 48 C.F.R. 52.204-11, are to be included in all solicitations and contracts funded in whole or in part with Recovery Act funds, except classified solicitations and contracts. 48 C.F.R. 4.1502. 48 C.F.R. Subpart 4.15 implements the recipient reporting requirements set forth in Section 1512(c) of the Recovery Act.

- [OMB Memorandum M-09-21, Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009](#) transmits Government-wide guidance for Federal agencies carrying out the reporting requirements included in section 1512 of the Recovery Act. Although this memorandum does not apply to Federal contracts, OMB has provided guidance for calculating the jobs created or retained by Federal contractors via *FAQs* at their Website.⁵ Additionally, relevant guidance for Federal contractors is provided in FAR clause 52.204-11.
- [FAR 52.204-11, American Recovery and Reinvestment Act - Reporting Requirements](#) requires that Federal contractors report an estimate of the jobs directly created and jobs retained in the United States and outlying areas.⁶ The Department of Defense, General Services Administration (GSA), and National Aeronautics and Space Administration jointly issue the FAR for use by executive agencies in acquiring goods and services.
- [Recovery FAQs for Federal Contractors on Reporting - Reporting/Data Element FAQs #15 \(as of September 30, 2009\)](#) gave preliminary guidance to the prime Federal contractor to determine the "Number of Jobs" to report on FederalReporting.gov. The FAQs stated that jobs should be calculated based on full-time equivalent positions (FTE) using cumulative Recovery Act hours worked divided by cumulative hours in a full-time schedule. This FAQ can be found at OMB's Website, but was revised as of December 31, 2009.⁷
- [OMB Memorandum M-10-08, Updated Guidance on the American Recovery and Reinvestment Act - Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates](#) requires that Federal agencies establish a data quality review plan that articulates their data quality review process to, at a minimum, focus on significant reporting errors and material omissions,⁸ such as those related to the federal amount of the award, federal award number, recipient name, and number of jobs created or retained. The new guidance also imparts important simplifications to the manner in which job estimates are calculated and reported. The guidance states that recipients will no longer be required to make a subjective judgment on whether jobs were created or retained as a result of the Recovery Act. OMB states that, instead, recipients will more easily and objectively report on jobs funded with Recovery Act dollars.⁹

⁵ http://www.whitehouse.gov/omb/recovery_faqs_contractors/

⁶ 48 C.F.R. § 52.204-11(d)(7)(ii).

⁷ Id.

⁸ OMB, M-10-08, Part 1 § 3.

⁹ OMB, M-10-08 at page 1-2.

- [Recovery FAQs for Federal Contractors on Reporting – Reporting/Data Element FAQs #15 \(as of December 31, 2009\)](#) modified the method of calculating jobs to no longer use cumulative figures for hours worked and hours in a full-time schedule to determine the FTEs. Rather, the calculation of jobs is now based on hours worked in one quarter divided by the hours in a full-time schedule for one quarter of the year.

The Government Accountability Office's (GAO) November 2009 report, *Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*,¹⁰ examined the reporting of jobs created or retained by Federal agencies. GAO's analyses of recipient data from Recovery.gov indicated there were a range of significant reporting and quality issues that needed to be addressed. Specifically, GAO noted issues in the areas of data entry, quality review, and FTE calculation. GAO noted that FTE calculations were reported inconsistently even though significant guidance and training was provided by OMB and Federal agencies.

¹⁰ GAO, *Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*, November 2009, pages 1, 6, and 8-10.

Results of Review

According to SSA, 15 contractors provided SSA goods and/or services funded with Recovery Act dollars as of December 31, 2009.¹¹ Based on our verification of the number of jobs reported as created or retained by nine contractors who received SSA Recovery Act dollars, we determined eight of the nine contractors reported jobs created or retained in a manner inconsistent with OMB guidance. Contractors' errors resulted from their misinterpretation of OMB guidance. SSA reviews contractors' job creation reports, and its quality review procedures comply with OMB standards. However, SSA's quality reviews are not designed to detect, and did not detect, the specific types of errors we found during our detailed study.

Inconsistent Reporting

To accomplish our objective, we requested and obtained methodology and supporting documentation from six SSA contractors who reported jobs created as of the quarter ended September 30, 2009. We also requested the same documentation from three contractors who did not report any jobs created or retained during that period. We reviewed jobs data for the nine contractors and determined that eight had incorrectly calculated the number of jobs reported. Additionally, we looked at documentation for the jobs data reported for those same nine contractors for the quarter ended December 31, 2009 and found five of the nine incorrectly reported jobs created or retained for that period.

OMB's guidance for calculating the "Number of Jobs" is based on converting full-time, part-time, or temporary jobs into fractional FTEs.¹² For the quarter ended September 30, 2009, six SSA contractors reported an aggregate of 23.49 jobs created or retained. For the quarter ended December 31, 2009, five SSA contractors reported an aggregate of 10.41 jobs created. The results of our review are reflected in Table 1.

¹¹ Of the 15, we reviewed jobs data reported as created or retained for 14 of the contractors on *FederalReporting.gov*. We reviewed the jobs data for one contractor on *Recovery.gov*. We were unable to access contractor Jacobs Facilities Inc. (Jacobs) on *FederalReporting.gov* because, while the contract with Jacobs is funded by SSA, it is managed by GSA. While the accuracy of the Recovery Act reporting for this contract is GSA's responsibility, not SSA's, we included Jacobs in the scope of our testing because the contractor is funded with SSA Recovery Act dollars.

¹² See APPENDIX C – Frequently Asked Questions – Calculation of FTE at *FederalReporting.gov*.

Table 1

Contractor Name	Jobs Created Per Contractor as of September 30, 2009	Auditor Recalculation	Jobs Created Per Contractor as of December 31, 2009	Auditor Recalculation
AT&T CORP.	0.06	0.33	0.12	0.00
FAX PLUS	1.00	0.00	Reporting Not Applicable - Contract Completed	0.00
HEWLETT-PACKARD	0.00	0.00	0.00	0.00
IBM	16.68	0.23	3.26	1.82
JACOBS FACILITIES INC.*	4.99	4.81	5.79	6.45
NORTEL	0.75	2.95	Reporting Not Applicable - Contract Completed	0.00
ORACLE USA, INC.	0.00	5.09	1.13	1.13
STRATEGIC E-BUSINESS	0.01	0.12	0.11	0.33
YORK TELECOM	0.00	0.05	0.00	1.71
TOTAL	23.49	13.58	10.41	11.44

*Note: The contract with Jacobs Facilities Inc. is funded by SSA, but is managed by GSA.

The contractors' inconsistent interpretations of OMB guidance caused differing results for both reporting periods. For example, International Business Machines (IBM) reported 16.68 and 3.26 jobs created and retained for quarters ended September 30, and December 31, 2009, respectively. Based on the supporting documentation provided, IBM employees worked 119 and 948.85 hours on Recovery Act work in the quarters ended September 30 and December 31, 2009, respectively. Therefore, we determined the FTEs related to the hours worked for quarters ended September 30, and December 31, 2009, instead, were 0.23 and 1.82, respectively. In the September 30, 2009 reporting period, the disparity in the calculation of jobs created or retained was due to IBM using an algorithm¹³ to estimate jobs related to commercial-off-the-shelf (COTS) products sold to SSA. IBM did not provide support for actual hours worked related to the COTS products as Recovery Act guidance required. OMB requires that Federal contractors use actual hours worked by employees to calculate

¹³ IBM's algorithm equaled their total U.S. revenue for 2008 divided by their total number of U.S. employees for 2008, resulting in revenue per employee. Then the SSA Recovery Act invoiced contract amount was divided by the calculated revenue per employee figure to determine the jobs retained for the COTS items.

FTEs.¹⁴ The guidance also indicates that Federal contractors should not attempt to estimate indirect or induced jobs. To provide another example, SSA contractor York Telecom reported no FTEs for quarters ended September 30, and December 31, 2009. However, York Telecom employees worked 18.25 hours in the quarter ended September 30, 2009 and 896 hours in quarter ended December 31, 2009 on Recovery Act contracts for SSA. Therefore, we determined the FTEs related to the hours worked for the quarters ended September 30, and December 31, 2009 were 0.05 and 1.71, respectively.

Overall, the inconsistent calculation and reporting of FTEs by all the contractors we reviewed resulted in an aggregate over-reporting of 9.91 FTEs for the quarter ended September 30, 2009. For the quarter ended December 31, 2009, an aggregate under-reporting of 1.03 FTEs occurred. Based on our analysis of contractors' calculations of FTEs, it appears the contractors made a good faith effort to ensure complete and accurate reporting. Through our analyses and discussions with the contractors, it appears that the inconsistent reporting was due to misinterpretations of OMB guidance. All the contractors have concurred with our re-calculations.

Errors Not Detected by Quality Review

OAG's quality review process was not designed to detect the contractors' reporting errors we found. Although consistent with OMB's guidance to federal agencies, OAG's quality review process was not designed to monitor jobs reported as created or retained to an extent where supporting documentation is obtained from contractors to validate information posted to FederalReporting.gov. OMB Memorandum M-10-08, *Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates*, requires that Federal agencies establish data quality plans that articulate their data quality review process to, at a minimum, focus on significant reporting errors and material omissions. OAG implemented procedures requiring that contracting officers review contractor reports at FederalReporting.gov for consistency with award information, significant errors, and material omissions. Contracting officers review data posted to *FederalReporting.gov* for "significant errors,"¹⁵ that is, data that do not appear to be accurate. OAG's procedures for detecting significant errors are not meant to require a "major research effort."¹⁶ Rather, OAG reviews seek to identify data that are not logical when compared to other

¹⁴ Recovery FAQs for Federal Contractors on Reporting – *Reporting/Data Element FAQs #15* (as of December 31, 2009).

¹⁵ OAG Flash Notice, February 17, 2010, defines "significant errors" as data that do not appear to be accurate. For example, recipient names that do not match what SSA has recorded in its management systems.

¹⁶ OAG Flash Notice, February 17, 2010, p. 11.

data and/or the contract award.¹⁷ The data fields that are of major concern for significant errors are Federal amount of the award, Federal award number, recipient name, and number of jobs created or retained.¹⁸ Contracting officers should continue their communication with Recovery Act contractors emphasizing that “jobs created or retained” are to be reported as hours worked and paid for with Recovery Act funds, unless the guidance is modified to require otherwise. Additionally, since OAG has been made aware of the contractors’ reporting problems we discovered related to jobs created or retained, OAG should address these issues by enhancing its guidance issued to Recovery Act contractors.¹⁹ This should help ensure Recovery Act contractors understand OMB reporting requirements with attention to reporting jobs created or retained. Finally, given the number of reporting errors we discovered, OAG should consider periodically validating the jobs reported by Recovery Act contractors.

After we shared our findings with OAG, they took action to contact the contractors whose FTEs were over- or understated. OAG requested the contractors change the “Number of Jobs” as reported in FederalReporting.gov for the reporting period ended December 31, 2009 to what we recalculated. The contractors were also informed that they cannot change the “Number of Jobs” submitted to FederalReporting.gov for the reporting period ended September 30, 2009. In the future, the Recovery and Accountability Transparency Board will determine the best approach for correcting past reports and that information will be communicated to contractors.

¹⁷ Id. According to OAG’s Flash Notice, an example of a “significant error” would include obvious errors, such as a contractor who reports \$1,000,000 in invoices on a \$100,000 award. Other examples would be a contractor incorrectly selecting “fully complete” to describe an incomplete project; or the contractor reports the number of jobs created and retained cumulatively as 100,000, yet the contract award/obligation amount was for a relatively small dollar amount, such as \$100,000.

¹⁸ OMB, M-10-08, *Updated guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting, and Reporting of Job Estimates*, p. 4.

¹⁹ In our October 2009 report, *American Recovery and Reinvestment Act of 2009 Data Quality Reviews* (A-15-10-21045), SSA stated that if OAG reviews the reports and finds common errors, it will address the issue.

Matters for Consideration

Most of the SSA contractors we reviewed reported jobs created or retained in a manner inconsistent with OMB guidance. Differing interpretations of the OMB guidance for job count calculations appeared to be the reason for the inconsistencies. OAG's quality review process, although consistent with OMB's guidance to federal agencies, is not designed to monitor jobs reported as created or retained to an extent where supporting documentation is obtained from contractors to validate information posted to FederalReporting.gov. Therefore, it is unlikely that OAG would have detected the reporting inconsistencies we identified.

Contracting officers should continue their communication with Recovery Act contractors emphasizing that "jobs created or retained" are to be reported as hours worked and paid for with Recovery Act funds, unless the guidance is modified to require otherwise. In light of the 15 new Health Information Technology awards²⁰ SSA made in February 2010 and the systemic reporting problems we discovered, OAG should enhance guidance issued to Recovery Act contractors to ensure they understand OMB reporting requirements with attention to reporting jobs created or retained. Finally, given the number of reporting errors we discovered, OAG should consider periodically validating the jobs reported by Recovery Act contractors.

²⁰ Health Information Technology awards will provide electronic medical records to the Agency through the Nationwide Health Information Network.

Appendices

[APPENDIX A](#) - Acronyms

[APPENDIX B](#) - Scope and Methodology

[APPENDIX C](#) - OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

CY	Calendar Year
FAR	Federal Acquisition Regulation
FAQ	Frequently Asked Question
FTE	Full-Time Equivalent
GAO	Government Accountability Office
GDP	Gross Domestic Product
GSA	General Services Administration
OAG	Office of Acquisition and Grants
OIG	Office of the Inspector General
OMB	Office of Management and Budget
Recovery Act	<i>American Recovery and Reinvestment Act of 2009</i>
SSA	Social Security Administration

Scope and Methodology

Our objective was to verify the number of jobs reported as created or retained by the recipients of *American Recovery and Reinvestment Act of 2009* (Recovery Act) awards as of the quarters ended September 30, 2009 and December 31, 2009. We accomplished our objective in three steps. First, we determined the criteria that provides guidance on how jobs created or retained are calculated. We determined that the Office of Management and Budget (OMB) and Federal Acquisition Regulation (FAR) provided guidance for Federal agencies and contractors to follow to calculate the number of jobs created or retained and for Federal agencies to effectively review the quality of data submitted by contractors. The guidance is outlined in the following.

- OMB Memorandum M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*
- FAR 52.204-11 *American Recovery and Reinvestment Act - Reporting Requirements*
- Recovery FAQs for Federal Contractors on Reporting – Reporting/Data Element FAQs #15 (as of September 30, 2009)
- OMB Memorandum M-10-08, *Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates*
- Recovery FAQs for Federal Contractors on Reporting – Reporting/Data Element FAQs #15 (as of December 31, 2009)

Second, we requested that Recovery Act recipients who provided goods and/or services to the Social Security Administration provide us the methodology and supporting documentation used to calculate the number of jobs reported as created or retained on FederalReporting.gov for the quarters ended September 30, and December 31, 2009.

Third, based on the methodology and supporting documentation provided by the contractors, we performed a recalculation of jobs created or retained based on the guidance provided by *Recovery FAQs for Federal Contractors on Reporting – Reporting/Data Element FAQs #15* dated September 30, 2009 and December 31, 2009. These FAQs give guidance to the prime Federal contractor to determine the "Number of Jobs" that will be reported on FederalReporting.gov. Full-time equivalents (FTE) are calculated using Recovery Act hours worked divided by hours in a full-time schedule. In addition to this, we followed OMB Memorandums M-10-08 and M-09-21. The two FAQs required two different methods to calculate FTEs.

FAQs at September 30, 2009

For hours worked in the quarter ended September 30, 2009, OMB Memorandum M-09-21 and FAQs at September 30, 2009 required that FTEs be calculated cumulatively; thus, cumulative Recovery Act hours worked were divided by cumulative hours in a full-time schedule. See an illustration of the cumulative method in Table B-1.

Table B-1

Period	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr
Full-Time Schedule	520	1,040	1,560	2,080	2,600	3,120
Full-Time Employee 1	520	1,040	1,560	2,080	2,600	3,120
Full-Time Employee 2	520	1,040	1,560	2,080	2,600	3,120
Part-Time Employee (half time)	260	520	780	1,040	1,300	1,560
Temporary Employee (650 hours)	0	0	130	390	650	650
Total Hours Worked	1,300	2,600	4,030	5,590	7,150	8,450
Cumulative Quarterly FTE Reported	2.50	2.50	2.58	2.69	2.75	2.71

FAQs at December 31, 2009

For hours worked in the quarter ended December 31, 2009, OMB Memorandum M-10-08 and FAQs at December 31, 2009 required that FTEs be calculated on a non-cumulative basis; thus, non-cumulative Recovery Act hours worked are divided by non-cumulative hours in a full-time schedule. See Table B-2.

Table B-2

Period	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr
Full-Time Schedule (denominator)	520	520	520	520	520	520
Full-Time Employee 1	520	520	520	520	520	520
Full-Time Employee 2	520	520	520	520	520	520
Half-Time Employee (half time)	260	260	260	260	260	260
Temporary Employee (340 hours)	0	0	130	130	80	0
Total Hours Worked (numerator)	1,300	1,300	1,430	1,430	1,380	1,300
"Number of Jobs" Reported by Federal Contractor in FederalReporting.gov by Reporting Quarter	2.50	2.50	2.75	2.75	2.65	2.50

According to SSA, 15 contractors provided SSA goods and/or services funded with Recovery Act dollars as of December 31, 2009.¹ To accomplish our objective, we requested and obtained methodology and supporting documentation from six SSA contractors who reported jobs created as of the quarter ended September 30, 2009. We also requested the same documentation from three contractors who did not report any jobs created or retained during that period. Additionally, we reviewed documentation for the jobs data reported for those same nine contractors for the quarter ended December 31, 2009. Due to the restrictions of the *Paperwork Reduction Act*,² we limited our requests for supporting documentation concerning the number of jobs created or retained to 9 contractors. This Act limits identical requests to less than 10 without obtaining prior approval from OMB.

¹ Of the 15, we reviewed jobs data reported as created or retained for 14 of the contractors on *FederalReporting.gov*. We reviewed the jobs data for one contractor on *Recovery.gov*. We were unable to access contractor Jacobs Facilities Inc. (Jacobs) on *FederalReporting.gov* because, while the contract with Jacobs is funded by SSA, it is managed by GSA. While the accuracy of the Recovery Act reporting for this contract is GSA's responsibility, not SSA's, we included Jacobs in the scope of our testing because the contractor is funded with SSA Recovery Act dollars.

² Paperwork Reduction Act, 44 U.S.C. 3501 et seq.

We performed our review in Baltimore, Maryland, from January to March 2010. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspections*.

Appendix C

OIG Contacts and Staff Acknowledgments

OIG Contacts

Victoria Vetter, Director, Financial Audit Division

Deborah Kinsey, Audit Manager

Acknowledgments

In addition to those named above:

Ronald Anderson, Auditor-In-Charge

Jackie Patel, Senior Auditor

For additional copies of this report, please visit our web site at www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-15-10-21096.

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