



September 2015

FEDERAL SPENDING ACCOUNTABILITY

Preserving
Capabilities of
Recovery Operations
Center Could Help
Sustain Oversight of
Federal Expenditures

Accessible Version

GAO Highlights

Highlights of [GAO-15-814](#), a report to congressional addressees

Why GAO Did This Study

Improper payments government-wide increased approximately \$19 billion in fiscal year 2014, resulting in an estimated total of \$124.7 billion. The DATA Act authorized Treasury to establish a data-analysis center or expand an existing service.

Congress included a provision in the DATA Act for GAO to review the implementation of the statute. This report addresses (1) the value of the ROC's capabilities provided to the oversight community; (2) Treasury's plans for transferring assets from the ROC, and (3) the potential effect, if any, of Treasury's plans on the ROC's users.

GAO reviewed documentation on the ROC's assets, a transition plan developed by the ROC, and its performance data from fiscal year 2012 through March 2015. On the basis of factors such as frequency of requests for assistance and agency size, GAO interviewed various ROC users about their views. GAO also interviewed Treasury and CIGIE officials to obtain their perspectives on the ROC's capabilities and its future status.

What GAO Recommends

If Congress wants to maintain the ROC's analytic capabilities, it should consider directing CIGIE to develop a proposal to that effect to help ensure federal spending accountability. GAO also recommends that Treasury consider transferring additional information to enhance Treasury's DNP. Treasury concurred with GAO's recommendation, and CIGIE is supportive of assuming additional analytical functions for the OIG community with additional funding.

View [GAO-15-814](#). For more information, contact Seto Bagdoyan at (202) 512-6722 or bagdoyans@gao.gov.

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Preserving Capabilities of Recovery Operations Center Could Help Sustain Oversight of Federal Expenditures

What GAO Found

The Recovery Accountability and Transparency Board's (Recovery Board) Recovery Operations Center (ROC) provided significant analytical services primarily to Offices of the Inspector General (OIG) to support antifraud and other activities. Congress initially established the Recovery Board to oversee funds appropriated by the American Recovery and Reinvestment Act of 2009. Subsequently, it expanded the Recovery Board's mandate to include oversight of other federal spending, and most recently through the Digital Accountability and Transparency Act of 2014 (DATA Act) authorized the Department of the Treasury (Treasury) to transfer ROC assets to Treasury by September 30, 2015, when the Recovery Board closes. On the basis of the ROC's client-service performance data that GAO reviewed, the center researched roughly 1.7 million entities associated with \$36.4 billion in federal funds in fiscal years 2012 and 2013. The ROC developed specialized data-analytic capabilities that, among other things,

- helped OIGs identify high-risk entities and target audit and investigative resources to those entities;
- identified organizations with previous fraudulent activities that nevertheless received contracts during Hurricane Sandy; and
- identified entities involved in activities such as collaborating to commit fraud, and visually depicted relationships among these entities for juries.

Treasury does not plan to transfer the ROC's assets, such as hardware and software, citing cost, lack of investigative authority, and other reasons. However, Treasury could transfer additional information to its Do Not Pay Center Business Center (DNP), which assists agencies in preventing improper payments. For instance, transferring documentation of data-sharing agreements, which can be difficult and time-consuming to establish, could serve as a template for DNP efforts to expand the number of data sets it uses to identify improper payments. Although cost and other challenges may limit the viability of transferring certain of the ROC's assets to Treasury, other assets—especially those that could serve as templates for negotiating access to and procuring additional data—may assist DNP as it expands its services and capabilities.

Because Treasury does not plan to transfer the ROC's assets, the ROC's users will need to consider alternatives when the Recovery Board closes. Specifically, officials from some large OIGs that have used the ROC told GAO they intend to develop their own analytical capabilities. However, officials from some small- and medium-sized OIGs said they do not have the resources to develop independent data analytics or pay for a similar service, thus foregoing the ROC's capabilities. The Council of the Inspectors General for Integrity and Efficiency (CIGIE) could reconstitute some of the ROC's analytic capabilities and has explored options to do so. However, CIGIE officials stated that CIGIE does not currently have the resources to accomplish this reconstitution. A legislative proposal that articulates for Congress the relative costs and benefits of developing an entity with a mission and capabilities similar to the ROC could be an appropriate first step in preserving the essence of the center's proven value to its users. CIGIE officials stated that they have not developed such a proposal absent congressional direction, but noted that they support Congress's expressed interest in preserving and expanding analytic resources for the oversight community.

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Abbreviations

CIGIE	Council of the Inspectors General on Integrity and Efficiency
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DATA Act	Digital Accountability and Transparency Act of 2014
DNP	Do Not Pay Center Business Center
MOU	memorandum of understanding
OIG	Office of Inspector General
OMB	Office of Management and Budget
Recovery Act	American Recovery and Reinvestment Act of 2009
Recovery Board	Recovery Accountability and Transparency Board
ROC	Recovery Operations Center
Treasury	Department of the Treasury



September 14, 2015

Congressional Addressees

Improper payments government-wide totaled an estimated \$124.7 billion in fiscal year 2014, a significant increase of approximately \$19 billion, or about 18 percent, from the prior year's estimate of \$105.8 billion.¹ One component of a strategy to reduce improper payments is implementing effective detection techniques to quickly identify and recover improper payments.² Legislation, guidance by the Office of Management and Budget (OMB), and leading practices identified in GAO's Framework for Managing Fraud Risks in Federal Programs have increasingly focused on the need for program managers to take a strategic approach to managing improper payments and risks, including fraud.³

The Digital Accountability and Transparency Act of 2014 (DATA Act) provides discretionary authority to the Department of the Treasury

¹The increase in the 2014 estimate is attributed primarily to increased error rates in three major programs: the Department of Health and Human Services' (HHS) Medicare Fee-for-Service and Medicaid programs, and the Department of the Treasury's (Treasury) Earned Income Tax Credit program. These three programs accounted for \$80.9 billion in improper payment estimates, or approximately 65 percent of the government-wide total for fiscal year 2014. An improper payment is defined by statute as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Office of Management and Budget (OMB) guidance also instructs agencies to report as improper payments any payments for which insufficient or no documentation was found. GAO, *Improper Payments: Government-Wide Estimates and Use of Death Data to Help Prevent Payments to Deceased Individuals*, [GAO-15-482T](#) (Washington, D.C.: Mar. 16, 2015).

²Additionally, designing and implementing strong preventive controls can help defend against improper payments, increasing public confidence and avoiding the difficult "pay and chase" aspects of recovering improper payments. Preventive controls may include up-front validation of eligibility through data sharing and predictive analytic tests. GAO, *Improper Payments: Government-Wide Estimates and Reduction Strategies*, [GAO-14-737T](#) (Washington, D.C.: July 9, 2014).

³GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 18, 2015).

(Treasury) to establish a data-analysis center or expand an existing service to provide data, analytic tools, and data-management techniques to support the prevention and reduction of improper payments by federal agencies to improve the efficiency and transparency of federal spending. If Treasury elected to exercise this discretionary authority to establish a data-analysis center or expand an existing service, assets of the Recovery Accountability and Transparency Board's (Recovery Board) Recovery Operations Center (ROC) identified by Treasury and relating to the detection of fraud and abuse in the use of federal funds could be transferred to Treasury. The ROC is a central data-analytics service to support fraud detection and prevention and to assist the oversight community in its efforts to prevent fraud, waste, and abuse. Originally created in October 2009 by the Recovery Board, the ROC will close when the Recovery Board's authority expires on September 30, 2015.⁴ Treasury would need to transfer relevant assets prior to the shutdown of the Recovery Board.

The DATA Act requires GAO to issue reports assessing and comparing the quality of data submitted under the DATA Act as well as agency implementation and use of data standards. In July 2015, we testified on initial implementation of the DATA Act, including the status of the ROC, and the assets of the ROC eligible for transfer to Treasury under the DATA Act.⁵ This report expands on information presented in the July 2015 testimony by addressing (1) the analytic value of the ROC's capabilities to the oversight community, (2) Treasury's plans, if any, for transferring assets from the ROC, and (3) the potential effect, if any, Treasury's plans will have on the ROC's user community, especially Offices of Inspector General (OIG).

To accomplish our objectives, we reviewed transition-plan documents that included milestones, and guidelines provided by the Recovery Board. We also reviewed documentation provided by the Recovery Board on its

⁴For purposes of this report, we use the term "oversight community" to refer to government entities that are tasked with ensuring the appropriate use of federal funds. Offices of the Inspector General (OIG), law-enforcement agencies, and agency program offices conducting oversight responsibilities may also be considered part of the oversight community. These agencies were the primary users of the Recovery Operations Center's (ROC) analytic tools.

⁵GAO, *DATA Act: Progress Made in Initial Implementation but Challenges Must be Addressed as Efforts Proceed*, [GAO-15-752T](#) (July 29, 2015).

resources, including hardware, software contracts, data sets, and human capital as well as performance information from fiscal year 2012 through March 2015. We developed criteria to select ROC users to interview based on a range of agency sizes and a range of frequency and consistency with which the organizations used the ROC. On the basis of our criteria, we interviewed officials representing the OIGs of the Department of Homeland Security, the Appalachian Regional Commission, the Environmental Protection Agency, the Department of Housing and Urban Development, the Export-Import Bank, the National Science Foundation, the United States Postal Service, and the Department of Justice, as well as officials from the National Intellectual Property Rights Coordination Center. We also interviewed Treasury officials involved in the potential transition of the ROC, officials from the Council of the Inspectors General on Integrity and Efficiency (CIGIE), and Recovery Board officials for their observations on the potential transition.

We conducted this performance audit from April 2015 to September 2015 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, conclusions, and recommendations 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. A more detailed explanation of our objectives, scope, and methodology can be found in Appendix I.

Background

The American Recovery and Reinvestment Act of 2009 (Recovery Act) created the Recovery Board composed of Inspectors General to promote accountability by overseeing recovery-related funds. The board was to do so, in part, by providing the public with easily accessible information.⁶ The Recovery Act appropriated \$84 million for the Recovery Board to carry out its duties and set a termination date of September 30, 2013, for its oversight activities. The act provided the Recovery Board with the following specific powers and functions:

- audit and review spending on its own or in collaboration with federal OIGs;

⁶Pub. L. No. 111-5, div. A, § 1521–1530, 123 Stat. 115, 289–294 (Feb. 17, 2009).

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- issue subpoenas to carry out audit and review responsibilities;
 - refer instances of fraud, waste, and mismanagement to federal OIGs;
 - hold public hearings and compel testimony through subpoenas;
 - enter into contracts with public agencies and private entities;
 - review whether there are sufficient and qualified personnel overseeing Recovery Act funds; and
 - make recommendations to federal agencies on measures to prevent fraud, waste, and mismanagement of Recovery Act funds.

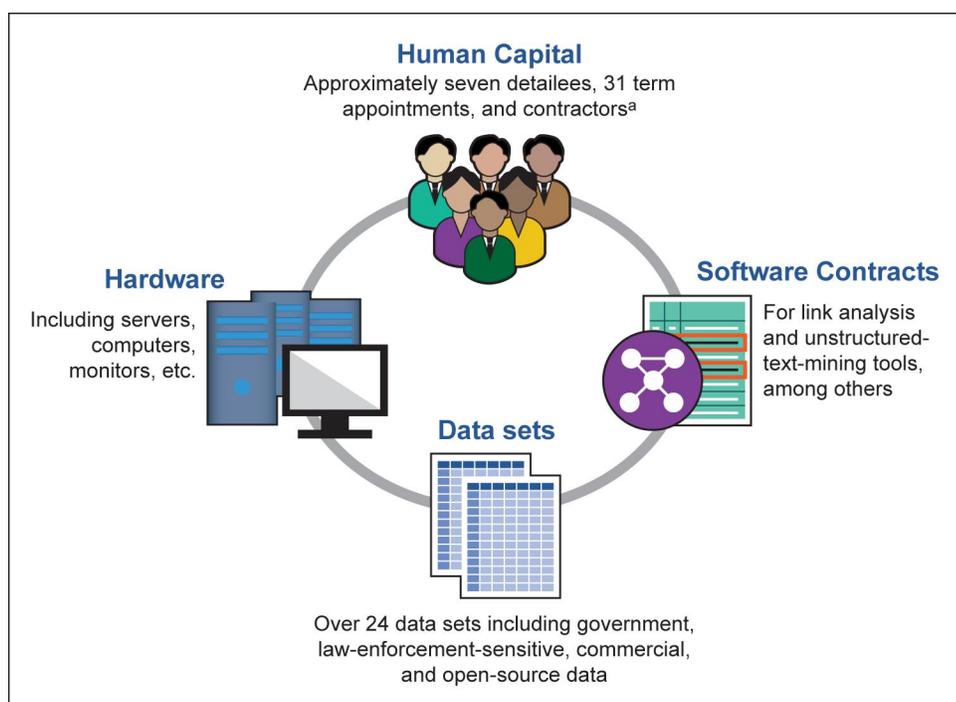
To fulfill its mandate under the Recovery Act, the Recovery Board utilized data analytics to carry out its oversight responsibilities and increase accountability. Data analytics is a term typically used to describe a variety of techniques that can be used to analyze and interpret data to, among other things, help identify and reduce fraud, waste, and abuse. Specifically, predictive analytic technologies can be used to identify potential fraud and errors before payments are made, while other techniques, such as data mining and data matching of multiple databases, can identify fraud or improper payments that have already been awarded, thus assisting agencies in recovering these dollars.⁷ In October 2009, the Recovery Board established the ROC to analyze the use of Recovery Act funds by employing data analytics, specifically to provide

- predictive analysis capability to help oversight entities focus limited government oversight resources, based on risk indicators such as programs previously identified as high-risk, high-dollar-value projects, past criminal history of key parties involved in a project, and tips from citizens; and
- in-depth fraud analysis capability using public information to identify relationships between individuals and legal entities.

⁷GAO, *Recovery Act: Grant Implementation Experiences Offer Lessons for Accountability and Transparency*, [GAO-14-219](#) (Washington, D.C.: Jan. 24, 2014) and *Highlights of a Forum: Data Analytics for Oversight and Law Enforcement*, [GAO-13-680SP](#) (Washington, D.C.: July 2013).

The ROC served as a centralized independent repository of tools, methods, and expertise for identifying and mitigating fraud, waste, and mismanagement of Recovery Act funds and the associated parties through the use of such predictive and other analytic technologies. The Recovery Board’s assets supporting the ROC include human capital, hardware, data sets, and software. (See fig. 1 for a description of the ROC’s assets.)

Figure 1: Recovery Operations Center (ROC) Assets



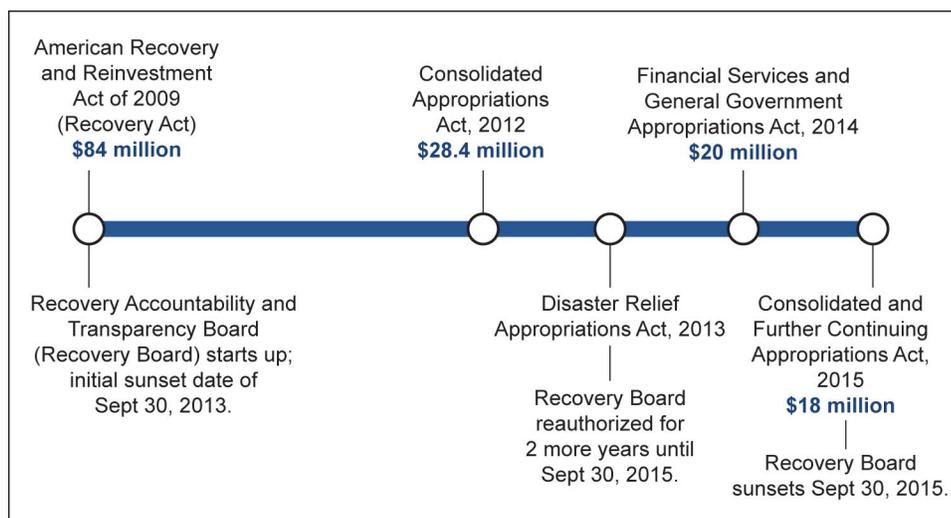
Source: GAO. | GAO-15-814

Note A: Reflects staffing numbers as of September 2013. Many of these personnel multitasked, in addition to supporting the ROC.

Subsequent legislation expanded the Recovery Board’s mandate to include oversight of other federal spending, including those funds appropriated for purposes related to the effects of Hurricane Sandy. In addition to expanding its authority, the legislation extended the termination date of the Recovery Board from September 30, 2013, to

September 30, 2015.⁸ Figure 2 illustrates the timeline of legislation authorizing the Recovery Board and any corresponding appropriations.

Figure 2: Timeline of Legislation Authorizing the Recovery Accountability and Transparency Board and Corresponding Appropriations



Source: GAO. | GAO-15-814

⁸The Recovery Act appropriated \$84 million for the Recovery Board to carry out its duties and set a termination date of September 30, 2013, for the board's oversight activities. The Consolidated Appropriations Act, 2012, expanded the Recovery Board's authority to include developing and testing information-technology resources and oversight mechanisms to enhance transparency of and detect and remediate waste, fraud, and abuse in federal spending. Pub. L. No. 112-74, 125 Stat. 786, 920 (Dec. 23, 2011). The Disaster Relief Appropriations Act of 2013 further mandated the Recovery Board to develop and use those resources and mechanisms to detect and remediate waste, fraud, and abuse in the obligation and expenditure of funds appropriated for purposes related to the effect of Hurricane Sandy. In addition, the act extended the authorization of the Recovery Board through September 30, 2015. Pub. L. No. 113-2, 127 Stat. 4, 18 (Jan. 29, 2013).

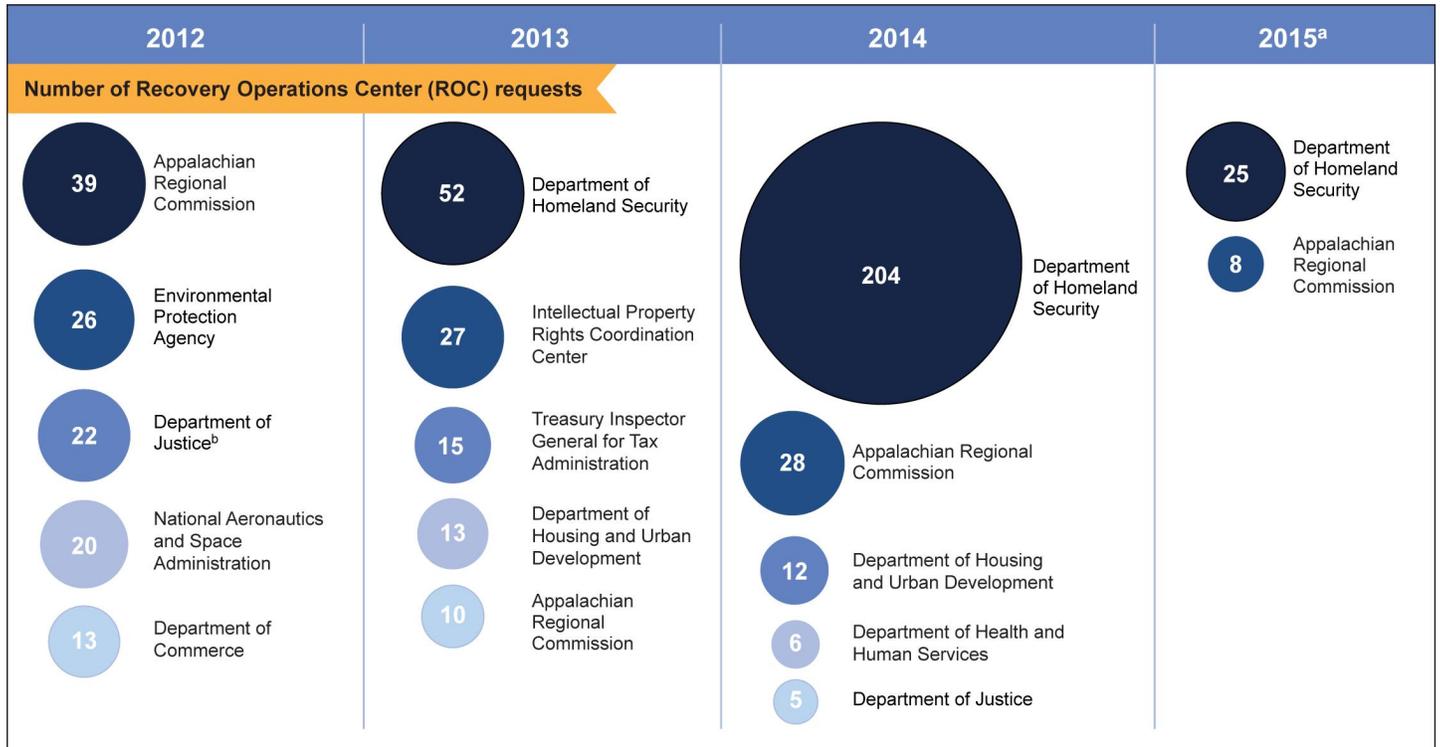
The ROC Has Provided Valuable Analytic Capabilities to the Oversight Community

As we reported in our July 2015 testimony describing the progress made in the initial implementation of the DATA Act, the ROC has provided significant analytical services to its clients, including many OIGs, in support of their antifraud and other activities.⁹ Specifically, on the basis of the ROC's client-service performance data that we reviewed, as part of the ROC's analysis supporting investigations and audits, the ROC researched roughly 1.7 million entities associated with \$36.4 billion in federal funds during fiscal years 2013 and 2014 at the request of various OIGs and other entities.¹⁰ As described below, examples of such research include Appalachian Regional Commission OIG audits of high-risk grantees and Department of Homeland Security OIG oversight of debris-removal contracts following Hurricane Sandy. The largest single user of ROC assistance over this time was the Appalachian Regional Commission OIG in fiscal year 2012 and the Department of Homeland Security OIG in fiscal years 2013 and 2014 (see fig. 3).

⁹[GAO-15-752T](#).

¹⁰Requests for assistance were submitted primarily by OIGs and the law-enforcement community. Underlying allegations prompting requests for assistance included theft/misappropriation, concealment, collusion, false statements/claims, commercial kickbacks, conflicts of interest, bribery/gratuities, nonperformance, bid-rigging, money laundering, bankruptcy, Davis-Bacon Act violations, embezzlement, product substitution, and other fraudulent activities. The Davis-Bacon and Related Acts require payment of prevailing wages on federally funded or assisted construction projects.

Figure 3: Top Five Offices of Inspector General (OIG) Submitting Requests for Analysis



Source: GAO. | GAO-15-814

Note A: Statistics from January 1, 2015, through March 27, 2015. No other OIGs used the ROC more than once during this period.

Note B: In 2012, the Department of Justice, not the Department of Justice OIG, submitted requests for analysis.

The ROC developed specialized data-analytic capabilities to better ensure federal spending accountability. Since January 2012—after the Recovery Board’s mandate was expanded to address federal funds beyond those authorized by the Recovery Act—over 50 federal OIGs and agencies have asked for assistance from the center. Two major tools the ROC used on behalf of the OIGs included (1) link analysis and (2) unstructured text mining:

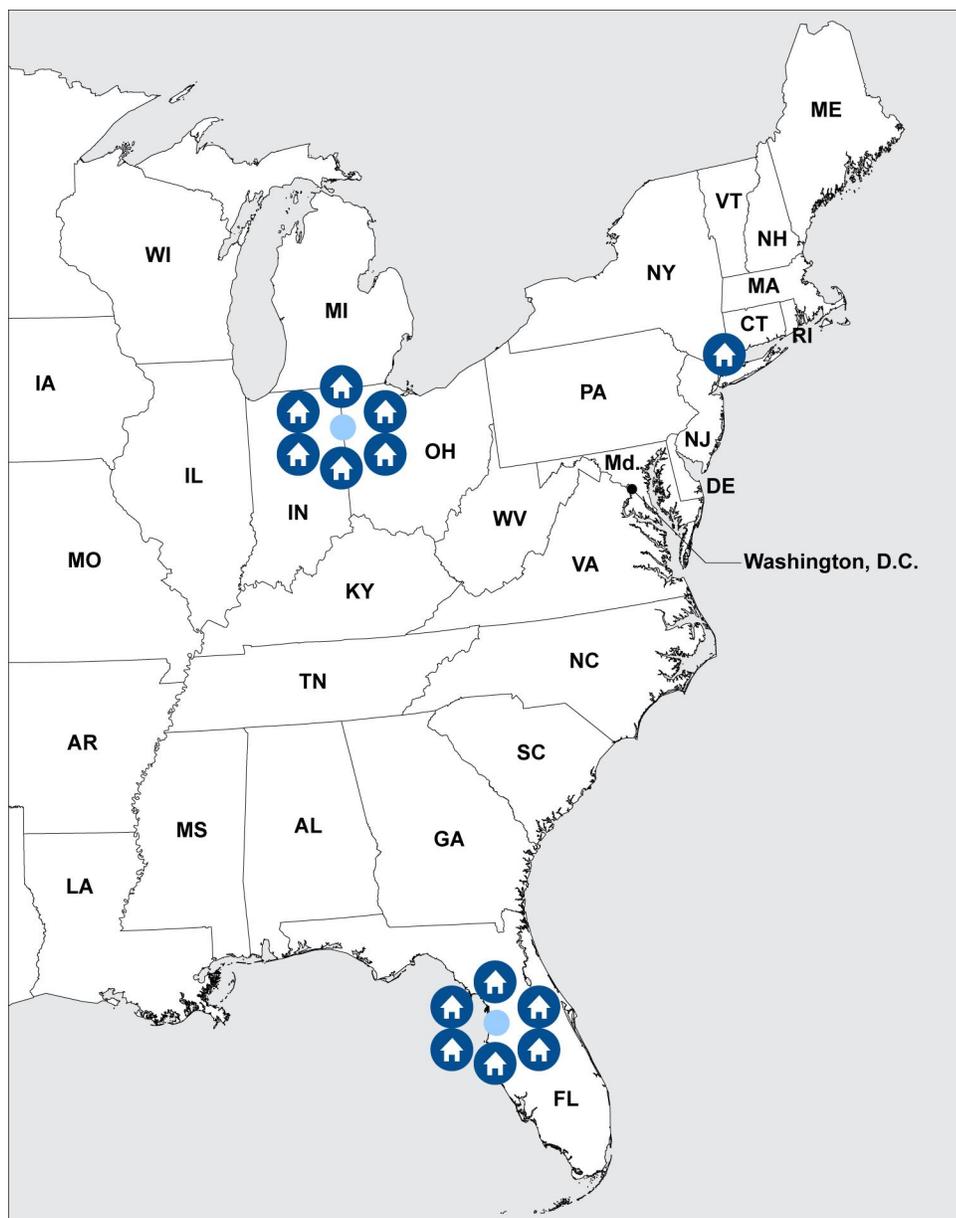
Link analysis assists analysts in making connections by visually representing investigative findings. Link-analysis charts visually depict how individuals and companies are connected, what awards an entity has received, and how these actors may be linked to any derogatory information obtained from multiple data sets. Such tools, when combined

with enhanced Geographic Information System capabilities, enable ROC analysts to conduct geospatial analysis by displaying data from multiple data sets on maps to help them make linkages and discover potential problems. (See figs. 4 and 5 for an example of link analysis and two visualizations of the data.) Although link analysis can be applied to a wide range of subjects, the ROC often applied this tool to issues that involved law-enforcement-sensitive data that the Recovery Board had authority to handle.

The figure below shows an example of a request made by a federal agency to investigate Subject Company 1 as a delinquent federal debtor. Analysis by the ROC included checking entities identified against relevant events and associations, which include debarments, criminal history, and other factors. The initial review of Subject Company 1 determined that it was the recipient of an award under the Recovery Act totaling \$6.4 million from a federal government agency. Further review of this company determined that it was not registered in the System for Award Management and had not previously received any federal awards. ROC analysts identified a news article that explained that this company had been created as a joint venture between Subject Company 2 and an individual, Subject 1. Analysis of Subject Company 2 revealed that four of its employees were previously indicted for fraud in 2006 and three of them were placed on the Excluded Parties List System, debarring them from receiving federal contracts.

Geospatial analysis identified the address as a vacant lot in an industrial area.

Figure 5: Map of Link Analysis Example



Source: GAO analysis and Map Resources. | GAO-15-814

In another example, the Environmental Protection Agency OIG used the ROC's data visualizations of a link analysis that identifies relationships among entities involved in activities such as collaborating to commit fraud. An Environmental Protection Agency OIG official said that the visualization of these relationships made it easier for juries to understand how entities had collaborated in wrongdoing.

The ROC's unstructured/structured text mining tools were developed to proactively identify high-risk entities. This tool uses key words or phrases to rapidly filter through thousands of documents and pinpoint high-risk areas to uncover trends and conduct predictive analysis across agencies, programs, and states and to identify and assign weights to risk factors or concepts.

- The Appalachian Regional Commission OIG used the results of the ROC's unstructured text-mining analyses to identify the highest-risk grantees for review by analyzing text from A-133 Single Audit data to search for indications of risk, such as when a material finding was identified in the audit.¹¹ A Single Audit includes an audit and an opinion on compliance with legal, regulatory, and contractual requirements for major programs as well as the auditor's schedule of findings and questioned costs. The unstructured text tool could be directed to identify entities such as grantees that had previous negative audit findings and that therefore could represent a higher risk for using grant funding. This approach allowed the Appalachian Regional Commission OIG to better identify grantees subject to risk and facilitate the establishment of risk based priorities to allocate audit and investigative resources. According to a commission OIG official, this allowed the OIG to establish risk-based priorities to allocate audit and investigative resources.

In addition to these examples, OIGs highlighted using the ROC's analytic capabilities to identify fraud, waste, and abuse in federal spending in the following ways:

- In fiscal year 2013, the Department of Homeland Security OIG submitted 104 entities receiving debris-removal contracts totaling

¹¹All nonfederal entities that expend \$750,000 or more of federal awards in a year are required to obtain an annual audit in accordance with the Single Audit Act Amendments of 1996, OMB Circular A-133, and the OMB Circular Compliance Supplement and Government Auditing Standards. These audits are known as Single Audits.

\$329 million from 32 cities in New York and New Jersey to the ROC for further research. The ROC analysts' review was forwarded to the department OIG for appropriate investigative or audit follow-up actions. ROC analysts also provided a risk analysis of these entities to the department OIG for use in planning future audits. Findings submitted to the department OIG included identification of the following:

- Debris-removal firms whose owners had federal and state tax liens.
- Firms previously listed on the Excluded Parties List System, indicating potential financial problems.
- Two companies that received contracts despite having filed for Chapter 7 bankruptcy in December 2010 and having federal tax liens totaling more than \$1 million since 2011.
- Organizations with previous fraudulent activities receiving debris-removal contracts from cities where there was an indication the company heads had relationships with city officials.

In part on the basis of these findings, the Department of Homeland Security OIG opened three criminal investigations involving Hurricane Sandy Public Assistance program funds, and the Department of Homeland Security OIG Emergency Management Office conducted four Hurricane Sandy-related audits.¹²

- The ROC assisted the Department of Housing and Urban Development OIG with information confirming allegations that a loan guarantee specialist had sold HUD-owned properties for less than fair market value to shell companies that he owned and operated, stealing over \$843,000 in federal funds. Due in part to the analysts' efforts, the employee pleaded guilty to wire fraud for his involvement and was sentenced to 26 months in jail.

¹²Recovery Accountability and Transparency Board, *Recovery Board Annual Report – Fiscal Year 2013*, p. 8.

Treasury Decided Not to Transfer the ROC's Assets but Has an Opportunity to Transfer Additional Information That Could Benefit the Do Not Pay Center Business Center

Treasury Decided Not to Transfer the ROC's Assets, Citing Cost, Lack of Investigative Authority, and Other Reasons

In May 2015, Treasury officials told us that the department did not plan to exercise its discretionary authority to establish a data-analysis center or expand an existing service under the DATA Act. Officials explained that transferring the ROC assets would not be cost-effective or add value to Treasury operations that identify, prevent, and recover improper payments and identified the following principal concerns regarding the utility of transferring ROC assets:

- **Hardware.** Treasury officials viewed hardware, such as monitors and servers, as being feasible to transfer, but raised questions about whether it was cost-effective to do so because the ROC's hardware is aging, lessening the value of these assets. In addition, they noted that hardware requires software support contracts to be functional, and as discussed below such contracts are not transferrable.
- **Human capital (personnel).** Federal personnel rules would not allow a direct transfer of ROC staff to Treasury. Instead Treasury would have to advertise and hire for these positions using the competitive hiring process, which can be time-consuming. In addition, because some ROC personnel were term-limited hires or contractors, a competitive hiring process would not guarantee that ROC staff would

ultimately be selected for employment.¹³

- **Data sets.** The ROC obtained access to federal datasets through memorandums of understanding (MOU), which neither Treasury officials nor ROC officials believed could be transferred. Instead Treasury would have to negotiate new MOUs with the federal agency that owned a data set Treasury wished to use. Commercially procured data sets also are not transferrable but would instead have to go through a procurement process.
- **Software contracts.** Because the Recovery Board extended its software contracts on a sole-source basis when it was reauthorized 2 years ago, Treasury would need to use a competitive procurement process to obtain these data-analytic tools again. Such processes can be time-consuming and lengthy.

In July 2015, Treasury's Fiscal Assistant Secretary testified before the House Committee on Oversight and Government Reform's Subcommittee on Government Operations and Subcommittee on Information Technology and addressed the point mentioned above that while the DATA Act authorized Treasury to transfer the Recovery's Board's assets, the act did not transfer the Recovery Board's authorities to Treasury. For instance, the Recovery Board was granted law enforcement authorities available under the Inspector General Act of 1978, which allowed the Recovery Board to negotiate relevant access so that the ROC could handle, analyze, and store law-enforcement-sensitive data, including evidence to support grand jury investigations. Similarly, the Recovery Board had special hiring authority that allowed it to select and employ term-limited hires, which provided the Recovery Board greater flexibility in selecting individuals with specific technical expertise and experience. Treasury officials noted that the DATA Act did not transfer the specific mission of the Recovery Board to Treasury, and that, combined with the absence of law-enforcement authority, created a barrier to fulfilling an identical role as that of the ROC.

¹³Treasury officials noted that they had hired the former Assistant Director for Data and Performance Metrics at the Recovery Board as the Director of Outreach and Business Process for Treasury's Do Not Pay Center Business Center (DNP) through the competitive hiring process. They also noted that they had hired several other Recovery Board staff into a variety of positions, but not directly into DNP. Officials also noted that they were able to detail a few additional staff, including one to DNP and others to assist with USA Spending and DATA Act projects.

Despite Identified Challenges, Treasury Has an Opportunity to Transfer Additional Information to the Do Not Pay Center Business Center

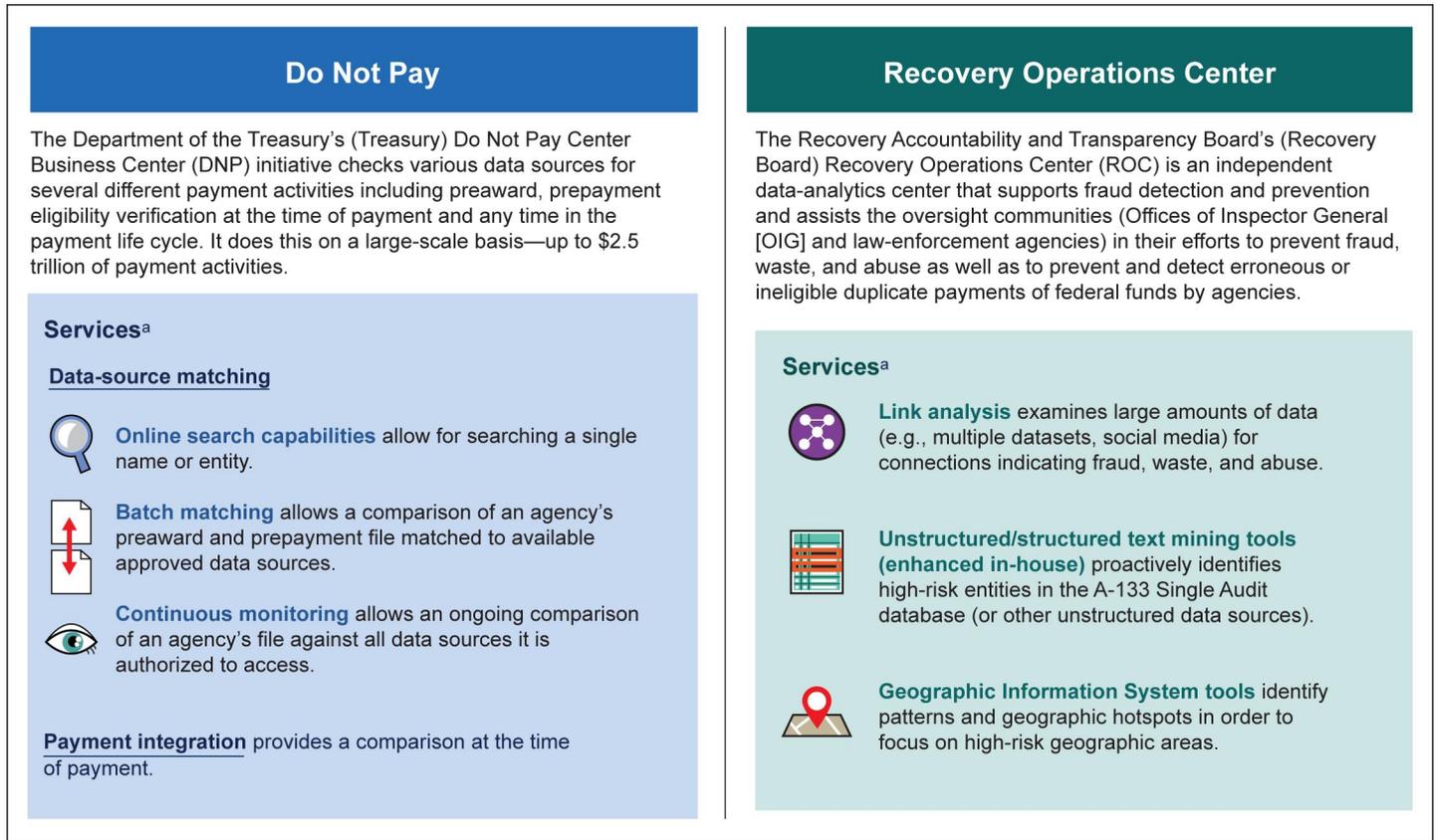
Although Treasury officials identified cost and other practical challenges to transferring ROC assets, it has an opportunity to transfer information and documentation that could support Treasury's efforts to prevent improper payments—particularly, information on the design of data sharing agreements and requests for software contracts for analytic tools. Treasury officials told us that they believe the ROC's most-valuable asset is its expertise and said they sought opportunities to informally leverage the ROC knowledge base in several ways. These efforts centered on sharing knowledge between the ROC and Treasury's Do Not Pay Center Business Center (DNP), which assists federal agencies in preventing improper payments and leverages some of the same analytical methodologies as the ROC. Some of these efforts include the following:

- **Leveraging the knowledge of ROC staff by applying their skills to similar analytic challenges facing DNP.** For example, officials stated that the current Director of Outreach & Business Process for DNP is the former Assistant Director for Data and Performance Metrics at the Recovery Board. Her responsibilities at the Recovery Board included the assessment and testing of several prototype systems to support the work of the ROC and its external users in the oversight community. The capabilities of these systems were very similar to the capabilities of the DNP systems, in that entity names were matched against open-source databases to identify high-risk vendors. Officials also noted that another Recovery Board employee was hired to DNP, where she uses her knowledge of the root causes of improper payments to help agencies utilize DNP services more efficiently.
- **Documenting business processes, procedures, and lessons learned.** DNP is also working with the Recovery Board to document business processes and procedures, and lessons learned, as appropriate, in order to incorporate best practices into Treasury's improper-payment prevention infrastructure. Treasury officials provided documentation of the timeline for obtaining information from the ROC through several meetings and indicated that they were in the process of documenting this information.

Treasury officials said they considered DNP as a possible host of the ROC's assets but ultimately concluded that the transfer of ROC assets to Treasury would not be cost-effective or add value to Treasury's efforts. Officials explained that Treasury already provides services, such as those provided by DNP and Treasury's Philadelphia Financial Center to agencies and OIGs to assist in the identification, prevention, and recovery of improper payments. In addition, we note that while Treasury and the

ROC were similar in that both sought to address improper and potentially fraudulent payments, there are differences in the particular types of challenges addressed by both entities. For instance, as part of its mission, DNP scrutinizes various data sources at the preaward, prepayment, payment, and postpayment stages and analyzes them for indications of potential improper payments and fraud. It does this regularly and on a large scale, matching up to \$2.5 trillion in payments each year. DNP's primary tools for doing this include batch matching payment information to various excluded parties and other "bad-actor" lists, and conducting analysis on payment files to examine irregularities, such as duplicates or the same unique identifier associated with different names. The ROC also used data-matching techniques to identify risk, but it generally applied this technique to issues other than payment data, such as assisting law-enforcement investigations to identify instances when several entities were collaborating to commit fraud. Treasury officials have noted that the DATA Act did not grant Treasury the same authorities that the Recovery Board had to support law-enforcement efforts. See figure 6 for a summary of DNP and ROC key activities.

Figure 6: Comparison of Recovery Operations Center and Do Not Pay Center Business Center Services



Source: GAO. | GAO-15-814

Note A: Both Treasury and the ROC may offer additional services—this is an illustrative rather than complete list.

While Treasury has taken some steps to transfer expertise to DNP, it may be missing an opportunity to transfer other information and documentation from the ROC to DNP. In May 2014, Recovery Board officials provided Treasury with a transition plan that outlined its assets, including the data sets used by the ROC. The plan indicated that the Recovery Board had used MOUs with the federal agency owning certain data sets to arrange access to the data.

We note that some of the ROC's documentation—particularly the MOUs that it had to develop to gain access to certain data sets—represent expertise that may be transferred to supplement DNP's resources and help support its mission; Treasury might benefit by reconsidering its decision not to assume some of these assets. For example, Treasury is

responsible for developing MOUs for data sharing with original source agencies and periodically reviewing the MOUs to determine whether the terms are sufficient.¹⁴ The development of data-sharing agreements is difficult and time-consuming. The Recovery Board maintains information of potential use to Treasury in this regard—namely, it currently retains copies of all MOUs between the Recovery Board and the original source agency. Some information will be archived or destroyed when the Recovery Board sunsets. These documents may provide Treasury with a template for future data-sharing agreements—for instance, by providing language on how data might be shared, secured, used, and disposed of that the agency owning the data found acceptable.

In addition, as part of procuring the software to develop the ROC's analytic capabilities, Recovery Board staff worked with the General Services Administration to draft requests for proposals that included technical specifications for the software. This documentation along with other guidance or technical information that the ROC developed or retained could serve as templates as DNP expands its capabilities over time. *Standards for Internal Controls in the Federal Government* provides guidance on the importance of managers achieving results through effective stewardship of public resources.¹⁵ Taking advantage of the opening created by the DATA Act to expand its data-analysis capabilities by transferring the expertise gained through the operation of the ROC could assist DNP in its mission to reduce improper payments. In addition, documenting the rationale for any future decisions on transferring information and documentation would ensure transparency and would be consistent with *Standards for Internal Controls in the Federal Government* guidance on recording and communicating information, including to external stakeholders that may have a significant effect on the agency achieving its goals.¹⁶

¹⁴Office of Management of Budget, *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative*, memorandum M-13-20 (Aug. 16, 2013).

¹⁵GAO, *Standards for Internal Control in the Federal government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

¹⁶[GAO/AIMD-00-21.3.1](#).

The ROC's Dissolution Creates a Capability Gap for the Oversight Community That It Could Begin to Mitigate through Developing a Legislative Proposal

The ROC provided analytic services to its clients, including many OIGs, in support of their audits and investigations supporting fraud prevention and detection. As part of an oversight mission, these entities are often required to improve the efficiency and accountability of federal spending and address fraud, waste, and abuse. However, because Treasury currently does not plan to transfer the assets of the ROC, the center's users will need to consider alternatives when the Recovery Board closes. Some large OIGs that previously used the ROC told us that they intend to develop their own analytic capabilities. For instance, Department of Homeland Security OIG officials said they hired analysts familiar with link analysis and the relevant software as well as rebidding contracts in an attempt to replicate some of the resources currently offered at the ROC. Expanding the analytic capabilities of OIGs could help to strengthen the rigor of oversight, allow OIGs to develop tools that are the most useful for their portfolios, and broaden the types of audit and investigative activities OIGs can undertake. However, it is unknown whether OIGs developing these capacities on their own may lead to potential duplication and fragmentation as well as whether the expansion of these capabilities across many entities would offer the same level of expertise and efficiency that OIG officials obtained from the ROC. In addition, such an expansion could also be duplicative if each OIG purchased the same types of software and support resources, which may not be the most efficient use of federal funds.

While OIGs with the financial resources to do so may pursue replication of the ROC's tools, the ROC's termination may have more effect on the audit and investigative capabilities of some small- and medium-sized OIGs that do not have the resources to develop independent data analytics or pay fees for a similar service, according to some OIG officials.¹⁷ According to these officials, the loss of the ROC's analytical capabilities could also result in auditors and investigators working much longer to research the same types of linkages as opposed to verifying the

¹⁷If Treasury opts to establish or expand a data-analysis center, the DATA Act requires Treasury to enter into memorandums of understanding (MOU) with federal agencies, inspectors general, and federal law-enforcement agencies under which Treasury may provide data from the data-analysis center for the purposes of preventing and reducing improper payments by federal agencies; to improve efficiency and transparency in federal spending; to identify, prevent, and reduce fraud, waste, and abuse related to federal spending; and to conduct criminal investigations. The MOUs may require these entities to provide reimbursement to Treasury for the reasonable cost of carrying out the agreement.

information that the ROC could provide more efficiently and in a shorter time frame.

According to CIGIE officials, maintaining a centralized data-analytics center like the ROC might help reduce unnecessary duplication of effort across the OIG community, and help ensure that all OIGs continue to have these resources at their disposal, especially the small- to medium-sized offices that do not have the funding to obtain separate capabilities. Established by the Inspector General Act of 2008, CIGIE currently provides oversight resources and guidance to the OIG community and has taken steps to expand the analytic capabilities of the OIGs.¹⁸ For instance, CIGIE developed a virtual platform that allows OIG community members to both contribute and use shared resources such as algorithms, best practices, models, and support documentation. While these resources are helpful, the ROC provided more advanced, customized data-analytics services to the OIGs, and also allowed them to leverage ROC software that otherwise would not have been available.

In 2013, CIGIE explored the viability of assuming some of the ROC's assets as a way to provide some additional analytic capabilities to the OIG community. At the time, CIGIE estimated that it would cost about \$10 million per year to continue to operate the ROC. Because CIGIE is primarily funded by membership dues, CIGIE determined the additional cost to operate the ROC would be too burdensome for the organization.¹⁹ A CIGIE official indicated the organization has continued to look for opportunities to provide centralized data-analytic resources to OIGs. However, this official said that, given its financial resources (about \$6.5 million in operating funds in fiscal year 2016), even if CIGIE were able to do so, this capability would be at a significantly scaled-back level compared to the ROC.

¹⁸The Council of the Inspectors General on Integrity and Efficiency (CIGIE) is an independent entity established within the executive branch to address integrity, economy, and effectiveness issues that transcend individual government agencies and aid in the establishment of a professional, well-trained, and highly skilled workforce in OIGs. CIGIE's mission includes the identification, review, and discussion of areas of weakness and vulnerability in federal programs with respect to fraud, waste, and abuse.

¹⁹According to a Recovery Board official, the Recovery Board did not have a separate line item for the ROC in its budget that showed its total costs.

Through the DATA Act, Congress provided Treasury the option to transfer the ROC's assets. The act specifically identifies improving the efficiency and transparency of federal spending and the reduction and prevention of improper payments as functions of a data analysis center or expanded service, if Treasury chose to establish or expand one. In this regard, the Chairmen and Ranking Members of the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Governmental Reform wrote a joint letter to the Secretary of the Treasury in July 2015 expressing their concern that the ROC's powerful analytical capabilities would be lost at the end of the fiscal year, and underscored their interest in preserving these capabilities. In highlighting the ROC's evolution since the Recovery Act to assume multiple roles in improving efficiencies in federal spending, the committees stressed that the ROC's various data-analytics capabilities are essential to detect and prevent fraud and reduce improper payments. Specifically, the committees noted that federal agencies agree fraud detection and prevention could be significantly improved with greater access to data and analytical tools, such as those provided by the ROC.

A legislative proposal that explicitly articulates the relative costs and benefits of developing an analytics center with a mission and capabilities similar to the ROC could help Congress decide whether to authorize and fund such an entity. Given its close connection to the oversight community, and the research it has already undertaken pertaining to the ROC, CIGIE is a logical entity to develop that proposal. If it were to do so, CIGIE could identify and recommend the resources needed—particularly in terms of employees and technology—to establish a ROC-like entity under its auspices. A proposal might also outline the data-analytic services that center could offer the OIG community and the potential results those services might provide. In addition, a proposal could outline any additional authorities, such as the ability to handle law-enforcement-sensitive data—that Treasury noted was a barrier for DNP to provide similar services to the ROC. That element of the proposal would help ensure such a new entity would effectively support the oversight community in matters related to law enforcement. By creating a legislative proposal, CIGIE could thus present Congress the detailed information Congress would need to make an informed decision about the merits of creating a CIGIE-led data-analytics center.

CIGIE officials stated that they have not developed such a proposal absent specific direction from Congress, but these officials expressed concerns about the effect of the September 30, 2015, sunset of the Recovery Board on the OIG community and, as noted above, have

sought options within their current budget to increase analytic resources available to OIGs. Further, CIGIE officials stated that with Congress's support they could develop such a proposal, which would be intended to (1) expand analytic resources for the oversight community and (2) help refine the tools Congress and the oversight community use to address improper payments and fraud, waste, and abuse.

Conclusions

Agencies seeking to address improper payments and fraud, waste, and abuse face challenging prospects, especially in an environment in which estimated improper payments rose by \$19 billion to \$124.7 billion in fiscal year 2014. To help address such challenges, agencies need sophisticated capabilities to help narrow the window of opportunity for improper payments, including fraud. Such capabilities include data-analytic tools such as those that permit Treasury to perform large-scale analysis of payment data at DNP, as well as the ROC's link analysis and unstructured-text-mining tools that identify and target risk and that, in conjunction with the Recovery Board's investigative authority, aid the government in preventing and reducing improper payments. Although cost and other challenges may limit the viability of transferring certain of the ROC's assets to Treasury, other assets—especially information and documentation that could serve as templates for data sharing or developing the technical specifications for procuring additional software—may assist DNP as it expands its services and capabilities to address improper payments. The ROC's May 2014 transition plan may serve as a basis for Treasury to further assess whether certain data sets could be of assistance to DNP, and documentation of MOUs could help Treasury more quickly replicate such arrangements.

Such action by Treasury will not ultimately prevent some loss of capabilities for the oversight community as DNP and the ROC generally serve different communities of users and deploy their analytic tools to address different types of problems. Thus, maintaining a separate centralized form of analytic and investigative support for the oversight community would help prevent OIGs from losing valuable tools useful for targeting oversight resources in a data-driven, risk-based manner. In addition, a centralized analytics resource could help prevent a potentially inefficient use of funds that could result if OIGs proceeded to duplicate similar oversight tools upon the loss of the ROC. Further, a centralized analytics resource could help maintain high-quality analyses by ensuring regular use of those tools and expertise. Given that congressional oversight committees have shown substantial interest in the ROC's capabilities, recognized its value in helping combat fraud, waste, and

abuse in federal spending, and demonstrated intent in preserving this value for its users, a legislative proposal could begin the process of reestablishing a ROC-like capability to help OIGs sustain their oversight of federal expenditures.

Matter for Congressional Consideration

To help preserve a proven resource supporting the oversight community's analytic capabilities, Congress may wish to consider directing CIGIE to develop a legislative proposal to reconstitute the essential capabilities of the ROC to help ensure federal spending accountability. The proposal should identify a range of options at varying scales for the cost of analytic tools, personnel, and necessary funding, as well as any additional authority CIGIE may need to ensure such enduring, robust analytical and investigative capability for the oversight community.

Recommendation for Executive Action

To capitalize on the opportunity created by the DATA Act, we recommend that the Secretary of the Treasury reconsider whether certain assets—especially information and documentation such as MOUs that would help transfer the knowledge gained through the operation of the ROC—could be worth transferring to DNP to assist in its mission to reduce improper payments. Additionally, the Secretary should document the decision on whether Treasury transfers additional information and documentation and what factors were considered in this decision.

Agency Comments and Our Evaluation

We provided Treasury, CIGIE, and the Recovery Board with a draft of this report for review and comment. Treasury and CIGIE provided written comments, and the Recovery Board did not provide official comments on our draft report.

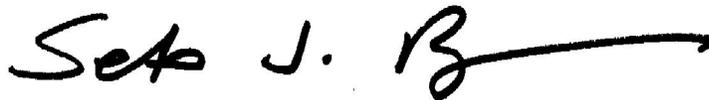
In its written comments, which are reproduced in appendix II, Treasury concurred with our recommendation that it should consider additional knowledge transfers from the ROC to assist in the DNP's mission to reduce improper payments and will document its rationale and final decision in this regard. In its response, Treasury noted that it has taken steps to preserve the knowledge gained through the operation of the ROC, including hiring ROC personnel. Furthermore, Treasury noted that it has a robust program in place that is meeting the needs of federal agencies in preventing, reducing, and recovering improper payments including DNP and the Philadelphia Financial Center.

In its written comments, which are reproduced in appendix III, CIGIE agreed that the ROC provided valuable assistance to many OIGs in support of their investigative, audit, evaluation, and inspection efforts and this support will be missed when the Recovery Board closes. In its response, CIGIE noted that the OIG community has long recognized the importance of using a variety of techniques, including data analysis, to assist in its oversight responsibility and there may be efficiencies achieved in the development of analytics capabilities by CIGIE that could support the entire OIG community. CIGIE stated that it has already undertaken steps to develop an array of scalable options for such data-analytic capabilities with appropriate regard to both the costs and benefits of such options and the current needs of the OIG community. However, to expand these efforts, it would need additional resources to develop and maintain data-analytic activities. CIGIE also stated that it is essential that CIGIE have a steady stream of funding for it to develop and maintain any kind of data-analysis function.

Treasury, the Recovery Board, and CIGIE also provided technical comments that were incorporated into the report, as appropriate.

We are sending copies of this report to relevant congressional committees, the Secretary of the Treasury, the Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), and the Chair of the Recovery Accountability and Transparency Board (Recovery Board). This report will also be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-6722 or bagdoyans@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

A handwritten signature in black ink that reads "Seto J. Bagdoyan". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Seto J. Bagdoyan
Director, Forensic Audits and Investigative Service

List of Addressees

The Honorable Ron Johnson
Chairman
The Honorable Thomas R. Carper
Ranking Member
Committee on Homeland Security and Governmental Affairs
U.S. Senate

The Honorable Jason Chaffetz
Chairman
The Honorable Elijah E. Cummings
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Ander Crenshaw
Chairman
Subcommittee on Financial Services and General Government
Committee on Appropriations
House of Representatives

The Honorable John Lewis
Ranking Member
Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

Appendix I: Objectives, Scope, and Methodology

To determine the analytic value of the Recovery Operations Center's (ROC) assets and capabilities to the oversight community, we interviewed Recovery Accountability and Transparency Board (Recovery Board) officials who worked on ROC operations. We also obtained documentation on the types of data sets, analytic tools, and other capabilities the ROC offers to its primary users—namely, the oversight community, which included the Offices of Inspector General (OIG) but also other government entities tasked with ensuring the appropriate use of federal funds, such as law-enforcement agencies and sometimes agency programs. To gather information on how the oversight community used the ROC's assets, we developed criteria to select ROC users to interview based on agency size and, based on an analysis of client-service data from fiscal years 2014 through March 2015, including the frequency and consistency with which the organizations used the ROC. On the basis of these criteria, we interviewed officials from the OIGs of the Department of Homeland Security, the Appalachian Regional Commission, the Environmental Protection Agency, the Department of Housing and Urban Development, the Export-Import Bank, the National Science Foundation, the United States Postal Service, and the Department of Justice, as well as officials from the National Intellectual Property Rights Coordination Center.

To examine the Department of the Treasury's (Treasury) plans for a transfer of ROC assets, we interviewed Treasury officials responsible for making decisions on transferring the ROC's assets as well as Recovery Board officials for their observations on transition activities undertaken by Treasury. We reviewed relevant transition-plan documents developed by the Recovery Board that included milestones and guidelines for the transition of ROC assets, which they provided to Treasury. We also reviewed documentation from the Recovery Board on the ROC's resources, including hardware, software contracts, data sets, and human capital, as well as information on its staffing levels over time, to develop a complete picture of the capabilities that Treasury could obtain through a transition.

To evaluate the effect of the ROC's capabilities on its audit and investigative user communities, we reviewed documentation from the Recovery Board on the ROC's outcomes, how its clients made use of its resources, and what they achieved. We also conducted interviews with OIGs to understand under what circumstances they used the ROC's assets. We analyzed these interviews, characterizing themes that were similar and different based on the size of the OIG, the frequency with which the OIG used the ROC, and whether the OIG has any in-house

data-analytics capabilities. We also discussed plans the OIGs had to replace any ROC capabilities should Treasury opt not to assume all of the ROC's assets. We also interviewed the Council of the Inspectors General on Integrity and Efficiency (CIGIE) officials to obtain their perspectives on how the closure of the ROC may affect the oversight community. We also reviewed their budget information and their estimate of the cost of ROC resources and budget information. We did not verify the accuracy of CIGIE's estimate of the cost of ROC resources and did not conduct an analysis of whether CIGIE's budget appears to be sufficient for covering these costs.

Appendix II: Comments from the Department of the Treasury



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

September 4, 2015

Mr. Seto Bagdoyan
Director, Forensic Audits and Investigative Service
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Bagdoyan:

We appreciate the opportunity to review the Government Accountability Office's (GAO) draft report GAO-15-814 (the Draft Report) regarding the implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act) as it relates to the Recovery Operations Center (ROC).

Treasury agrees with GAO about the importance of Treasury helping federal agencies identify, prevent, and recover improper payments while also avoiding the expansion of unnecessary or duplicative data analytic capabilities. As the Draft Report notes, the Secretary of the Treasury (Treasury) has discretionary authority under the DATA Act to establish a data analysis center or to expand an existing service to prevent and reduce improper payments by federal agencies and to improve efficiency and transparency in federal spending. If Treasury exercises this authority before the Recovery Accountability and Transparency Board (RATB) terminates, the DATA Act requires Treasury to transfer certain ROC assets to Treasury. However, the DATA Act does not provide for the preservation of RATB or ROC capabilities since it does not transfer their functions or authorities.

Treasury has a robust program in place that is meeting the needs of federal agencies in preventing, reducing, and recovering improper payments pursuant to the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). Under IPERIA, Congress established the Do Not Pay Initiative and gave the Office of Management and Budget (OMB) certain responsibilities. OMB selected Treasury's Do Not Pay Business Center (DNPBC) to host a government-wide system that assists agencies with preventing and recovering improper payments, and identifying waste, fraud, and abuse in federal spending. The services the DNPBC offers to agencies, and their Inspectors General, include the following:

- Access to eligibility-based databases, which provide information that agencies use in pre-award/pre-enrollment and pre-payment assessments to identify and prevent improper payments.

**Appendix II: Comments from the Department
of the Treasury**

- A variety of tools and resources, including a Web-based portal, providing single-entry access to an array of databases to assist agencies in determining whether an individual or entity is eligible to receive federal payments or engage in federal programs or contracts.
- Do Not Pay Analytics, which help agencies identify trends, patterns, and risks that may be associated with fraud or systemic sources of improper payments and awards that may warrant further investigation.

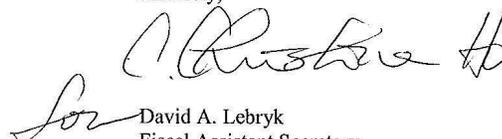
Treasury also operates the Philadelphia Financial Center (PFC) to improve the efficiency of federal spending. As part of its operations, the PFC identifies and investigates suspicious payment activity including altered checks, counterfeit checks, check forgeries, and duplicate or multiple payments (e.g., payments to different individuals at the same address). The PFC creates criminal investigation packages which it submits to Offices of Inspectors General, the United States Secret Service, the Internal Revenue Service Criminal Investigation, the Federal Bureau of Investigation, and U.S. Attorneys. The PFC and DNPBC work together to enhance Treasury's efforts in the areas of improper payment prevention, detection and recovery.

Following the enactment of the DATA Act, Treasury met with RATB officials to inventory ROC assets and evaluate whether ROC assets could enhance Treasury operations in a cost-effective manner. Treasury determined that the transferable ROC assets, such as computer hardware, would be of limited utility to Treasury and did not warrant an expansion of Treasury operations to effectuate their transfer under the DATA Act. This determination was reinforced by the fact that Treasury has a robust program in place that is meeting the needs of federal agencies.

Treasury agrees with the Draft Report's recommendation and will consider additional knowledge transfers from the ROC to assist in DNPBC's mission to reduce improper payments. Treasury will document its rationale and final decision in this regard. As the Draft Report recognizes, Treasury has already taken steps to preserve the knowledge gained through the operation of the ROC, such as by hiring ROC personnel, and will continue to do so when appropriate.

We value your feedback on this important issue as we continue our efforts to implement the DATA Act in the most efficient, effective, and transparent way possible. Treasury is committed to working with federal agencies including Inspectors General to prevent, detect, recover, and reduce improper payments, fraud, waste, and abuse. We recognize that that Inspector Generals perform critical work and we are dedicated to assisting them in fully leveraging Treasury's existing capabilities. Thank you again for the opportunity to review and comment on the Draft Report.

Sincerely,



David A. Lebryk
Fiscal Assistant Secretary

Appendix III: Comments from the Council of the Inspectors General on Integrity and Efficiency



AUG 31 2015

Mr. Seto Bagdoyan
Director
Forensic Audits and Investigative Service
U.S. Government Accountability Office

Dear Mr. Bagdoyan:

Thank you for the opportunity to review and comment on the Government Accountability Office's draft audit report titled, "Federal Spending Accountability [-] Preserving Capabilities of Recovery Operations Center Could Help Sustain Oversight of Federal Expenditures." We agree with the central premise of the report that the Recovery Operations Center (ROC) of the Recovery Accountability and Transparency Board (Recovery Board) has provided valuable assistance to many Offices of Inspector General in support of their investigative and audit/evaluation/inspection efforts. This support will be missed as the Recovery Board sunsets the end of next month.

The IG community in general has long recognized the importance of using a variety of techniques, including data analysis, to assist in our oversight responsibilities. The growing body of information that can aid in the prevention and detection of fraud, waste, and abuse has presented challenges to the oversight community. As you are aware, CIGIE participated with GAO and the Recovery Board in a Data Analytics Forum in 2013 that highlighted both the challenges and opportunities in access, using, and sharing data for oversight and law enforcement purposes. A number of OIGs have developed robust and effective data analytics capabilities that may aid either in fraud detection or in targeting high risk entities for audit and investigative work.

With that said, CIGIE recognizes that there may be efficiencies achieved in the development of analytics capabilities by CIGIE that could support the entire IG community. CIGIE has already undertaken steps to develop an array of scalable options for such data analytical capabilities with appropriate regard to both the costs and benefits of such options and the current needs of the IG community. We appreciate GAO's efforts to help us articulate those options. However, it is essential that CIGIE have a steady stream of funding for it to develop and maintain any kind of data analysis function.

**Appendix III: Comments from the Council of
the Inspectors General on Integrity and
Efficiency**

Mr. Seto Bagdoyan

2

Again, thank you for the opportunity to review and comment on the above referenced report. If you have any questions or would like to discuss further, please contact Mark Jones, Executive Director, CIGIE, at (202) 292-2600 or via email at mark.jones@cigie.gov.

Sincerely,



Michael E. Horowitz
Chairperson

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Seto J. Bagdoyan, 202-512-6722 or bagdoyans@gao.gov

Staff Acknowledgments

In addition to the contact mentioned above, the following staff members made significant contributions to this report: Joah Iannotta, Assistant Director; Lauren Kirkpatrick, Analyst-in-Charge; Giny Cheong; Beryl Davis; Peter Del Toro; Kathleen Drennan; Vijay D'Souza; Colin Fallon; Shirley Hwang; Maria McMullen; Paula Rascona; Brynn Rovito; and Andrew Stephens.

Appendix V: Accessible Data

Accessible Text and Data Tables

Accessible Text for Figure 1: Recovery Operations Center (ROC) Assets

(Clockwise, from the top)

- **Human Capital:** Approximately seven detailees, 31 term appointments, and contractors [Note A];
- **Software Contracts:** For link analysis and unstructured- text-mining tools, among others;
- **Data Sets:** Over 24 data sets including government, law-enforcement-sensitive, commercial, and open-source data;
- **Hardware:** Including servers, computers, monitors, etc.

Source: GAO. | GAO-15-814

Note A: Reflects staffing numbers as of September 2013. Many of these personnel multitasked, in addition to supporting the ROC.

Accessible Text for Figure 2: Timeline of Legislation Authorizing the Recovery Accountability and Transparency Board and Corresponding Appropriations

1. Node 1, Event 1: American Recovery and Reinvestment Act of 2009 (Recovery Act) - **\$84 million**;
2. Node 1, Event 2: Recovery Accountability and Transparency Board (Recovery Board) starts up; initial sunset date of September 30, 2013.
3. Node 2 Event: Consolidated Appropriations Act, 2012 - **\$28.4 million**;
4. Node 3, Event 1: Disaster Relief Appropriations Act, 2013
5. Node 3, Event 2: Recovery Board reauthorized for 2 more years until September 30, 2015.
6. Node 4 Event: Financial Services and General Government Appropriations Act, 2014 - **\$20 million**;
7. Node 5, Event 1: Consolidated and Further Continuing Appropriations Act, 2015 - **\$18 million**;
8. Node 5, Event 2: Recovery Board sunsets Sept 30, 2015.

Source: GAO. | GAO-15-814

Data Table for Figure 3: Top Five Offices of Inspector General (OIG) Submitting Requests for Analysis

Year	Top Five Offices	Number of Recovery Operations Center (ROC) Requests
2012	Appalachian Regional Commission	39
	Environmental Protection Agency	26
	Department of Justice [Note B]	22
	National Aeronautics and Space Administration	20

Year	Top Five Offices	Number of Recovery Operations Center (ROC) Requests
2013	Department of Commerce	13
	Department of Homeland Security	52
	Intellectual Property Rights Coordination Center	27
	Treasury Inspector General for Tax Administration	15
	Department of Housing and Urban Development	13
2014	Appalachian Regional Commission	10
	Department of Homeland Security	204
	Appalachian Regional Commission	28
	Department of Housing and Urban Development	12
	Department of Health and Human Services	6
2015 [Note A]	Department of Justice	5
	Department of Homeland Security	25
	Appalachian Regional Commission	8

Source: GAO. | GAO-15-814

Note A: Statistics from January 1, 2015, through March 27, 2015. No other OIGs used the ROC more than once during this period.

Note B: In 2012, the Department of Justice, not the Department of Justice OIG, submitted requests for analysis.

Accessible Text for Figure 4: Visualization of a Type of Link Analysis Developed by the Recovery Operations Center (ROC)

- 1) Government Agency.
- 2) Recovery Grant.
- 3) Subject Company 1:
 - a) Subject Company 1 currently has a pending Recovery Act Grant totaling \$6 million;
 - b) According to news article, one company joined with Subject Company 2 and Subject 1 in a venture called Subject Company 1.
- 4) Subject 1:
 - a) Companies A, B, C, and D share the same address as Subject 1. Subject 1 is the Director/Manager of each of these;
 - b) Subject 1 is or was an employee at Companies E, F, and G;

c) Companies H, I, J, K, L, M, N, and O all share an address with Subject 1. All of these companies are listed at the same address and are associated businesses of the companies managed by Subject 1.

5) Subject Company 2:

- a) Subject Company 2 voluntarily dissolved;
- b) Federal tax lien.

6) News article discussing \$1 million embezzlement by the four employees (Subjects 2, 3, 4, and 5) of Subject Company 2

Excluded Parties List System events:

- Indictment or other adequate evidence to suspect the commission of an offense (Subject 2).
- Indictment or other adequate evidence to suspect the commission of an offense (Subject 3).
- Conviction or a civil judgement for fraud, violation of antitrust laws, embezzlement (Subject 7).

Source: GAO representation of Recovery Accountability and Transparency Board (Recovery Board) information. | GAO-15-814

Figure 6: Comparison of Recovery Operations Center and Do Not Pay Center Business Center Services

Do Not Pay	Recover Operations Center
<p>The Department of the Treasury's (Treasury) Do Not Pay Center Business Center (DNP) initiative checks various data sources for several different payment activities including preaward, prepayment eligibility verification at the time of payment and any time in the payment life cycle. It does this on a large-scale basis—up to \$2.5 trillion of payment activities.</p>	<p>The Recovery Accountability and Transparency Board's (Recovery Board) Recovery Operations Center (ROC) is an independent data-analytics center that supports fraud detection and prevention and assists the oversight communities (Offices of Inspector General [OIG] and law-enforcement agencies) in their efforts to prevent fraud, waste, and abuse as well as to prevent and detect erroneous or ineligible duplicate payments of federal funds by agencies.</p>

Do Not Pay

Services [Note A]:

- **Data-source matching:**
 - **Online search capabilities** allow for searching a single name or entity;
 - **Batch matching** allows a comparison of an agency’s preaward and prepayment file matched to available approved data sources;
 - **Continuous monitoring** allows an ongoing comparison of an agency’s file against all data sources it is authorized to access.
- **Payment integration** provides a comparison at the time of payment.

Recover Operations Center

Services [Note A]:

- **Link analysis** examines large amounts of data (e.g., multiple datasets, social media) for connections indicating fraud, waste, and abuse;
- **Unstructured/structured text mining tools (enhanced in-house)** proactively identifies high-risk entities in the A-133 Single Audit database (or other unstructured data sources);
- **Geographic Information System tools** identify patterns and geographic hotspots in order to focus on high-risk geographic areas.

Source: GAO. | GAO-15-814

Note A: Both Treasury and the ROC may offer additional services—this is an illustrative rather than complete list.

Agency Comments

Department of the Treasury

Page 1

Accessible Text for Appendix II: Comments from the Department of the Treasury

DEPARTMENT OF THE TREASURY
 ASSISTANT SECRETARY
 WASHINGTON, D.C.

September 4, 2015

Mr. Seto Bagdoyan
 Director, Forensic Audits and Investigative Service
 Government Accountability Office
 441 G Street, NW
 Washington, DC 20548

Dear Mr. Bagdoyan:

We appreciate the opportunity to review the Government Accountability Office’s (GAO) draft report GAO0-15-814 (the Draft Report) regarding the

implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act) as it relates to the Recovery Operations Center (ROC).

Treasury agrees with GAO about the importance of Treasury helping federal agencies identify, prevent, and recover improper payments while also avoiding the expansion of unnecessary or duplicative data analytic capabilities. As the Draft Report notes, the Secretary of the Treasury (Treasury) has discretionary authority under the DATA Act to establish a data analysis center or to expand an existing service to prevent and reduce improper payments by federal agencies and to improve efficiency and transparency in federal spending. If Treasury exercises this authority before the Recovery Accountability and Transparency Board (RATB) terminates, the DATA Act requires Treasury to transfer certain ROC assets to Treasury. However, the DATA Act does not provide for the preservation of RATB or ROC capabilities since it does not transfer their functions or authorities.

Treasury has a robust program in place that is meeting the needs of federal agencies in preventing, reducing, and recovering improper payments pursuant to the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). Under IPERIA, Congress established the Do Not Pay Initiative and gave the Office of Management and Budget (OMB) certain responsibilities. OMB selected Treasury's Do Not Pay Business Center (DNPBC) to host a government-wide system that assists agencies with preventing and recovering improper payments, and identifying waste, fraud, and abuse in federal spending. The services the DNPBC offers to agencies, and their Inspectors General, include the following:

- Access to eligibility-based databases, which provide information that agencies use in pre- award/pre-enrollment and pre-payment assessments to identify and prevent improper payments.
- A variety of tools and resources, including a Web-based portal, providing single-entry access to an array of databases to assist agencies in determining whether an individual or entity is eligible to receive federal payments or engage in federal programs or contracts.
- Do Not Pay Analytics, which help agencies identify trends, patterns, and risks that may be associated with fraud or systemic sources of improper payments and awards that may warrant further investigation.

Treasury also operates the Philadelphia Financial Center (PFC) to improve the efficiency of federal spending. As part of its operations, the PFC identifies and investigates suspicious payment activity including

altered checks, counterfeit checks, check forgeries, and duplicate or multiple payments (, payments to different individuals at the same address). The PFC creates criminal investigation packages which it submits to Offices of Inspectors General, the United States Secret Service, the Internal Revenue Service Criminal Investigation, the Federal Bureau of Investigation, and U.S. Attorneys. The PFC and DNPBC work together to enhance Treasury's efforts in the areas of improper payment prevention, detection and recovery.

Following the enactment of the DATA Act, Treasury met with RATB officials to inventory ROC assets and evaluate whether ROC assets could enhance Treasury operations in a cost-effective manner. Treasury determined that the transferable ROC assets, such as computer hardware, would be of limited utility to Treasury and did not warrant an expansion of Treasury operations to effectuate their transfer under the DATA Act. This determination was reinforced by the fact that Treasury has a robust program in place that is meeting the needs of federal agencies.

Treasury agrees with the Draft Report's recommendation and will consider additional knowledge transfers from the ROC to assist in DNPBC's mission to reduce improper payments. Treasury will document its rationale and final decision in this regard. As the Draft Report recognizes, Treasury has already taken steps to preserve the knowledge gained through the operation of the ROC, such as by hiring ROC personnel, and will continue to do so when appropriate.

We value your feedback on this important issue as we continue our efforts to implement the DATA Act in the most efficient, effective, and transparent way possible. Treasury is committed to working with federal agencies including Inspectors General to prevent, detect, recover, and reduce improper payments, fraud, waste, and abuse. We recognize that that Inspector Generals perform critical work and we are dedicated to assisting them in fully leveraging Treasury's existing capabilities. Thank you again for the opportunity to review and comment on the Draft Report.

Sincerely,
Signed in place of
David A. Lebryk
Fiscal Assistant Secretary

Council of the Inspectors
General on Integrity and
Efficiency

Accessible Text for Appendix III: Comments from the Council of the Inspectors
General on Integrity and Efficiency

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Council of the Inspectors General on Integrity and Efficiency

August 31, 2015

Mr. Seto Bagdoyan
Director
Forensic Audits and Investigative Service
U.S. Government Accountability Office

Dear Mr. Bagdoyan:

Thank you for the opportunity to review and comment on the Government Accountability Office's draft audit report titled, "Federal Spending Accountability [-] Preserving Capabilities of Recovery Operations Center Could Help Sustain Oversight of Federal Expenditures." We agree with the central premise of the report that the Recovery Operations Center (ROC) of the Recovery Accountability and Transparency Board (Recovery Board) has provided valuable assistance to many Offices of Inspector General in support of their investigative and audit/evaluation/inspection efforts. This support will be missed as the Recovery Board sunsets the end of next month.

The IG community in general has long recognized the importance of using a variety of techniques, including data analysis, to assist in our oversight responsibilities. The growing body of information that can aid in the prevention and detection of fraud, waste, and abuse has presented challenges to the oversight community. As you are aware, CIGIE participated with GAO and the Recovery Board in a Data Analytics Forum in 2013 that highlighted both the challenges and opportunities in access, using, and sharing data for oversight and law enforcement purposes. A number of OIGs have developed robust and effective data analytics capabilities that may aid either in fraud detection or in targeting high risk entities for audit and investigative work.

With that said, CIGIE recognizes that there may be efficiencies achieved in the development of analytics capabilities by CIGIE that could support the entire IG community. CIGIE has already undertaken steps to develop an array of scalable options for such data analytical capabilities with

appropriate regard to both the costs and benefits of such options and the current needs of the IG community. We appreciate GAO's efforts to help us articulate those options. However, it is essential that CIGIE have a steady stream of funding for it to develop and maintain any kind of data analysis function.

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Again, thank you for the opportunity to review and comment on the above referenced report. If you have any questions or would like to discuss further, please contact Mark Jones, Executive Director, CIGIE, at (202) 292-2600 or via email at mark.jones@cigie.gov.

Sincerely,
Signed by
Michael E. Horowitz
Chairperson

Related GAO Product

DATA Act: Progress Made in Initial Implementation but Challenges Must be Addressed as Efforts Proceed. [GAO-15-752T](#). Washington, D.C.: July 29, 2015.

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