

Office of Inspector General

DATA Act Audit, 2017

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FEDERAL MARITIME COMMISSION

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DATA ACT AUDIT, 2017

BACKGROUND

USAspending.gov was launched in December 2007 to implement the Federal Funding Accountability and Transparency Act (FFATA) of 2006 by providing the public with free centralized access to information on Federal spending. To ensure USAspending.gov is providing current and accurate information, the Office of Management and Budget (OMB) and Federal agencies must take steps to ensure data reliability and quality. Reliable data allows the public to trust in the information the government provides, and for Federal and elected officials to use that information to make informed decisions about government programs and projects. Reliable data also allows Federal managers to analyze and better structure government programs to prevent waste, fraud, and abuse. Further, reliable data provides those with an oversight function with the assurance that agencies and programs are accountable for the Federal funds spent.

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted May 9, 2014, to expand the reporting requirements pursuant to the FFATA. The DATA Act, in part, requires Federal agencies to report financial and award data in accordance with the established Government-wide financial data standards. In May 2015, OMB and Department of the Treasury published 57¹ data definition standards and required Federal agencies to report financial data in accordance with these standards for DATA Act reporting, beginning January 2017.

The DATA Act also requires the Inspector General (IG) of each Federal agency to review a statistically valid sample of the spending data submitted by its Federal agency and to submit to Congress a publicly available report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of the Government-wide financial data standards by the Federal agency.

Completeness is measured in two ways: (1) all transactions that should have been recorded are recorded in the proper reporting period; and (2) as the percentage of transactions containing all applicable data elements required by the DATA Act. Timeliness is measured as the percentage of transactions reported within 30 days of quarter end. Accuracy is measured as the percentage of transactions that are complete and agree with the systems of record or other authoritative sources. Quality is defined as a combination of utility, objectivity, and integrity: utility refers to the

¹ The 57 data elements including definitions can be found at <https://fedspendingtransparency.github.io/data-elements/>.

usefulness of the information to the intended users; objectivity refers to whether the disseminated information is being presented in an accurate, clear, complete, and unbiased manner; and integrity refers to the protection of information from unauthorized access or revision.

As written in the DATA Act, the first set of IG reports were due to Congress in November 2016. However, Federal agencies were not required to submit spending data in compliance with the DATA Act until May 2017. As a result, IGs were not able to report on the spending data submitted under the DATA Act, as this information would not exist until 2017. For this reason, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) developed an approach to address the reporting date anomaly. The IGs plan to provide Congress with the first required reports by November 8, 2017, 1-year later than the due date in the statute, with subsequent reports following on a 2-year cycle, in November 2019 and November 2021. On December 22, 2015, CIGIE's chair issued a letter memorializing the strategy for dealing with the IG reporting date anomaly and communicated it to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform.

FMC DATA ACT REPORTING

The FMC's DATA Act reporting process involves multiple parties: Treasury's Bureau of the Fiscal Service, Administrative Resource Center (BFS ARC); the FMC's Senior Accountable Official (SAO) (Managing Director); the FMC's Office of Budget and Finance (OBF); and the FMC's Office of Management Services (OMS). The FMC uses two systems for its spending data: Oracle Financials as its source system for all financial data, and the Procurement Request Information System Management (PRISM) as its source system for contract data. The FMC maintains an agreement with BFS ARC to provide financial system services and relies on BFS ARC to meet DATA Act reporting requirements. BFS ARC uses Oracle Financials and PRISM to perform financial spending data reconciliations and to extract data for reporting to USAspending.gov.

A data broker is designed to standardize data formatting and help Federal agencies validate data submissions. The data broker uses Federal spending data from agency award and financial systems, validates it, and standardizes it against the common DATA Act model that includes the following broker files:

- File A: Appropriations Account
- File B: Object Class and Program Activity
- File C: Award Financial
- File D1: Award and Awardee Attributes—Procurement Awards
- File D2: Award and Awardee Attributes—Financial Assistance Awards
- File E: Additional Awardee Attributes
- File F: Sub-Award Attributes

Files A and B contain summary-level financial data. File C contains required data at the award level. Files D1 and E contain detailed demographic information for award-level transactions; these files may contain one or more of the 57 required standard government-wide data elements, such as award type, action date, and period of performance. The FMC does not have files D2 or F because the agency does not have financial assistance awards, such as grants or loans.

OBJECTIVES, SCOPE, AND METHODOLOGY

To meet the needs of the IG community, the CIGIE Federal Audit Executive Council (FAEC) established the DATA Act Working Group (Working Group). The Working Group’s mission is to assist the IG community in understanding and meeting its DATA Act oversight requirements by (1) serving as a working level liaison with the Department of the Treasury (Treasury), (2) consulting with the Government Accountability Office (GAO), (3) developing a common approach and methodology, and (4) coordinating key communications with other stakeholders.

In consultation with GAO, the Working Group developed the *Inspectors General (IG) Guide to Compliance Under the Digital Accountability and Transparency Act of 2014*, February 27, 2017. The guide presents a common methodological and reporting approach for the IG community to use in performing its mandated work. Under the DATA Act, each IG is required to issue three reports on its agency’s data submission and compliance with the DATA Act. The February 2017 guide has been developed for the first required report due November 8, 2017, and will be updated for subsequent reports due November 2019 and 2021 based on feedback from the IG community and GAO after the first reports have been issued.

We conducted this performance audit in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. Those standards

require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives.

The objectives of this engagement are to assess the FMC's: (1) completeness, timeliness, quality, and accuracy of fiscal year 2017, second quarter financial and award data submitted for publication on USAspending.gov; and (2) implementation and use of the Government-wide financial data standards established by OMB and Treasury. The scope of this first engagement was fiscal year 2017, second quarter financial and award data the FMC submitted for publication on USAspending.gov, and any applicable procedures, certifications, documentation, and controls to achieve this process. According to OMB's Management Procedures Memorandum No. 2016-03, data reported by Federal agencies in fiscal year 2017, second quarter was to be displayed on USAspending.gov by May 2017. To accomplish the objectives of this audit, the OIG performed the following steps:

- obtained an understanding of the criteria related to its agency's responsibilities to report financial and award data under the DATA Act;
- assessed the agency's systems, processes, and internal controls in place over data management under the DATA Act;
- assessed the general and application controls pertaining to the financial management systems (e.g. procurement) from which the data elements were derived and linked;
- assessed the agency's internal controls in place over the financial and award data reported to USAspending.gov per OMB Circular A-123;
- reviewed the fiscal year 2017, second quarter financial and award data submitted by the agency for publication on USAspending.gov;
- assessed the completeness, timeliness, quality, and accuracy of the financial and award data sampled; and
- assessed the agency's implementation and use of the 57 data definition standards established by OMB and Treasury.

The DATA Act requires the IG of each Federal agency to review a statistically valid sample of the spending data submitted by its Federal agency and to submit to Congress a publicly available report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of the Government-wide financial data standards by the Federal agency. The guidance says the engagement team should randomly select a statistically valid sample of

certified spending data from the reportable award-level transactions included in the agency's certified data submission for File C, or Files D1 and D2, if File C is unavailable. FMC's File C contained 13 unique transactions and File D1 contained 11 unique transactions. The FMC had no grant activity, and therefore the data broker did not generate Files D2 or F. The FMC OIG decided to test 100% of the transactions because the total number of unique spending transactions was 13 or fewer. The testing included coverage of both Files C and D1.

RESULTS

Complete, Timely, Accurate, and of Good Quality

Except for a limited number of exceptions, the OIG determined that the FMC transactions audited for publication on USAspending.gov were complete, accurate, timely, and of good quality. The OIG found completeness errors attributable to the FMC (error rate of approximately 26%). The OIG also identified both completeness and accuracy errors attributable to issues associated with the DATA Act broker or other external causes; however, the OIG did not calculate an error rate for causes where the agency does not have control. We assessed these characteristics using the framework provided in the FAEC guide. Overall, the OIG made the following conclusions on the spending data submitted by the FMC for reporting on USAspending.gov, as follows:

- **Complete.** With some exception, the OIG found the spending data contained the applicable elements and were submitted for the proper reporting period.
- **Accurate.** With few exceptions, transactions included the obligated amount and a document number containing a combination of unique identifiers, and all data submitted matched the accounting data in the FMC's financial systems of record.
- **Timely.** All data were reported within 30 days of the quarter's end.
- **Quality.** All data were generally of good quality—that is, data were complete, timely, and accurate, and the FMC's and the service provider's internal controls over source systems and the data submission gave us reasonable assurance that controls were designed, implemented, and operating effectively.

Applicable DATA Act Standards Were Used

Based on the OIG's testing, we found that the FMC implemented and used the government-wide financial data standards as established by OMB and Treasury, as applicable. For the broker files tested, we generally found that the required elements were present in the files and that the transaction values were presented in accordance with the standards.

Testing Limitations

File E of the DATA Act Information Model Schema (DAIMS) contains additional awardee attribute information extracted from the System for Award Management (SAM) via the DATA Act Broker (broker). File F contains sub-award attribute information extracted from the FFATA Subaward Reporting System (FSRS) via the broker. It is the prime awardee's responsibility to report sub-award and executive compensation information in SAM and FSRS. Data reported from these two award reporting systems are generated in the broker for display on USAspending.gov. As outlined in OMB's Management Procedures Memorandum 2016-03, the authoritative sources for the data reported in Files E and F are SAM and FSRS respectively with no additional action required of Federal agencies. As such, we did not assess the completeness, accuracy, timeliness, and quality of the data extracted from SAM and FSRS via the DATA Act Broker.

FINDING – Reporting and Reconciliation

Condition

The OIG found four transactions that were not reported in FPDS-NG² for the 2nd quarter of fiscal year 2017, and therefore would not be reported on USAspending.gov. In addition, of these four transactions, two were not reported in File C.

Criteria

The DATA Act, in part, requires Federal agencies to report financial and award data in accordance with the established Government-wide financial data standards. In May 2015, the Office of Management and Budget (OMB) and Treasury published 57 data definition standards³ and required Federal agencies to report financial data in accordance with these standards for DATA Act reporting, beginning January 2017.

Completeness is measured in two ways, (1) all transactions (summary-level data and/or award-level data) that should have been recorded are recorded in the proper reporting period⁴ and (2) as the percentage of transactions containing all applicable data elements required by the DATA Act.⁵

² FPDS-NG provides procurement data to USAspending.gov, and interfaces with PRISM, the FMC's system for contracting.

³ The 57 data elements, including definitions, can be found at <https://fedspendingtransparency.github.io/data-elements/>.

⁴ GAO-08-585G, GAO Financial Audit Manual, (July 25, 2008).

⁵ OMB Open Government Directive – Federal Spending Transparency, (April 6, 2010).

Cause

The OIG believes the likely cause is the failure to enter the transactions in FPDS-NG at the time of award. In addition, the OIG found no evidence that FMC had adequately reviewed, reconciled, or corrected the anomalies that the financial service provider prepared for the FMC.

Effect

DATA Act reporting for the second quarter of fiscal year 2017 may have been incomplete and obligation data reported to USAspending.gov for that quarter may have been understated by the amounts of the awards not entered in FPDS-NG.

Recommendation

The Senior Accountable Official (SAO) should develop policies and procedures to enter and report obligations in a manner that ensures they are included in the DATA Act reporting process; and ensure that any anomalies are reviewed, reconciled, and corrected in a timely manner.

Agency Comments

Management agrees with the recommendation, and will take corrective action to ensure that, going forward, staff will enter and report obligations properly, and that there is a process in place for the timely review, reconciliation, and / or correction of any anomalies in the data provided by the Bureau of the Fiscal Service (the Commission's financial services provider) to ensure that the DATA Act reporting is accurate. It is anticipated that an SOP will be developed to memorialize this process by the end of the second quarter of FY 2018.

OIG Response

The agency's comments are responsive to the OIG's recommendation.

Appendix A – Agency Response

UNITED STATES GOVERNMENT

FEDERAL MARITIME COMMISSION

Memorandum

TO : Inspector General

DATE: November 8, 2017

FROM : Managing Director

SUBJECT : Data Act Audit, 2017 (A-18-03) – Management’s Response

I have reviewed the finding and recommendation contained in the subject report. Commission management values the efforts of the OIG in reviewing our DATA Act implementation, and appreciate the recommendations for improvement in this important effort.

Recommendation: The Senior Accountable Official (SAO) should develop policies and procedures to enter and report obligations in a manner that ensures they are included in the DATA Act reporting process; and ensure that any anomalies are reviewed, reconciled, and corrected in a timely manner.

Comment: Management agrees with the recommendation, and will take corrective action to ensure that, going forward, staff will enter and report obligations properly, and that there is a process in place for the timely review, reconciliation, and / or correction of any anomalies in the data provided by the Bureau of the Fiscal Service (the Commission’s financial services provider) to ensure that the DATA Act reporting is accurate. It is anticipated that an SOP will be developed to memorialize this process by the end of the second quarter of FY 2018.


Karen V. Gregory

cc: Office of the Chairman