



U.S. ENVIRONMENTAL PROTECTION AGENCY

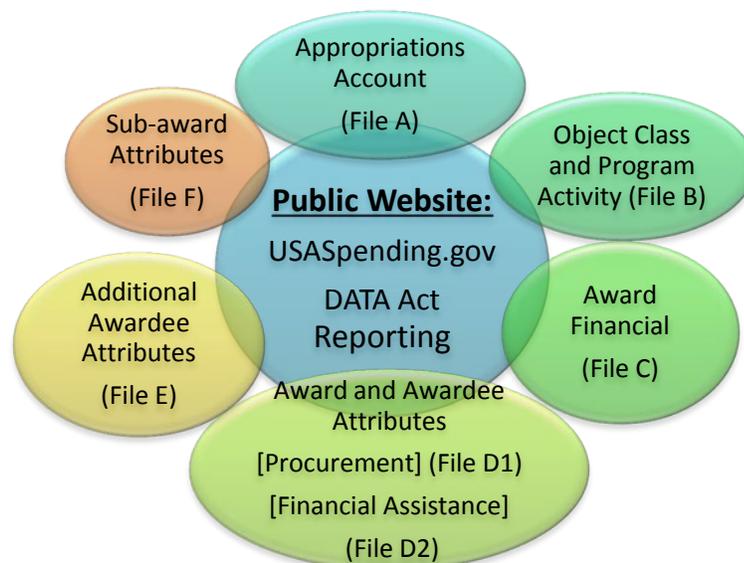
OFFICE OF INSPECTOR GENERAL

Operating efficiently and effectively

EPA Reported Its Fiscal Year 2017 Second Quarter Financial and Award Data in Accordance With the DATA Act

Report No. 18-P-0037

November 9, 2017



Report Contributors:

Paul Curtis
Robert Evans
Margaret Hiatt
Jennifer Hutkoff
Demetrios Papakonstantinou
Kevin Ross

Abbreviations

CIGIE	Council of the Inspectors General on Integrity and Efficiency
DATA Act	Digital Accountability and Transparency Act of 2014
DEAR	DATA Act Evaluation and Approval Repository
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget

Cover image: Graphic illustrating the EPA's DATA Broker System files going into USASpending.gov. (EPA OIG image)

Are you aware of fraud, waste or abuse in an EPA program?

EPA Inspector General Hotline
1200 Pennsylvania Avenue, NW (2431T)
Washington, DC 20460
(888) 546-8740
(202) 566-2599 (fax)
OIG_Hotline@epa.gov

Learn more about our [OIG Hotline](#).

EPA Office of Inspector General
1200 Pennsylvania Avenue, NW (2410T)
Washington, DC 20460
(202) 566-2391
www.epa.gov/oig

Subscribe to our [Email Updates](#)
Follow us on Twitter [@EPAoig](#)
Send us your [Project Suggestions](#)



At a Glance

Why We Did This Review

We performed this audit to assess the completeness, timeliness, quality and accuracy of fiscal year (FY) 2017 second quarter financial award data submitted for publication on USASpending.gov within the U.S. Environmental Protection Agency's (EPA's) Office of the Chief Financial Officer (OCFO), and to assess the EPA's implementation and use of the governmentwide financial data standards established by the Office of Management and Budget (OMB) and the Treasury.

The Digital Accountability and Transparency Act of 2014 (DATA Act) requires the Inspector General to review a statistically valid sample of the spending data submitted under the act by the EPA and to assess the completeness, timeliness, quality and accuracy of the data sampled and the implementation and use of the data standards.

This report addresses the following:

- *Operating efficiently and effectively.*

Send all inquiries to our public affairs office at (202) 566-2391 or visit www.epa.gov/oig.

Listing of [OIG reports](#).

EPA Reported Its Fiscal Year 2017 Second Quarter Financial and Award Data in Accordance With the DATA Act

What We Found

The EPA assessed the accuracy, completeness, quality and timeliness of the FY 2017 second quarter financial and award data submitted for publication on USASpending.gov. The EPA also implemented governmentwide financial data standards established by OMB and the Treasury.

The DATA Act requires the EPA to report and display accurate financial and award data on USASpending.gov.

The EPA complied with OMB Memorandum M-17-04 by certifying that it was in compliance with OMB guidance in providing reasonable assurance that internal controls support the reliability and validity of account-level and award-level data reported on USASpending.gov.

The EPA stated in its Data Act Assurance Statement and its DATA Act Evaluation and Approval Repository Statement that, beginning in FY 2017, the EPA processed financial transactions in accordance with the DATA Act requirements. We noted that historical program activity and budget class levels did not align with DATA Act reporting requirements, and therefore were not being reported in accordance with OMB and Treasury guidance. However, the DATA Act Evaluation and Approval Repository tool recently created by the EPA, as discussed in the "Noteworthy Achievements" section below, resolved this issue. Therefore, no recommendations are being made.

Noteworthy Achievements

The EPA recently created a tool known as the DATA Act Evaluation and Approval Repository, which migrates required reporting data from EPA systems by validating and submitting formatted files to the Treasury. Using the tool, the EPA validated the data and generated the DATA Act files in the acceptable format that were submitted through the Treasury's DATA Act Broker.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

November 9, 2017

MEMORANDUM

SUBJECT: EPA Reported Its Fiscal Year 2017 Second Quarter Financial and Award Data in Accordance With the DATA Act
Report No. 18-P-0037

FROM: Arthur A. Elkins Jr.

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", is written over the printed name.

TO: David Bloom, Acting Chief Financial Officer

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this audit was OA-FY17-0185. This report represents the opinion of the OIG and does not necessarily represent the final EPA position.

The Office of Technology Solutions, within the Office of the Chief Financial Officer, oversees the EPA's implementation of the DATA Act.

Action Required

This report contains no recommendations and you are not required to respond to this report. However, if you submit a response, it will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

Table of Contents

Purpose	1
Background	1
Responsible Offices	2
Noteworthy Achievements	2
Scope and Methodology	3
Results of Audit	4
Agency Response	5

Appendices

A CIGIE DATA Act Letter	6
B Distribution	8

Purpose

We audited the fiscal year (FY) 2017 second quarter financial and award data under the Digital Accountability and Transparency Act of 2014 (DATA Act), which the U.S. Environmental Protection Agency (EPA) submitted for publication on USASpending.gov. This included a review of the appropriation account file, the object class and program activity file, and the award financial file. Our audit was conducted to assess the completeness, timeliness, quality and accuracy of the FY 2017 second quarter data submitted for publication on USASpending.gov, and to assess the EPA's implementation and use within the Office of Chief Financial Officer (OCFO) of the governmentwide financial data standards established by the Office of Management and Budget (OMB) and Treasury.

Background

DATA Act

The DATA Act (P.L. 113-101), signed by the President on May 9, 2014, Section 4, DATA Standards, requires federal agencies to report financial and award data in accordance with the established governmentwide financial data standards. In May 2015, the OMB and the Treasury published 57 data definition standards and required federal agencies to report financial data in accordance with these standards beginning January 2017. Once submitted, the data is to be displayed on USASpending.gov for taxpayers and policy makers.

The DATA Act also requires the Office of Inspector General (OIG) 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 governmentwide financial data standards by the federal agency.

OMB Guidance

OMB Memorandum M-15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable*, dated May 8, 2015, the background section (page 1 of 8) provides guidance to federal agencies on current reporting requirements pursuant to the Federal Funding Accountability and Transparency Act, as well as new requirements per the DATA Act.

OMB Management Procedures Memorandum 2016-03, *Additional Guidance for DATA Act Implementation: Implementing Data-Centric Approach for Reporting Federal Spending Information*, dated May 3, 2016 (page 1 of 8), provides

additional guidance to federal agencies on reporting federal appropriations account summary-level and federal award-level data to USASpending.gov.

OMB Memorandum M-17-04, *Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability*, dated November 4, 2016 (page 1 of 11), further specifies responsibilities for reporting financial information for awards involving intragovernmental transfers, guidance for reporting financial assistance award records containing personally identifiable information, and guidance for agencies to provide the Senior Accountable Official assurance over quarterly submissions to USASpending.gov.

Council of the Inspectors General on Integrity and Efficiency Strategy

The IG Guide to Compliance Under the DATA Act, dated February 27, 2017, states that The Council of the Inspectors General on Integrity and Efficiency (CIGIE) identified a timing anomaly with oversight requirements in the DATA Act. The DATA Act specified that the first OIG reports were due November 2016, but federal agencies were not required to report spending data until May 2017. To address this reporting anomaly, CIGIE did the following:

- Encouraged the federal OIG Community to undertake DATA Act “readiness reviews” at their respective agencies well in advance of the first November 2017 report. On December 2, 2016, we issued Report No. [17-P-0050](#), *Status of EPA’s Implementation of the DATA Act*.
- Indicated that OIGs should provide Congress with their first required report in November 2017, a 1-year delay from the statutory due date, with two subsequent reports following on a 2-year cycle.

On December 22, 2015, CIGIE’s chair issued a letter memorializing the strategy and communicated it to the Senate Committee on Homeland Security and Governmental Affairs, and the House Committee on Oversight and Government Reform. That letter is in Appendix A.

Responsible Offices

The EPA’s Office of Technology Solutions, within the OCFO, maintains responsibility over EPA implementation of the DATA Act. Other EPA offices involved in implementing the DATA Act include OCFO’s Office of the Controller and Office of Budget, the EPA’s Office of Administration and Resources Management, and the EPA’s Office of Environmental Information.

Noteworthy Achievements

The EPA developed the DATA Act Evaluation and Approval Repository (DEAR) tool as an application solution for the DATA Act. The DEAR tool serves as the EPA's data quality management application for the DATA Act elements required by OMB and Treasury. The DEAR tool extracts, transforms, prepares, fully captures and accurately reports the DATA Act files (appropriations account file, object class and program activity file, and award financial file) for submission to the DATA Act Broker System.

Scope and Methodology

Our responsibility was to audit the spending data submitted under the DATA Act by the EPA, and to submit to Congress and make publicly available a report assessing the completeness, timeliness, quality and accuracy of the data and the implementation and use of data standards by the EPA.

We conducted this audit from April through November 2017 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 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.

We tested FY 2017, second quarter financial and award data submitted to the DATA Act Broker System to assess the completeness, timeliness, quality and accuracy of the data submitted for publication on USASpending.gov. We used dollar unit sampling to select award financial transactions from a universe/population of bankcard, contracts, grants and miscellaneous categories.

Scope Limitation of Data Reporting Issues

In planning and performing our audit, we assessed the award financial transaction information in Compass Financials, the agency's accounting system. We did not test all internal controls over Compass from which we obtained financial data, but relied on internal control test work conducted during the EPA's FY 2016 financial statement audit. The FY 2016 A-123 analysis did not identify any internal control weaknesses related to the DATA Act.

In October 2017, the Treasury's Government-wide DATA Act Program Management Office officials confirmed that they were aware that the DATA Act Broker System currently extracts and reports inaccurately. A Treasury official stated that the issue will be resolved once the DATA Act Information Model Schema version 1.1 is implemented during fall 2017. We could not evaluate the

reasonableness of Treasury's planned corrective action because the Treasury's implementation had not yet occurred.

Prior Audit Coverage

Prior EPA OIG Report No. [17-P-0050](#), *Status of EPA's Implementation of the DATA Act*, issued December 2, 2016, found that the EPA has taken steps to implement the DATA Act. The EPA identified key risks to the DATA Act implementation, such as linking award identification among the EPA's financial and procurement systems; submitting complete data files to Treasury; timing differences, data inconsistencies and reconciling data between the EPA internal and external systems; and funding to support the consolidation and preparation of agency data for reporting under the DATA Act. The EPA identified mitigations to address these risks. Since that implementation plan was designed for the EPA to meet the statutory deadline with a partial data submission, we had no recommendations.

In addition, the U.S. Government Accountability Office issued various reports regarding the DATA Act:

- *As Reporting Deadline Nears, Challenges Remain That Will Affect Data Quality* ([GAO-17-496](#)), issued April 28, 2017.
- *Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website* ([GAO-14-476](#)), issued June 30, 2014.
- *Implementation of the Federal Funding Accountability and Transparency Act of 2006* ([GAO-10-365](#)), issued March 12, 2010.

Results of Audit

We audited the spending data submitted under the DATA Act by the EPA. We found that the EPA assessed the completeness, quality, timeliness and accuracy of the FY 2017 second quarter financial and award data submitted for publication on USASpending.gov. From our work on the appropriation account file, object class and program activity file, and award financial file, we found the following:

- The EPA's appropriation account file included similar information in OMB's SF-133 report on budget execution and budgetary resources. The SF-133 is a quarterly report with information on the sources of budget authority and the status of budgetary resources by individual fund or appropriation.
- The EPA adequately reconciled the appropriation account file and the object class and program activity file. Also, the EPA's object class and program activity file has the proper combination of program activities and object classes, consistent with OMB Circular A-11, *Preparation, Submission, and*

Budget Execution of the Budget. An object class is goods or services or items purchased (such as supplies, rent or equipment); program activity represents activity, project or other programmatic distinctions.

- The EPA’s award financial file’s data reconciled to the object class and program activity file, award and awardee procurement award and financial assistance files, and additional awardee attribute file. The EPA’s Data Act Assurance Statement certified “the agency’s compliance with OMB guidance of providing reasonable assurance that our internal controls support the reliability and validity of the agency account-level and award-level data.”
- The EPA implemented governmentwide financial data standards established by OMB and Treasury for the FY 2017 second quarter financial and award data. Although the EPA’s historical program activity and budget class levels did not align with the DATA Act reporting requirements and were not in accordance with OMB and Treasury guidance, the recent creation of the DEAR tool has resolved this issue, and no recommendations are being made.

Agency Response

The EPA agreed with our report and did not provide written comments.

CIGIE DATA Act Letter



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

December 22, 2015

The Honorable Ron Johnson
Chairman
The Honorable Thomas Carper
Ranking Member
Committee on Homeland Security
and Government Affairs
United States Senate Washington, D.C.

The Honorable Jason Chaffetz
Chairman
The Honorable Elijah Cummings
Ranking Member
Committee on Oversight Government Reform
U.S. House of Representatives
Washington, D.C.

Dear Mr. Chairmen and Ranking Members:

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) recognizes and appreciates your leadership on issues of Government transparency and accountability. In particular, we believe the enactment last year of the Digital Accountability and Transparency Act of 2014 (DATA Act) will significantly improve the quality of Federal spending data available to Congress, the public, and the accountability community if properly implemented. To make sure this happens, the DATA Act provides for strong oversight by way of the Federal Inspectors General and the Government Accountability Office (GAO). In particular, the DATA Act requires a series of reports from each to include, among other things, an assessment of the completeness, timeliness, quality, and accuracy of data submitted by agencies under the DATA Act.

I am writing this letter on behalf of CIGIE to inform you of an important timing anomaly with the oversight requirement for Inspectors General in the DATA Act. Your staffs have been briefed on this timing anomaly, which affects the first Inspector General reports required by the DATA Act. Specifically, the first Inspector General reports are due to Congress in November 2016. However, the agencies we oversee are not required to submit spending data in compliance with the DATA Act until May 2017. As a result, Inspectors General would be unable to report on the spending data submitted under the Act, as this data will not exist until the following year. This anomaly would cause the body of reports submitted by the Inspectors General in November 2016 to be of minimal use to the public, the Congress, the Executive Branch, and others.

To address this reporting date anomaly, the Inspectors General plan to provide Congress with their first required reports in November 2017, a one-year delay from the due date in statute, with subsequent reports following on a two-year cycle, in November 2019 and November 2021. We believe that moving the due dates back one year will enable the Inspector General to meet the intent of the

oversight provisions in the DATA Act and provide useful reports for the public, the Congress, the Executive Branch, and others.

Although we think the best course of action is to delay the Inspector General reports, CIGIE is encouraging the Federal Inspector General Community to undertake DATA Act "readiness reviews" at their respective agencies well in advance of the first November 2017 report. Through a working group, CIGIE has developed guidance for these reviews. I am pleased to report that several Inspectors General have already begun reviews at their respective agencies, and many Inspectors General are planning to begin reviews in the near future. We believe that these reviews, which are in addition to the specific oversight requirements of the Act, will assist all parties in helping to ensure the success of the DATA Act implementation.

We have kept GAO officials informed about our plan to delay the first Inspector General reports for one year, which they are comfortable with, and our ongoing efforts to help ensure early engagement through Inspector General readiness reviews.

Should you or your staffs have any questions about our approach or other aspects of our collective DATA Act oversight activities, please do not hesitate to contact me at (202) 514-3435.

Sincerely,



Michael E. Horowitz
Chair, Council of the Inspectors General on Integrity and Efficiency
Inspector General, U.S. Department of Justice

cc: The Honorable David Mader, Controller, OMB
The Honorable Gene Dodaro, Comptroller General, GAO

Distribution

The Administrator
Chief of Staff
Chief of Staff for Operations
Deputy Chief of Staff for Operations
Chief Financial Officer
Agency Audit Follow-Up Coordinator
General Counsel
Associate Administrator for Congressional and Intergovernmental Relations
Associate Administrator for Public Affairs
Assistant Administrator for Administration and Resources Management
Associate Chief Financial Officer, Office of the Chief Financial Officer
Controller, Office of the Controller, Office of the Chief Financial Officer
Deputy Controller, Office of the Controller, Office of the Chief Financial Officer
Director, Office of Budget, Office of the Chief Financial Officer
Director, Office of Technology Solutions, Office of the Chief Financial Officer
Director, Financial Services Division, Office of the Chief Financial Officer
Director, Accounting and Cost Analysis Division, Office of the Controller, Office of the
Chief Financial Officer
Director, Business, Planning and Operations Division, Office of the Controller, Office of the
Chief Financial Officer
Audit Follow-Up Coordinator, Office of the Administrator
Audit Follow-Up Coordinator, Office of the Chief Financial Officer
Audit Follow-Up Coordinator, Office of Administration and Resources Management