



# Audit Report



OIG-17-039

DATA Act Readiness: ARC Is Making Progress in Meeting  
DATA Act Reporting Requirements Despite Challenges

April 13, 2017

Office of  
Inspector General

Department of the Treasury

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## Abbreviations

ARC	Administrative Resource Center
Award ID	award identification number
customer agencies	ARC financial management customer agencies
CFO	Chief Financial Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DATA Act	Digital Accountability and Transparency Act of 2014
DHS	Department of Homeland Security
DO	Departmental Offices
Fiscal Service	Bureau of the Fiscal Service
FSSP	Federal shared service provider
IG	Inspector General
IGT	intra-governmental transfer
IT	information technology
OIG	Office of Inspector General
OMB	Office of Management and Budget
Oracle	Oracle Corporation
Playbook	DATA Act Implementation Playbook
PMO	Program Management Office
Recovery Board	Recovery Accountability and Transparency Board
SAO	Senior Accountable Official
Schema	DATA Act Information Model Schema
TIER	Treasury Information Executive Repository
Treasury	Department of the Treasury

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*The Department of the Treasury  
Office of Inspector General*

April 13, 2017

Sheryl Morrow  
Commissioner  
Bureau of the Fiscal Service

This report presents the results of our audit of the Bureau of the Fiscal Service's (Fiscal Service) Administrative Resource Center's (ARC) efforts to report financial and payment information, on behalf of its customer agencies as of September 30, 2016, as required by the Digital Accountability and Transparency Act of 2014 (DATA Act).<sup>1</sup> We performed this audit as part of our ongoing oversight over the Department of the Treasury's (Treasury) DATA Act reporting efforts.<sup>2,3</sup> Our objective was to gain an understanding of the processes, systems, and controls that ARC, a Federal shared service provider (FSSP), has implemented or plans to implement to report financial and payment information in accordance with the requirements of the DATA Act.<sup>4</sup>

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<sup>1</sup> Public Law 113-101 (May 9, 2014).

<sup>2</sup> Treasury's compliance under the DATA Act is separate and distinct from the Government-wide implementation efforts being led by Treasury's Data Transparency Office at Fiscal Service, also referred to as the Project Management Office, and the Office of Management and Budget's Office of Federal Financial Management. In this report, unless otherwise indicated, when we discuss "Treasury" we are referring to the agency's efforts to comply with the Act and not the Government-wide effort led by the Project Management Office.

<sup>3</sup> As part of our oversight of Treasury, we issued our first audit report on Treasury's efforts to meet its responsibilities under the DATA Act entitled *DATA Act Readiness: Treasury is Making Progress in Meeting DATA Act Reporting Requirements Despite Challenges* (OIG-17-021; December 1, 2016).

<sup>4</sup> Shared services are an arrangement under which one agency (the provider) provides information technology, human resources, financial, or other services to other departments, agencies, and bureaus (the customer). The Office of Management and Budget and Treasury designated the Department of Agriculture's National Finance Center, Department of Interior's Interior Business Center, Department of Transportation's Enterprise Services Center, and Treasury's ARC as FSSPs for financial management.

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To accomplish our objective, we obtained an understanding of the current laws and guidance related to ARC's reporting responsibilities under the DATA Act. We conducted interviews with ARC personnel responsible for the implementation of the DATA Act reporting requirements on behalf of its customer agencies. We also reviewed ARC's implementation plan and other relevant project management documents, such as its governance structure, projected cost estimates, risk register, progress dashboard, and project status reports. We conducted our fieldwork from September through December 2016. Appendix 1 contains a detailed description of our objective, scope, and methodology.

## Results in Brief

As of September 30, 2016, ARC is making progress toward compliance with the DATA Act by designing and executing a comprehensive implementation plan that conforms to Government-wide technical and informational guidance issued by Treasury's Program Management Office (PMO) and the Office of Management and Budget (OMB). Specifically, on August 12, 2016, Treasury submitted its updated comprehensive DATA Act implementation plan to OMB which includes a separate implementation plan for ARC.<sup>5</sup> As documented in Treasury's comprehensive implementation plan, and other project planning documents, the Department identified its Deputy Chief Financial Officer (CFO) as the Senior Accountable Official (SAO) responsible for leading its implementation efforts.<sup>6</sup> Treasury's SAO established the

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<sup>5</sup> Prior to its August 2016 submission, Treasury submitted an "Executive Overview" of its DATA Act implementation plan to OMB on September 14, 2015, and documented that its detailed plan and timeline would follow. On October 21, 2015, Treasury, after receiving an extension from OMB, submitted a comprehensive DATA Act implementation plan that captured the Department and ARC's strategic direction to implement the act. The implementation plan also highlights analysis being performed in coordination with ARC to meet requirements as an FSSP.

<sup>6</sup> SAOs are high-level senior officials who are accountable for the quality and objectivity of Federal spending information under the DATA Act. These senior leaders ensure that the information conforms to OMB guidance on information quality and that adequate systems and processes are in place within the agencies to promote such conformity.

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Departmental Offices (DO) working group as the primary DATA Act decision-making and advisory body for Treasury's reporting bureaus.<sup>7</sup> In addition to the DO working group, Treasury required its reporting bureaus to establish individual working groups to facilitate regular communication and oversight of its implementation efforts.<sup>8</sup> A qualified SAO leads each bureau-level working group and oversees its bureau's implementation efforts.

ARC's DATA Act implementation plan and project management documents (1) identified its SAOs, (2) estimated resource requirements, (3) proposed an implementation timeline, and (4) identified foreseeable challenges that it may encounter while implementing the DATA Act on behalf of its financial management customer agencies (customer agencies), as well as potential resolutions. If fully executed, we anticipate that ARC will meet the DATA Act reporting requirements by the established May 2017 deadline.

In June 2015, Treasury's PMO outlined a suggested Government-wide implementation approach in its *DATA Act Implementation Playbook (Playbook) version 1.0*.<sup>9</sup> The Playbook recommends eight key steps that Federal agencies can use to develop a methodology for implementing the DATA Act. As documented in its implementation plan and other project management documents, ARC has (1) organized a DATA Act project team, (2) reviewed the list of data elements and participated in the data standardization process, (3) completed an inventory of customer agency data, and (4) designed a strategy for implementation of DATA Act

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<sup>7</sup> Treasury DO is composed of divisions headed by Assistant Secretaries and Under Secretaries who are primarily responsible for policy formulation and overall management for the Department. The DO DATA Act working group facilitates coordination of impacted communities within Treasury and provides technical assistance and implementation guidance in support of the Department's efforts.

<sup>8</sup> Treasury's reporting bureaus include the Internal Revenue Service, Office of the Comptroller of the Currency, the Bureau of Engraving and Printing, and ARC. ARC represents Treasury's remaining reporting entities including, but not limited to, Fiscal Service.

<sup>9</sup> On June 24, 2016, Treasury's PMO released the detailed *DATA Act Implementation Playbook Version 2.0*.

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requirements on behalf of its customer agencies. Additionally, ARC has made progress in addressing steps five through eight: (5) Prepare Data for Submission to the Broker, (6) Test Broker Implementation, (7) Update Systems, and (8) Submit Data.<sup>10</sup> Steps five through eight include ensuring ARC can capture data for its customers, validate and reconcile that data, and submit the data to the Government-wide broker for publication on USAspending.gov.

While ARC's SAOs and DATA Act project team have worked to comply with the DATA Act, they have identified a number of risks and challenges associated with data quality, delays in the issuance of Government-wide guidance resulting in short implementation timelines, resource limitations, necessary system changes, customer engagement, and difficulty identifying customer award information. ARC has documented viable plans to overcome each of the risks and challenges identified through continuous monitoring; two-way communication with Treasury's DO DATA Act working group, the PMO, and its customer agencies; and system and methodology enhancements.

ARC's DATA Act implementation effort is a complex project, with aggressive deadlines involving 39 customer agencies and the development of new data-handling methodologies. Accordingly, we cannot emphasize enough the need for the SAOs and the DATA Act project team to continue closely monitoring ARC's efforts to mitigate these risks and challenges.

In a written response, which is included in its entirety as appendix 4, Fiscal Service management acknowledge the value and unique opportunity this audit provides in assessing their efforts to comply with the DATA Act and identifying further areas of

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<sup>10</sup> The Treasury PMO's DATA Act broker is an information system that collects, maps, and validates agency data in a format consistent with the DATA Act Information Model Schema (Schema) and will transmit this data to USAspending.gov. The Schema is the data exchange standard for DATA Act reporting as defined by Treasury's PMO and OMB. The Schema gives an overall view of the distinct data elements used to depict how Federal dollars are spent. It provides technical guidance for Federal agencies as to what data are to be reported to Treasury including the authoritative sources of the data elements and the submission format. The Schema also provides clarity on how the public can better understand the inherent complexity of the data.



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improvement. Fiscal Service also approved and implemented a process to sufficiently document [progress] dashboard approvals. Further, Fiscal Service has instituted plans to remediate risks and challenges identified by continuous monitoring; two-way communication with Treasury's DO DATA Act working group, the PMO, and its customer agencies; and system and methodology enhancements. Fiscal Service also expressed confidence that it expects to meet the DATA Act reporting requirements by the May 2017 deadline.

## Background

The DATA Act serves the following purposes:

- (1) expand the Federal Funding Accountability and Transparency Act of 2006 by disclosing direct Federal agency expenditures and linking Federal contract, loan, and grant spending information to programs of Federal agencies to enable taxpayers and policymakers to track Federal spending more effectively;<sup>11</sup>
- (2) establish Government-wide data standards for financial data and provide consistent, reliable, and searchable Government-wide spending data that is displayed accurately for taxpayers and policymakers on USAspending.gov (or a successor system);
- (3) simplify reporting for entities receiving Federal funds by streamlining reporting requirements and reducing compliance costs while improving transparency;
- (4) improve the quality of data submitted to USAspending.gov by holding Federal agencies accountable for the completeness and accuracy of the data submitted; and

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<sup>11</sup> Public Law 109-282 (September 26, 2006).

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(5) apply approaches developed by the Recovery Accountability and Transparency Board (Recovery Board) to spending across the Federal government.<sup>12</sup>

To fulfill these purposes, the DATA Act imposes requirements on Federal agencies and their Inspectors General (IG). Specifically, the DATA Act requires that any funds made available to or expended by a Federal agency, or its component, be reported to USAspending.gov by May 2017 in accordance with the financial data standards established by Treasury's PMO and OMB. It also requires the IGs of each Federal agency to perform three reviews of a statistically valid sampling of spending data submitted under the DATA Act. The IGs must submit to Congress (and make publicly available) a report assessing the completeness, timeliness, quality, and accuracy of the data sampled, as well as the implementation and use of data standards by the Federal agency. The Act requires the first IG reports be submitted in November 2016, with two others to follow in November 2018 and November 2020.<sup>13</sup>

Fiscal Service operates the Federal government's collections and deposit systems, borrows the money necessary to operate the Federal Government, provides central payment services to Federal agencies, manages the collection of delinquent debt owed to the

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<sup>12</sup> The Recovery Board was a Federal agency that managed Recovery.gov and oversaw spending under the American Recovery and Reinvestment Act of 2009. Recovery.gov displayed American Recovery and Reinvestment Act of 2009 spending information reported by recipient agencies. Pursuant to law, the Recovery Board ceased operations in September 2015.

<sup>13</sup> The Council of the Inspectors General on Integrity and Efficiency (CIGIE) identified a timing anomaly with the oversight requirements contained in the DATA Act. Although the first IG reports are due to Congress in November 2016, Federal agencies are not required to report financial and payment information in accordance with the data standards established under the DATA Act until May 2017. To address this reporting date anomaly, the IGs plan to provide Congress with their first required reports in November 2017, a 1-year delay from the statutory due date, with subsequent reports following on a 2-year cycle. Although CIGIE determined the best course of action was to delay the IG reports, it encouraged IGs to undertake DATA Act "Readiness Reviews" at their respective agencies well in advance of the first November 2017 report. On December 22, 2015, CIGIE's chair issued a letter explaining the strategy for dealing with the IG reporting date anomaly and communicated it to the Senate Committee on Homeland Security and Government Affairs and the House Committee on Oversight and Government Reform. The letter is provided in appendix 2.

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Government, and offers accounting and reporting services Government-wide. Fiscal Service also administers ARC, a FSSP, which delivers administrative, financial management, and information technology (IT) services to Federal agencies. ARC's provider/customer relationship with customer agencies gives it a unique and important role in the DATA Act implementation. ARC's DATA Act project team is focused on preparing its management systems to collect the data necessary to perform DATA Act reporting; provide data extracts that meet Government-wide, Treasury, and Department of Homeland Security (DHS)<sup>14</sup> requirements; and produce useful reports for data verification. Additionally, ARC's DATA Act project includes preparing the data submission for applicable customer agencies. For a listing of ARC's customers, see appendix 3.

### Guidance

On May 8, 2015, Federal agencies received guidance on implementing financial data standards required by the DATA Act, including their ongoing reporting responsibilities for USAspending.gov, in OMB M-15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable*. This guidance requires Federal agencies to establish a linkage between their financial, grants, and procurement management systems—a key component to tracking spending more effectively.

OMB M-15-12 specifies that implementation plans should (1) identify an SAO, (2) estimate resource requirements, (3) propose an implementation timeline, and (4) identify foreseeable challenges and resolutions. Further, FSSPs should include specific information about anticipated costs and timelines necessary to implement the memorandum.

Concurrent with OMB's guidance, Treasury's PMO issued a Playbook that recommends eight key steps to help agencies

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<sup>14</sup> ARC's DATA Act project team monitors the implementation and submission efforts for DHS's Office of Inspector General via a custom, DHS-specific, reporting solution.

leverage existing capabilities and drive implementation of the DATA Act. On June 24, 2016, the PMO issued an updated Playbook version 2.0., with minor changes to the eight step plan. Figure 1 depicts the eight steps.

**Figure 1: Agency 8 Step Plan**

Steps for Agencies
<p><b>1) Organize team</b>  <i>Create an agency DATA Act work group including impacted communities (e.g., CIO, Budget, Accounting, etc.) and identify Senior Accountable Official</i></p>
<p><b>2) Review elements</b>  <i>Review list of DATA Act elements and participate in data definitions standardization</i></p>
<p><b>3) Inventory data</b>  <i>Perform inventory of agency data and associated business processes</i></p>
<p><b>4) Design &amp; strategize</b>  <i>Plan changes (e.g., adding Award IDs to financial systems) to systems and business processes to capture data that are complete multi-level (e.g., Summary and award detail) fully-linked data</i></p>
<p><b>5) Prepare Data for Submission to the Broker</b>  <i>Implement system changes and extract data (includes mapping of data from agency schema to the DATA Act Schema) iteratively</i></p>
<p><b>6) Test Broker implementation</b>  <i>Test Broker outputs to ensure data are valid iteratively</i></p>
<p><b>7) Update systems</b>  <i>Implement other changes iteratively (e.g., establish linkages between program and financial data, capture any new data)</i></p>
<p><b>8) Submit data</b>  <i>Update and refine process (repeat 5-7 as needed)</i></p>

Source: *DATA Act Implementation Playbook* (version 2.0)

On May 3, 2016, OMB, in collaboration with Treasury’s PMO, issued Management Procedures Memorandum No. 2016-03, *Additional Guidance for DATA Act Implementation: Implementing Data-Centric Approach for Reporting Federal Spending Information*, to provide additional guidance to Federal agencies on reporting summary-level and award-level spending information for the Federal appropriations account to USAspending.gov. This included a

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requirement for Federal agencies to associate data in agency financial systems with a unique award identification number (Award ID)<sup>15</sup> to facilitate the linkage of summary-level and award-level data.

On June 15, 2016, OMB requested that all CFO Act<sup>16</sup> agencies and DATA Act SAOs submit updated implementation plans by August 12, 2016. The updated plans were required to include, at a minimum, timeline, resources, and narrative updates.

In July 2016, Treasury's PMO required that CFO Act agencies and FSSPs self-report their implementation progress monthly using the Agency Progress Dashboard to track agency implementation progress throughout the remainder of the DATA Act implementation process.

On November 4, 2016, OMB issued OMB M-17-04, *Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability*, which provides additional guidance to Federal agencies to support the technical operationalization of reporting to USAspending.gov. This guidance describes, in part, specifics regarding the reporting of financial information for awards involving intra-governmental transfers (IGT) and SAO assurance over quarterly submissions to USAspending.gov.<sup>17</sup> This guidance documents that there will be additional information about the technical process for submitting the SAO quarterly assurance in the future.

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<sup>15</sup> Award ID is the unique identifier of the specific award being reported and is used to link information from an agency's financial systems to their award management systems. The Award ID will serve as the key to associate data across management systems and financial systems and will facilitate timely reporting of award level financial data.

<sup>16</sup> Public Law 101-576 (Nov 15, 1990).

<sup>17</sup> IGTs are funds transferred between Federal agencies. DATA Act requirements affect the reporting of two type of IGTs (1) allocation transfers and (2) buy/sell transactions which result in Federal awards that are subject to reporting under the Federal Funding Accountability and Transparency Act of 2006, as amended by the DATA Act.

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## Audit Results

### **ARC Is Making Progress in Meeting Reporting Requirements Under the DATA Act**

ARC is making progress in its efforts to comply under the DATA Act. Specifically, on August 12, 2016, Treasury submitted its updated DATA Act implementation plan to OMB which includes a separate implementation plan for ARC. ARC's implementation plan outlines its approach and progress on behalf of its DATA Act customer agencies.

ARC's implementation plan and project management documents (1) identified its SAOs; (2) estimated resource requirements; (3) proposed an implementation timeline; and (4) identified foreseeable challenges, as well as potential resolutions, in implementing the DATA Act on behalf of its customer agencies, as required by OMB M-15-12. Fiscal Service's Assistant Commissioner of Management and CFO, and ARC's Assistant Commissioner of Fiscal Accounting Operations and Acting Commissioner of Government-wide Accounting, serve as SAOs on behalf of Fiscal Service and ARC. The SAOs share the responsibility of overseeing ARC's DATA Act project team and supporting the team's DATA Act initiatives. ARC estimated approximately \$6.9 million for one-time costs to update its system platform. ARC's project management documents include a high-level timeline and a progress dashboard, which outline the major work streams, target dates for completion, and actual start and end dates. In July 2016, ARC began submitting this dashboard to the PMO as required. During our fieldwork, we found that ARC did not document the approval of its July and August 2016 dashboard submissions, and we recommended that ARC implement a formal approval process of the monthly dashboard. In response to our recommendation, in November 2016, ARC approved and implemented a process to document its dashboard approval prior to its release.

ARC identified, in its project management documents, data-quality concerns, delays with the issuance of final technical guidance from

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the PMO and OMB, the short implementation timeline, resource limitations, systems changes, and customer engagement as challenges affecting its DATA Act implementation. For details, see the “Challenges” section in this report.

ARC used the Playbook’s Agency 8-Step Plan as a guide while developing its overarching implementation plan. The 8-Step Plan lays out recommended steps that agencies can use as they begin to develop their methodology for implementing the DATA Act using a data-centric approach.<sup>18</sup>

The following presents ARC’s DATA Act implementation efforts as of September 30, 2016, and its progress in meeting the requirements imposed by the Act.

#### Step 1 – Organize Team

Agencies are required to identify an SAO responsible for implementation of the DATA Act. The designee should be an executive officer with enough seniority and expertise to manage a project across multiple offices and Federal spending communities. The Playbook suggests agencies create a DATA Act working group that includes subject matter experts from across the organization with strong experience in designing and creating the infrastructure used for Federal spending.

*Status:* As documented in Treasury’s comprehensive implementation plan, and other project planning documents, the Department identified its Deputy CFO as the SAO responsible for leading its implementation efforts. Treasury’s SAO established the DO working group as the primary DATA Act decision-making and advisory body. In addition to the DO working group, Treasury required its reporting bureaus to establish individual working groups to facilitate regular communication and oversight of its

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<sup>18</sup> Treasury’s PMO proposed a “data-centric” technical approach that focuses on managing existing data and seeks to avoid massive system changes across Federal agencies. (This contrasts with the traditional “system-centric” solution of collecting, aggregating, and validating data from agencies.)

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implementation efforts. A qualified SAO leads each bureau-level working group and oversees its bureau's implementation efforts.

ARC's DATA Act implementation plan, and other project planning documents, identified Fiscal Service's Assistant Commissioner of Management and CFO, and ARC's Assistant Commissioner of Fiscal Accounting Operations and Acting Commissioner of Government-wide Accounting, as the SAOs on behalf of Fiscal Service and ARC. Although Fiscal Service is a customer of ARC, Fiscal Service's SAO is responsible for its agency's financial reporting under the DATA Act. ARC's SAO is responsible for financial reporting for both internal (Treasury) and external (non-Treasury) customer agencies. The SAOs work closely with Treasury's Deputy Assistant Secretary for Accounting Policy and Financial Transparency, who is responsible for the DATA Act Government-wide implementation, and used this existing relationship to further ARC's implementation efforts. Further, the SAOs established and lead a DATA Act project team to facilitate the coordination of ARC's implementation efforts on behalf of its customers. ARC officials explained that each customer agency SAO is responsible for certifying its agency's DATA Act submission.

ARC's DATA Act project team monitors the implementation and submission efforts for its (1) internal customer agencies, (2) external customer agencies, and (3) DHS Office of Inspector General's (OIG) custom, DHS-specific reporting solution. ARC uses Oracle Corporation's (Oracle)<sup>19</sup> Federal Financials application to capture financial data. ARC will modify Oracle's Federal Financials application to allow for extraction of DATA Act formatted files. According to project management documents, ARC plans to submit data directly from Oracle to the broker for its external customer

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<sup>19</sup> ARC uses two financial management applications from Oracle Corporation: Oracle Federal Financials and Oracle Discoverer. Oracle Federal Financials is a system that provides users with access to financial data, such as purchasing, accounts payable and receivable, general ledger, and budget execution, among other things. Oracle Discoverer is a customized reporting system that interacts with Oracle Federal Financials and provides integrated reporting and financial data to users.



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agencies.<sup>20</sup> For DHS OIG's custom solution, ARC plans to submit data from Oracle directly to DHS in order for DHS to complete the broker submission. For ARC's internal customer agencies, ARC plans to submit data from Oracle into the Treasury Information Executive Repository (TIER),<sup>21</sup> at which point the DO working group will combine and submit all of Treasury's data into the broker.

ARC's DATA Act project team has participated in various broker tests for its customer agencies. We discuss these tests in steps five through eight.

### Step 2 – Review Elements

The Playbook recommends that each agency review the data elements and participate in the data-element standardization. The SAO and working group were to review the list of DATA Act elements, including the standardized definitions, to ensure they understood how elements were defined and how they relate to the agency's business operations, IT systems, and organization.<sup>22</sup>

*Status:* From May 2015 through August 2015, ARC's DATA Act project team reviewed the data elements and participated in the process for standardizing data elements on behalf of their customer agencies. ARC reviewed the data elements and identified the systems where they were housed, as well as the level of detail available for each. As part of this review process, ARC's DATA Act project team collaborated with Treasury's PMO and the DO and DHS working groups in order to gain an understanding of the elements and definitions and to provide feedback.

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<sup>20</sup> ARC does not report on behalf of the Executive Office of the President and Treasury's Office of Financial Stability; instead, these customers use ARC systems, but will handle their own DATA Act reporting submissions with ARC's assistance, as necessary.

<sup>21</sup> TIER is a reporting application that receives uploaded financial accounting and budgetary data from reporting entities in a standard data file format.

<sup>22</sup> Subsequent to the enactment of the DATA Act, Treasury's PMO and OMB identified 57 data elements that required standardization. Treasury and OMB released the final standards for all data elements in phases from May 2015 through August 2015.

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### Step 3 –Inventory Data

According to the Playbook, after reviewing the DATA Act elements in Step 2, the SAO and working group will be ready to perform an inventory of their agency’s data. The SAO and working group need to trace how the DATA Act elements are used across agency business processes, systems, and applications. Agencies should identify the appropriate source systems where data resides and understand gaps between those systems to determine how the various elements, sources, and processes work together.

*Status:* ARC’s DATA Act project team conducted data inventories continuously from May 2015 through September 2015 on behalf of their customer agencies.<sup>23</sup> ARC worked to determine (1) whether the element is in ARC’s systems or a customer agency system, (2) where each applicable data element is captured, (3) the level of detail captured (summary or transactional), and (4) any notes or comments associated with capturing and reporting the data element. ARC then presented its plan to correct identified deficiencies and conveyed concerns related to the data inventories. ARC’s project team worked with the DO working group and the DHS working group to consider policy updates, system process interactions, and program activity coding that would resolve the gaps identified.<sup>24</sup>

We reviewed documentation related to ARC’s procedures for inventorying agency data and associated business processes. ARC personnel plan to continuously update the financial and management systems to correct gaps throughout the implementation process as they are identified.

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<sup>23</sup> ARC does not provide grant reporting services; however, as part of its data inventory, ARC participated in locating grant-related data elements that will flow through ARC’s systems but are housed in their customers’ systems. ARC’s grants customers are responsible for reporting their agency’s grants data under the DATA Act.

<sup>24</sup> Program activity, a data element, is a specific activity or project as listed in the program and financing schedules of the annual budget of the U.S Government.

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#### Step 4 – Design and Strategize

The Playbook recommends that agencies (1) capture Award IDs to link financial data to agency management systems and (2) develop a comprehensive DATA Act implementation plan, including solutions for addressing gaps in agency data. OMB M-15-12 requires agencies to create a field to link the data contained in financial and management systems so that complete multilevel data may be captured. Agencies were also required to submit updated implementation plans in August 2016. Implementation plans should describe how agencies can best leverage their current information systems, scheduled system upgrades, and FSSPs as required by OMB M-15-12.

*Status:* ARC's DATA Act project team linked its non-financial and financial data using Award IDs as part of its submissions to the broker in July 2016. ARC showed us evidence that the broker recognizes its Award IDs through a test data submission to the broker. Additionally, Treasury submitted an updated comprehensive DATA Act implementation plan to OMB in August 2016 that captured ARC's strategic direction to implement the Act.

#### Steps 5 Through 8 – Prepare Data for Submission to the Broker, Test Broker Implementation, Update Systems, and Submit Data

The remaining four steps in the Agency 8-Step Plan involve extracting data from source systems, mapping the agency's proprietary data to the DATA Act Information Model Schema (Schema), validating the information, and then providing it to Treasury's PMO for publication on USAspending.gov. Treasury's PMO had planned to issue Schema version 1.0 in December 2015, but it was not issued until April 2016.

*Status:* ARC's project team has made progress in executing and testing the broker on behalf of its customer agencies. ARC is in the process of (1) identifying business process changes needed to minimize data errors and discrepancies, (2) developing extract files in conformance to the Schema, (3) participating in testing data submissions, and (4) developing system reports to assist in monitoring and troubleshooting data quality.

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Treasury's PMO released the alpha version of the broker in April 2016,<sup>25</sup> the beta version in June 2016,<sup>26</sup> and a broker that contains the full functionality agencies need to test the data validation and submission process in September 2016.<sup>27</sup>

To test data submissions for its internal customers, ARC participated in simulations using the DO working group's current data capture and validation processes. ARC provided its internal customers' data to the DO working group for submission from Oracle through TIER to the broker.

For external customers, ARC began using the PMO's testing environment, the "sandbox", which allows Federal agencies to voluntarily test their data files using the prototype broker. Sandbox testing is meant to help agencies refine their DATA Act implementation plans, gain an understanding of how the data submission process might work, and submit early feedback to Treasury's PMO. ARC selected a pilot customer agency to test data submissions to the broker.

In addition to testing for its internal and external customers, ARC also tested the DHS OIG custom solution. This solution involves ARC providing DHS OIG's DATA Act files from Oracle to DHS for DHS to perform Department-wide testing.

ARC will continue to test files for its custom solutions and support customer agencies, as appropriate, in analyzing available data for decision-making. ARC will also continue to work with Treasury's PMO and DO's and DHS's working groups to refine its execution of steps five through eight of the Agency 8-Step Plan.

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<sup>25</sup> The alpha release is a version of the production-ready broker that allows Treasury's PMO to test its product with a small group of actual users to, in part, (1) test the design approach, (2) test some technologies, and (3) allow users to gain some understanding of the service.

<sup>26</sup> The beta release allows a target audience to test working software. Changes are implemented based on user behavior and feedback.

<sup>27</sup> On December 21, 2016, Treasury's PMO released an enhanced version of the broker and encouraged regular testing.

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## **ARC Faces Challenges in Complying With the DATA Act**

ARC identified a number of risks and challenges related to its DATA Act implementation efforts on behalf of its customer agencies, including: data quality concerns, PMO and OMB delays in finalizing Government-wide guidance resulting in short implementation timelines, resource limitations, systems change concerns, customer engagement, and difficulty identifying customer award information. ARC documented, and is in the process of executing, viable corrective actions to overcome these identified challenges. If ARC's DATA Act implementation plan is executed as designed, we believe the identified challenges will not prevent the implementation of the DATA Act on behalf of its customer agencies.

### Data-quality Concerns

ARC faces challenges ensuring the quality and validity of data reported. ARC conducts quarterly reconciliations for each of its customer agencies and revises data extracts to correct errors. Any errors identified through the reconciliations are addressed through coordination with the respective customer agency. ARC also plans to develop system reports to assist in monitoring and troubleshooting data quality.

### OMB and PMO Delays in Issuing Final Guidance

ARC's SAOs and their DATA Act project team faces challenges in creating a total solution for reporting because of the delayed release of finalized technical guidance from Treasury's PMO and OMB. The iterative nature of Government-wide DATA Act implementation efforts has delayed finalization of guidance. Federal agencies have received many draft and pre-decisional requirements that are subject to change. To minimize the issues caused by these delays, ARC's DATA Act project team communicates, as needed, with the DO working group, the PMO, and OMB for clarification on issues as they arise. Further, ARC's DATA Act project team holds quarterly meetings with its customer agencies to (1) keep them apprised of conversations with the Government-wide implementation team; (2) discuss outstanding policy questions,

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challenges, and status in implementing the DATA Act; and (3) discuss customer requests related to implementation efforts. ARC also tests real data from its customers to identify and resolve issues.

#### Resource Limitations

As documented in ARC's project management documents, limited IT resources present another challenge for ARC. ARC is responsible for all system changes, testing, and technical support of ARC's system platform. However, according to the project management documents, ARC may not have the resources to support the implementation of the DATA Act on behalf of its customer agencies, given competing projects. ARC plans to mitigate resource limitations by adding additional resources, if needed, authorizing overtime to implement the DATA Act, and making DATA Act implementation a priority within the division.

#### Systems Change (Patch) Concerns

ARC faces challenges with the timing and quality of system changes. Specifically, Oracle, ARC's financial system platform, requires four enhancements or software patches to meet DATA Act reporting requirements. Once Oracle releases the patches, ARC plans to conduct its own testing prior to incorporating the patches into its DATA Act reporting process. To mitigate the concerns with system changes, ARC used in-house resources to design and develop custom solutions to extend the functionality of ARC's current system platform to address DATA Act reporting requirements. ARC plans to continue using its custom solution until the Oracle patches are tested and determined ready for use.

#### Customer Engagement

ARC faces challenges coordinating with its customer agencies on DATA Act responsibilities, requirements, and guidance. To facilitate customer engagement, ARC holds conference calls, webinars, and workshops with its customers to provide DATA Act updates. ARC also emails its customers DATA Act related guidance and updates, as necessary.

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### Difficulty Identifying Customer Award Information

According to an ARC official, a majority of ARC customer agencies' detailed award-level data for procurement transactions will show Fiscal Service as the awarding agency because ARC, the FSSP, contracts/issues awards on behalf of these customer agencies. Since the source data reflects Fiscal Service as the awarding agency, certain customers' detailed award-level data will not show awards that ARC contracted/issued for them, presenting a reconciliation challenge to ARC. To mitigate this challenge, ARC is developing an additional reconciliation process to identify the correct detailed award-level data for its customer agencies. When matching customer award financial information with the detailed award-level data, it is necessary to identify the funding agency to ensure award-level details are assigned to the true awarding agency.

## **Conclusion**

ARC is making progress toward compliance with the DATA Act by designing a comprehensive implementation plan that conforms to technical and informational guidance issued by Treasury's PMO and OMB. If fully executed, we anticipate that ARC will meet the DATA Act reporting requirement, on behalf of its customer agencies, by the established May 2017 deadline.

This implementation effort is a complex project, with aggressive deadlines, involving multiple reporting bureaus and financial and management systems, as well as the development of new data-handling methodologies. Accordingly, we cannot emphasize enough the need for ARC's SAOs and their DATA Act project team to continue to closely monitor the organization's efforts to mitigate these recognized risks and challenges.

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We appreciate the courtesies and cooperation provided to our staff during the audit. If you wish to discuss the report, you may contact me at (202) 927-8757 or John Tomasetti, Audit Manager, at (202) 927-2665. Major contributors to this report are listed in appendix 5. A distribution list for this report is provided as appendix 6.

/s/  
Andrea D. Smith  
Director, Fiscal Service Audits



Our objective was to gain an understanding of the processes, systems, and controls that the Bureau of the Fiscal Service's (Fiscal Service) Administrative Resource Center (ARC), a Federal shared service provider, has implemented or plans to implement to report financial and payment information in accordance with the requirements of the Digital Accountability and Transparency Act of 2014 (DATA Act). This audit is part of our ongoing oversight of the Department of the Treasury's (Treasury) DATA Act reporting efforts.

To accomplish our audit objective, we conducted our fieldwork at ARC's Headquarters in Parkersburg, WV and took the following actions:

- reviewed the Federal Funding Accountability and Transparency Act of 2006, which outlines requirements for the Office of Management and Budget (OMB) to establish a single searchable website to provide the public with access to data on Federal spending
- reviewed the DATA Act, which outlines the requirements for Treasury to establish Government-wide financial data standards and increase the availability, accuracy, and usefulness of Federal spending information
- reviewed OMB memoranda to evaluate Treasury's role and responsibilities regarding principles of government transparency, including:
  - OMB M-10-06, Open Government Directive (December 8, 2009)
  - Open Government Directive, Framework for the Quality of Federal Spending Information (February 8, 2010)
  - Open Government Directive, Federal Spending Transparency (April 6, 2010)
  - Revisions to OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget (November 25, 2014)
  - OMB M-15-12, Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable (May 8, 2015)
  - OMB Management Procedures Memorandum No. 2016-03, Additional Guidance for DATA Act

- Implementation: Implementing Data-Centric Approach for Reporting Federal Spending Information (May 3, 2016)
- OMB M-17-04, Additional Guidance DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability (November 4, 2016)
  - reviewed the following Treasury Office of Inspector General (OIG) reports to establish criteria and note any prior findings or recommendations, including the sufficiency of plans and actions taken by Treasury and Fiscal Service to timely comply with the DATA Act:
    - OIG-15-034, *Treasury Is Making Progress in Implementing the DATA Act But Needs Stronger Project Management* (May 19, 2015)
    - OIG-16-047, *Treasury's Government-wide DATA Act Implementation Continues, But Project Management Concerns Remain* (June 22, 2016)
    - OIG-17-021, *DATA Act Readiness: Treasury Is Making Progress in Meeting DATA Act Reporting Requirements Despite Challenges* (December 1, 2016)
  - reviewed the following Government Accountability Office (GAO) reports and testimony to establish criteria and note any prior findings or recommendations that affected our audit:
    - GAO-15-241T, *Effective Implementation of the DATA Act Would Help Address Government-wide Management Challenges and Improve Oversight* (December 3, 2014)
    - GAO-14-476, *Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website* (June 30, 2014)
    - GAO-13-758, *Opportunities Remain to Incorporate Lessons Learned as Availability of Spending Data Increases* (September 12, 2013)
    - GAO-13-228, *Data-Driven Performance Reviews Show Promise But Agencies Should Explore How to Involve Other Relevant Agencies* (February 27, 2013)
  - reviewed Treasury and OMB guidance related to the DATA Act implementation, including:

- DATA Act Information Model Schema (version 1.0, April 29, 2016)
- DATA Act Blueprints (March 18, 2015)
- *DATA Act Implementation Playbook* version 1.0 (June 2015)
- DATA Act Elements Guidance Feedback Tracker (version 0.1.2, September 25, 2015)
- 57 Federal Spending Transparency Data Standards (August 31, 2015)
- *DATA Act Implementation Playbook* version 2.0 (June 2016)
- reviewed congressional testimony presented by the Comptroller General of the United States; Controller, OMB; Fiscal Assistant Secretary, Treasury; and Deputy Assistant Inspector General, Treasury OIG
- obtained an understanding of Treasury's DATA Act staffing structure by reviewing the *DATA Act Implementation Playbook*, Treasury's DATA Act Governance organizational chart, a listing of Senior Accountable Officials (SAO), and a listing of DATA Act project team members and their respective roles
- interviewed personnel responsible for Treasury's and ARC's DATA Act implementation efforts to gain an overall understanding of ARC's efforts and challenges in reporting under the DATA Act
- reviewed Treasury's DATA Act working group SharePoint website to assess the Department's coordination of reporting bureaus and the Program Management Office
- reviewed frequently asked DATA Act questions on the Max.gov website
- reviewed ARC's project management documents to include project schedules, progress dashboards, DATA Act file format requirements, risk register, projected cost estimates, and projected timelines
- reviewed a non-statistical sample of ARC's quarterly reconciliations between its financial system and USAspending.gov for fiscal year 2016

- reviewed Treasury’s DATA Act implementation plans submitted to OMB on September 14, 2015, October 21, 2015, and August 12, 2016. ARC’s implementation plan was included the Department’s overarching plan.

We performed our audit fieldwork from May 2015 through December 2016.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



December 22, 2015

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

The Honorable Jason Chaffetz  
Chairman  
The Honorable Elijah Cummings  
Ranking Member  
Committee on Oversight and 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 Inspectors General to meet the

1717 H Street, NW, Suite 825, Washington, DC 20006

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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

The table below lists the Administrative Resource Center’s (ARC) financial management customer agencies for which it provides financial management systems services and/or reporting services.

**ARC’s Non–Treasury Customers**

African Development Foundation
Armed Forces Retirement Home
Consumer Financial Protection Bureau
Denali Commission
Department of Homeland Security Office of Inspector General
Department of Housing of Urban Development
Executive Office of the President
Farm Credit Administration
Farm Credit System Insurance Corporation
Federal Housing Finance Agency
Federal Housing Finance Agency Office of Inspector General
Federal Maritime Commission
Federal Mine Safety and Health Review Commission
Gulf Coast Ecosystem Restoration Council
Inter-American Foundation
National Archives and Records Administration
National Mediation Board
Occupational Safety and Health Review Commission
United States Access Board
United States Chemical Safety and Hazard Investigation Board
United States Court of Appeals for Veteran’s Claims
United States Election Assistance Commission
United States Federal Labor Relations Authority
United States Merit Systems Protection Board
United States Office of Government Ethics

**ARC’s Treasury Customers**

Alcohol and Tobacco Tax and Trade Bureau
Bureau of the Fiscal Service
Community Development Financial Institutions Fund
Financial Crimes Enforcement Network
Financial Stability Oversight Council
Office of D.C. Pensions Fund
Office of Financial Research
Office of Financial Stability
Office of Technical Assistance
Office of the Special Inspector General for the Troubled Asset Relief Program
Treasury Departmental Offices
Treasury Inspector General for Tax Administration
Treasury Office of Inspector General
United States Mint

Source: ARC



COMMISSIONER

DEPARTMENT OF THE TREASURY  
BUREAU OF THE FISCAL SERVICE  
WASHINGTON, DC 20227

April 7, 2017

Andrea Smith  
Director, Fiscal Service Audits  
Office of Inspector General  
U.S. Department of Treasury  
1500 Pennsylvania Ave, NW  
Washington, DC 20220

Dear Ms. Smith:

This letter is in response to your audit of the Bureau of the Fiscal Service's (Fiscal Service) Administrative Resource Center's (ARC) efforts to report financial and payment information, on behalf of its customer agencies as of September 30, 2016, as required by the Digital Accountability and Transparency Act of 2014 (DATA Act).

We are committed to our implementation efforts within guidance established by Treasury's Program Management Office (PMO) and the Office of Management and Budget (OMB) based on DATA Act requirements. We acknowledge the value and unique opportunity this audit provides from assessing our efforts to comply and identify further areas of improvement. Based on your recommendations identified in the report, we have approved and implemented a process to sufficiently document approvals for the dashboard prior to its release.

We have also identified a number of risks and acknowledge the challenges associated with full DATA ACT implementation and have been forthright in communicating these risks and concerns to you. In response, our Bureau has instituted plans to remediate each of the risks and challenges identified by continuous monitoring; two-way communication with Treasury's Departmental Offices (DO) DATA Act working group, the PMO, and its customer agencies; and system and methodology enhancements. Until the completion of this implementation project, ARC's senior accountable officials and their DATA Act project team will continue to closely monitor the organization's efforts to mitigate these recognized risks and challenges.

Although this DATA Act implementation effort is a complex project, with aggressive deadlines involving numerous customer agencies and developing data handling methodologies, we fully expect to meet the DATA Act reporting requirements by the May 2017 deadline.

Thank you for the opportunity to comment on the report. We look forward to continuing a productive and successful relationship with your staff until the DATA Act is fully implemented.

Sincerely,

A handwritten signature in black ink, appearing to read "Sheryl R. Morrow" with a stylized flourish at the end. Below the signature, the letters "FOR" are written in a bold, sans-serif font.

Sheryl R. Morrow  
Commissioner



John N. Tomasetti, Audit Manager  
Ashley N. Smith, Audit Manager  
Herb N. Addy, Auditor-in-Charge  
Horace A. Bryan, Auditor  
Maria M. McLean, Auditor  
Jeneba R. Moiwo, Auditor  
Avery L. Williams, Auditor  
Richard J. Wood, Referencer

**The Department of the Treasury**

Deputy Secretary

Under Secretary for Domestic Finance

Assistant Secretary for Management

Deputy Chief Financial Officer

Fiscal Assistant Secretary

Office of Strategic Planning and Performance  
Improvement

Risk and Control Group, Office of Deputy Chief Financial  
Officer

**Bureau of the Fiscal Service**

Commissioner

Chief Internal Control Officer

**Office of Management and Budget**

OIG Budget Examiner

**U.S. Senate**

Chairman and Ranking Member  
Committee on Homeland Security and Government  
Affairs

Chairman and Ranking Member  
Committee on the Budget

Chairman and Ranking Member  
Committee on Finance

Chairman and Ranking Member  
Appropriations Subcommittee on Financial Services and  
General Government

**U.S. House of Representatives**

Chairman and Ranking Member  
Committee on Oversight and Government Reform

Chairman and Ranking Member  
Committee on the Budget

Chairman and Ranking Member  
Financial Services Committee

Chairman and Ranking Member  
Appropriations Subcommittee on Financial Services and  
General Government



## **Treasury OIG Website**

Access Treasury OIG reports and other information online:

<http://www.treasury.gov/about/organizational-structure/ig/Pages/default.aspx>

## **Report Waste, Fraud, and Abuse**

**OIG Hotline for Treasury Programs and Operations** – Call toll free: 1-800-359-3898

**Gulf Coast Restoration Hotline** – Call toll free: 1-855-584.GULF (4853)

Email: [Hotline@oig.treas.gov](mailto:Hotline@oig.treas.gov)

Submit a complaint using our online form:

<https://www.treasury.gov/about/organizational-structure/ig/Pages/OigOnlineHotlineForm.aspx>