



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

# **INDEPENDENT INSPECTOR GENERAL'S REPORT – REVIEW OF DATA ACT INTERNAL CONTROLS FOR THE U.S. DEPARTMENT OF THE INTERIOR, INTERIOR BUSINESS CENTER, FOR THE SECOND QUARTER OF FY 2017**

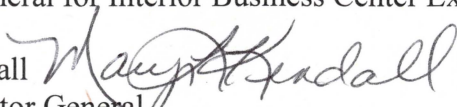


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**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

Memorandum

**AUG 21 2017**

To: Inspectors General for Interior Business Center External Customers

From: Mary L. Kendall   
Deputy Inspector General

Subject: Inspector General's work on the DATA Act Internal Controls for the U.S. Department of the Interior, Interior Business Center, for the Second Quarter of FY 2017  
Report No. 2017-FIN-038A

This memorandum transmits the results of our review of the U.S. Department of the Interior's (DOI's) Interior Business Center's (IBC's) internal controls over its external customers' submissions of (FY) 2017 second quarter financial and award data under the Digital Accountability and Transparency Act of 2014 (DATA Act). Our review focused on procedures performed and is not intended to express an opinion about the IBC's internal controls.

We assessed the IBC's efforts using the Government Accountability Office (GAO) *Green Book's* five components for Federal Government internal controls, and consulted the *Inspectors General Guide to Compliance Under the DATA Act*. The five components are: control environment, risk assessment, control activities, information and communication efforts, and monitoring activities.

The DATA Act requires a series of oversight reports by agency inspectors general (IGs), including an assessment of the internal controls over the DATA Act submissions, and completeness, timeliness, quality, and accuracy of data submitted. The first IG audit reports are required in November 2017, on agency FY 2017 second quarter DATA Act submissions. We were able to review the IBC's internal controls in place over the data management and processes used to report financial and award data to USASpending.gov. We chose to review these specific internal controls and issue this report so IGs for external customers have enough time prior to the November 2017 reporting deadline to use the results to determine the nature, extent, and timing of their audit procedures and perform those procedures. We were unable to review the IBC's internal controls over Oracle Federal Financials (OFF) for FY 2017 because that review depends on the IBC's Service Organization Controls (SOC1) report over OFF, not expected to be released until September 2017.

## **Background**

The DATA Act was passed to make Federal spending data more accessible, searchable, and reliable. The Act requires the Office of Management and Budget (OMB) and the U.S.

Department of the Treasury to establish Government-wide data standards and requires Federal agencies to have begun reporting financial and payment data in accordance with these standards by May 2017. The data standards define the data elements and formats required for reporting data from both agency financial systems and Government-wide procurement systems. The data files include:

- File A, “Appropriations Account Detail”
- File B, “Object Class and Program Activity Detail”
- File C, “Award Financial Detail”
- File D1, “Award and Awardee Attributes (Procurement)”
- File D2, “Award and Awardee Attributes (Financial Assistance)”
- File E, “Additional Awardee Attributes”
- File F, “Subaward Attributes”

Agency senior accountable officials (SAOs) are required to document their assurance of internal controls over data reliability and accuracy upon submission. Reported data are to be displayed on a public website, [www.USASpending.gov](http://www.USASpending.gov), to help increase transparency in Federal spending by linking grant, contract, loan, and other financial data to program results. IBC management is responsible for complying with guidance applicable to the DATA Act and the IBC’s internal controls.

## **Inspector General Oversight Reports**

The first set of IG reports was due to Congress in November 2016; however, agencies were not required to submit spending data in compliance with the Act until May 2017. As a result, the IGs were not able to report on the spending data submitted under the Act until after that May 2017 submission.

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) identified this timing anomaly in the oversight requirements and determined that the best course of action was to delay the IG reports by 1 year. The CIGIE issued a letter to the Senate Committee on Homeland Security and Government Affairs and the House Committee on Oversight and Government Reform establishing the strategy.

As a result, the IGs plan to provide Congress with their first required reports in November 2017, a 1-year delay from the original statutory due date, with two subsequent reports following on a 2-year cycle. The Inspectors General over agencies with Federal Shared Service Providers (FSSP) that submit DATA Act information for external customers (this included IGs from the Treasury, Interior, U.S. Department of Agriculture, and the Department of Transportation), coordinated and some decided to review their respective FSSP internal controls

over the DATA Act submissions for their external customers' IGs. This would lessen the burden of the FSSPs from providing duplicate internal control information to all of the FSSP's external customers' IG Offices.

## **Results of Review**

We identified that the IBC prepares DATA Act information for 15 customers, which are various Federal agencies. The IBC submits DATA Act information for nine of these agencies to the Treasury DATA Act broker, which is software that takes in agencies' data for publication. For the six other agencies, IBC prepares DATA Act information and provides it to them; they, in turn, submit the data to the Treasury DATA Act broker themselves. We assessed the IBC's efforts using the Government Accountability Office (GAO) *Green Book's* five components for Federal Government internal controls, and consulted the *Inspectors General Guide to Compliance Under the DATA Act*. The following sections outline IBC's processes for each of the five internal control components.

### *Control Environment*

The control environment is the foundation for an internal control system. It provides the discipline and structure to help an agency achieve its objectives.

The IBC consists of the Office of the Director and the following directorates: Acquisition Services, Financial Management Services, and Human Resources Services. The Office of the Director is responsible for the directorates. The IBC formed its own DATA Act group with members from its Financial Management Services directorate to report DATA Act information for its external clients to the Treasury broker, and to return DATA Act information to its external clients who wish to report themselves. The Financial Management Directorate performs its customer's DATA Act services, using OFF and manual processes outside of the Oracle environment. The IBC implements DATA Act elements inside its OFF system and, for some customers, outside its OFF system.

The DOI appointed a DATA Act SAO to oversee the DATA Act implementation for all bureaus and offices. Since IBC falls under DOI, the DOI SAO is also responsible for the IBC. The IBC also has an executive sponsor in the Financial Management Services for the IBC Data Act group who is responsible for the DATA Act implementation efforts for IBC customers. The executive sponsor provides periodic updates to the DOI SAO, IBC director, and other executives as appropriate.

### *Risk Assessment*

We reviewed the IBC's risk assessment efforts to identify their basis for developing risk responses. We found that the IBC performs risk assessments over its DATA Act processes by regularly comparing the DATA Act requirements to its current processes and making modifications as needed. The IBC also reduces risk by sharing information and working through identified challenges with the IBC DATA Act group, the DOI DATA Act group, and OFF's vendor, Oracle.

The IBC relies on the Treasury broker to validate the files and identify critical errors. For those customers for whom IBC submit files, IBC uploads files A, B, and C into the DATA Act broker to validate them. If the files have critical errors that may prevent validation, the IBC financial accountants work with the IBC system accountants to identify and correct the errors prior to re-running the files in OFF for subsequent uploads. Once the files are validated in the Treasury broker, it generates Files D1 and D2. The DATA Act broker then cross-validates the D1 and D2 files with Files A, B, and C. If any critical errors are identified, the IBC financial accountants work with the IBC system accountants to identify and correct the errors. Once these files are cross-validated, the broker will generate Files E and F. Once the files have passed the broker validations, the IBC accountants will send a system-generated email to the customer agency instructing officials to log into the system and certify their DATA Act files.

### *Control Activities*

We reviewed the IBC's control activities to identify its policies and procedures that achieve its objectives and respond to risks in the internal control system, which includes the IBC's information system.

The DATA Act requirements are set forth through the DATA Act Information Model Schema (DAIMS) and additional guidance released by Treasury and the OMB. The IBC has policies and procedures to comply with these DATA Act requirements. Specifically, we identified policies and procedures for preparing and reporting DATA Act information on behalf of IBC clients.

OMB Circular No. M-17-04 for the DATA Act requires that agencies identify intergovernmental transfers and personally identifiable information (PII). The IBC uses the two-digit agency Treasury Account Symbol (TAS) identifier to determine whether the transaction is an intergovernmental transfer. The first two-digit TAS indicates the awarding agency, and the second two-digit TAS indicates the funding agency. For example, Files A, B, and C have two included elements named "AllocationTransferAgencyIdentifier" and "AgencyIdentifier." The allocation transfer file indicates the awarding agency and the agency identifier file indicates the funding agency.

The IBC identifies buy/sell transactions through reimbursable agreement. The IBC then identifies the transactions via an included file element called "ByDirectReimbursableFundingSource" with either a D for "direct" or R for "reimbursable." These transactions are pulled into File C using these indicators.

The IBC also has a process in place to assist in identifying PII. The IBC compares each DATA Act element with customer information to identify whether the data may contain PII.

The DAIMS contains the DATA Act schema and attribute requirements. We identified that for most customers, all DATA Act attributes are housed in the IBC's OFF. The IBC worked with Oracle to modify its current system to comply with DATA Act requirements to enhance purchase order and core award functions and implemented the Government Treasury Account

Symbol (GTAS). The IBC also implemented a DATA Act file creation process change. The IBC customer Data Act Files A, B, and C are created in OFF, extracted in text (.txt) format, and then manually converted to a comma separated values (.csv) file in Microsoft Excel before they can be uploaded into the Data Act broker for data submission.

For some clients, the IBC manipulates the GTAS bulk file by changing the attribute information related to specific agency general ledgers, but does not change ending balances. The bulk file is generated from Oracle and saved as a text file. The IBC tracks these GTAS bulk file changes by creating a GTAS adjustment control sheet indicating the changes made for that reporting period. The IBC ensures that the data are still accurate through its manual process outside of the Oracle system, by tracking the adjustments on a separate spreadsheet for each customer. As a control, the IBC saves the original file and the manually changed file. The spreadsheets are located in a shared drive to which the IBC general accounting staff has access. The IBC lead accountant reviews the work performed for accuracy prior to submission.

We did not review the internal controls over the IBC's OFF due to limited resources and because we did not want to duplicate efforts that had been contracted out for the SOC1 report. The IBC does not perform its own internal control testing on the system, but does have policies and procedures in place over change-control procedures. The IBC also relies on externally contracted financial statement auditors to test the Oracle system via the SOC1 reports. IBC customers can obtain a copy of this report once issued. The FY 2017 SOC1 report is expected to be released by KPMG in mid-September 2017.

The IBC is not responsible for certifying its customers' SAO assurance over the files and does not do so.

### *Information and Communication Efforts*

We reviewed the information that management and personnel communicate and use to support the internal control system and found that the DOI appointed a DATA Act SAO who oversees the DATA Act implementation for all bureaus and offices. IBC's executive sponsor for its DATA Act group meets regularly with the IBC's DATA Act team to provide guidance and receive status updates. The executive sponsor also provides periodic updates to the DOI SAO, the IBC director, and other executives as appropriate via memos, telephone calls, and monthly meetings.

The IBC communicates DATA Act requirements, what services it will provide, and the status of its DATA Act efforts to its external and internal customers: with external customers through bulletins, email notifications, and monthly meetings; and with internal customers through the existing Financial Business Management System (FBMS) governance structure for the DATA Act requirements.

### *Monitoring Activities*

We reviewed the IBC's monitoring activities to identify how management assesses the quality of performance over time and promptly resolves the findings of audits and other reviews.

We identified that the IBC executive sponsor and management monitor the DATA Act process through regular meetings and review of processes and procedures. If the IBC identifies a risk, the IBC DATA Act group meets to identify potential solutions and then leverage expertise in the specific area of the risk to be resolved. For example, the IBC identified an issue with its OFF system regarding a core purchase order, and has implemented procedures to work around the problem while working with Oracle to resolve the system issue.

On December 15, 2016, we issued a review of the IBC's efforts as of August 31, 2016, on behalf of its customers, to comply with implementing the eight-step Treasury *DATA Act Implementation Playbook*. In that review, we suggested that the IBC meet with the DOI's SAO, employing that person as the IBC's own executive sponsor for its DATA Act implementation efforts, and document those meetings. We found that the IBC did so and regularly communicates with the DOI's SAO.

## **Conclusion**

Based on our review, the IBC has made progress in implementing required internal controls over DATA Act processes and submissions. We were unable to review the internal controls over the IBC's source information system, Oracle Federal Financials.

If you have any questions about this report, please contact me at 202-208-5745.

Attachment

cc: Michele Singer, Director, Interior Business Center

## **Attachment**

### **Scope**

This review covered the U.S. Department of the Interior's (DOI's) Interior Business Center's (IBC) internal controls on behalf of its customers for the Digital Accountability and Transparency Act of 2014 (DATA Act).

We conducted our fieldwork at the DOI headquarters in Washington, DC.

### **Methodology**

To accomplish our objectives, we—

- Reviewed the Digital Accountability and Transparency Act of 2014, OMB Memorandums M-15-12, M-17-04, *Management Procedures Memorandum 2016-03*, *Inspector General's Guide to Compliance under the DATA Act*, the *GAO Standards for Internal Control*, and *Independent Inspector Generals' Report DATA Act Readiness Review of Interior Business Center* issued December 2016.
- Interviewed the IBC DATA Act Working Group.
- Reviewed documentation provided by the working group for compliance to the DATA Act requirements.
- Compared the IBC's internal controls to the Treasury-issued playbook and other guidance.
- Reviewed the IBC's project plan.

We conducted our review in accordance with the *Inspectors General Guide to Compliance Under the DATA Act*.

### **Criteria and Best Practices**

- Digital Accountability and Transparency Act of 2014, May 9, 2014
- OMB Memorandum M-15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable*, May 8, 2015
- OMB Memorandum M-17-04, *Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring DATA Reliability*, November 4, 2016



- 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
- GAO, *Standards for Internal Controls*, Report No. GAO-14-704G, September 2014

# **Report Fraud, Waste, and Mismanagement**



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