



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

MEMORANDUM NO:
2017-FO-0801

March 2, 2017

Memorandum

TO: Courtney Timberlake, Deputy Chief Financial Officer,
Joseph Hungate, Assistant Chief Financial Officer for Systems, F

FROM: 
Thomas R. McEnany
Director, Financial Audits Division, GAF

SUBJECT: Independent Attestation Review: U.S. Department of Housing and Urban
Development, DATA Act Implementation Efforts

Independent Accountant's Report

We have reviewed the U.S. Department of Housing and Urban Development's (HUD) efforts as of December 16, 2016, to comply with steps 5-8, and reassess outstanding issues related to steps 3 and 4 of the U.S. Department of Treasury's DATA Act¹ Playbook to determine whether HUD is positioned to meet the statutory May 2017 deadline². HUD's management is responsible for taking steps to comply with applicable guidance. A written assertion has been obtained from the senior accountable official, which are detailed in appendix B. This report provides the results of our attestation review and recommendations, which are detailed in appendix A.

Our review was conducted in accordance with attestation standards established by the U.S. Government Accountability Office and the American Institute of Certified Public Accountants. A review is substantially narrower in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

¹ Digital Accountability and Transparency Act of 2014. Pub. L. No. 113-101; implementing guidance provided in Office of Management and Budget (OMB) Memorandum M-15-12. Treasury prepared a DATA Act Playbook as guidance for agencies. OMB later issued updated guidance in OMB Management Procedures Memorandum M-16-03 and OMB Memorandum M-17-04.

² The Council of the Inspectors General on Integrity and Efficiency (CIGIE) identified a timing inconsistency in which Congress has mandated that the first Office of Inspector General (OIG) reports are due in November 2016, while the DATA Act does not require agencies to report their financial and payment information until May 2017 (exact date pending confirmation). CIGIE recommended that Federal inspectors general delay the financial and payment report until November 2017 while recommending that they perform DATA Act "readiness reviews".

Emphasis of Matter

HUD Remained Not on Track To Report Comprehensive Departmentwide Spending by the Mandated May 2017 DATA Act Reporting Deadline

While HUD had taken steps to implement the DATA Act, it remained not on track to provide complete, departmentwide, comprehensive reporting by the statutory May 2017 deadline. HUD continued to be unable to demonstrate completion of most requisite Playbook steps for its contract, grant and subsidy programs as of December 16, 2016. Further, HUD stated that it would not be able to report most of its required data files for its Federal Housing Administration (FHA) and Government National Mortgage Association (Ginnie Mae) components before the May 2017 deadline. In addition to the delays with FHA and Ginnie Mae data, HUD had not completed its inventory of data elements or the mapping of agency data to the established DATA Act schema, including assigning the Federal Award Identification Number.³ Despite making progress with designing a technical path for mapping data files, the agency had not provided sufficient evidence that the mapping was effective and could produce complete and accurate data submissions. This problem was worsened by HUD's inability to resolve multiple errors and data quality issues, identified in our previous review,⁴ that have delayed the complete and accurate reporting of spending and programmatic information for its departmental contract, grant, loan, and other financial assistance awards in USAspending.gov.

While HUD had taken some corrective action to resolve the four open recommendations from our previous review of Playbook steps 1-4, its efforts were insufficient to show that it had made progress in resolving the matters noted. All of the challenges identified in the prior and current reviews are due to its reliance on many legacy and current financial systems with differing technologies and data elements. Also, HUD stated that it continued to lack sufficient resources to modify its systems and perform the required data inventory and mapping. HUD's implementation plan did not allocate funding for information system upgrades, although it acknowledged needing such upgrades to comply with the DATA Act reporting requirements. Specifically, its current systems require substantial modification, configuration, and mapping to obtain the data needed to prepare the files in accordance with the established schema. Further, the current financial systems continue to not provide the capability to reconcile DATA Act submissions to the respective source system of record. As a result of problems identified in the current and prior reviews, we had limited assurance that HUD would report complete and accurate data spending and programmatic information in USAspending.gov in a timely manner as required by the DATA Act and Office of Management and Budget (OMB) guidance.

We have made recommendations to HUD that are intended to address the challenges discussed above, which are included in appendix A. Further, HUD management provided formal comments

³ According to OMB Management Procedures Memorandum No. 2016-03, The Federal Award Identification Number is the prime award identification that links the financial, budgetary and programmatic files for each Federal award to be reported in USAspending.gov.

⁴ Audit memorandum number 2016-FO-0802, Independent Attestation Review: U.S. Department of Housing and Urban Development, DATA Act Implementation Efforts, issued August 26, 2016

to the contents included herein, which are detailed within appendix C. We provided our evaluation of the formal comments within appendix D.

Based on our review, except for what is noted in the Emphasis of Matter section above, nothing came to our attention that caused us to believe that HUD's efforts to comply with steps 1-8 of Treasury's DATA Act Playbook did not accurately reflect of the status of compliance as of December 16, 2016.

While this report is an unrestricted public document, it is intended solely for the information and use of HUD management, Treasury, OMB, and Congress and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the cooperation and participation of HUD personnel in completing the attestation. If you have any questions or comments to be discussed, please contact me at (202) 402-8216.

cc:

Sarah Lyberg, Assistant Chief Financial Officer for Budget, FO
Craig Clemmensen, Acting Secretary, CACB
Janet Golrick, Acting Deputy Secretary, H
Maren Kasper, Transition Team Lead, SD

Appendixes

Appendix A

We recommend that HUD's Deputy Chief Financial Officer and senior accountable official

- 1A. Request sufficient monetary resources to upgrade HUD's many legacy and financial systems so its technologies and data elements no longer differ and can perform the necessary data inventory and mapping to report HUD's information in USASpending.gov accurately and in a timely manner.
- 1B. Ensure that HUD program officials continue taking appropriate steps to fully resolve its errors and data quality issues that the agency identified during implementation, including those related to assigning a unique identifier consistent with the established DATA Act schema, such as the Federal Award Identification Number.
- 1C. Designate official DATA Act points of contact for FHA and Ginnie Mae and oversee the progress of the two HUD components' individual implementation plans, ensuring timely and successful completion of their steps.
- 1D. Finalize required mapping of HUD's, including FHA's and Ginnie Mae's, financial, budgetary and programmatic data, as required by the DATA Act and OMB guidance.

Management Representation Letter



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER
WASHINGTON, DC 20410-1000

March 2, 2017

Thomas W. McEnanly
Assistant Director, Financial Audits Division
Office of the Inspector General
U.S. Department of Housing and Urban Development
451 7th Street Southwest
Washington, DC 20410

Dear Mr. McEnanly,

This letter is in connection with the readiness review of HUD's Digital Accountability and Transparency Act of 2014 (DATA Act; Pub. L. 113-101) and the Office of Management and Budget (OMB) Memorandum M-15-12 of U.S. Department of Housing and Urban Development. You indicated your readiness review conforms with attestation standards established by the American Institute of Certified Public Accountants to provide limited assurance as to whether the fair presentation of the information included within the submission for DATA Act is in accordance with applicable requirements and regulations. We previously provided you with a representation letter dated July 22, 2016 for your first readiness review of related subject matter. No information has come to our attention that would cause us to believe that any of those previous representations should be modified.

We are responsible for making all related information available to you to conduct your readiness review. Further, we agree to communicate to you the discovery of any material misstatements which could affect the fair presentation of the DATA Act submission. The readiness review does not relieve us of the aforementioned responsibilities.

We confirm, to the best of our knowledge, the following representations and assertions made to you during the readiness review of the U.S. Department of Treasury 8-step Playbook steps 1 through 8. The representations herein pertain to HUD's May 2017 DATA Act submission.

Representations in accordance with Laws and Regulations

1. We are responsible for HUD's compliance with all applicable laws and regulations, including requirements set forth in the DATA Act and Treasury 8-step Playbook.
2. We have identified and disclosed to you all laws, regulations, and related financial records that have a direct and material effect on the determination of amounts reported within the submission of the DATA Act.
3. We have provided access to all relevant and available information for conducting your readiness review of our DATA Act implementation.

www.hud.gov

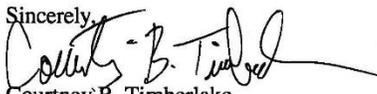
espanol.hud.gov

4. We believe HUD will be in substantial compliance with the DATA Act regarding the submission of data by May 2017, in accordance with Pub. L. 113-101 and OMB M-15-12 and OMB M-17-04 as of the date of this letter. We have disclosed any potential noncompliance with laws and regulations pertaining to the Department's implementation of the DATA Act; evolving guidance with respect to HUD entities, Ginnie Mae and FHA could affect the determination of compliance.
5. We are not aware of any events subsequent to the readiness review period of the DATA Act submission being reported on that would have a material effect on the assurance provided by you in the review.

Assertions in accordance with DATA Act regulations

1. HUD is on track to have File A submitted for HUD, Ginnie Mae and FHA by the May 2017 statutory deadline.
2. The submission of Files B, C, D1 and D2 for FHA and Ginnie Mae might not be completed by the statutory deadline. The projected timeframe might be as late as the fourth quarter of 2017, or might be a timely submission, depending on evolving guidance.
3. HUD has implemented plans for completing files B, C, D1 and D2. However, due to unresolved data mapping issues challenges exist that may impact full submission of these files for HUD by the statutory deadline of May 2017.
4. HUD used the alternative Unique Resource Indicator (URI) to complete its inventory of data elements from its source systems and the mapping of agency data to the DATA Act schema. The URI was determined to be the best available alternative when challenges arose in assigning a Federal Award Identification Number (FAIN) to the data in its source systems.
5. The challenge to produce data with Program Activity Codes, Budget Object Class, and Data Universal Numbering System slowed progress of having complete files available for submission.
6. HUD is awaiting a final determination from OMB on the applicability of additional guidance issued by Treasury and OMB on 11-4-2016 regarding DATA Act loans, as an expansion of OMB M-17-04. The final determination of additional requirements might affect timeliness.

Sincerely,



Courtney B. Timberlake,
Deputy Chief Financial Officer

Auditee Comments



U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-3000

CHIEF FINANCIAL OFFICER

February 16, 2017

MEMORANDUM FOR: Thomas R. McEnanly, Director, Financial Audits Division, GAF
FROM: Courtney B. Timberlake, Deputy Chief Financial Officer, F
SUBJECT: Response to OIG Draft Report titled, "Independent Attestation Review: U.S. Department of Housing and Urban Development, DATA Act Implementation Efforts"

This memorandum is in response to your February 08, 2017 OIG Independent Attestation Review (2017-FO-XX) titled "Independent Attestation Review: U.S. Department of Housing and Urban Development, DATA Act Implementation Efforts." Per your report, your review was performed as of December 16, 2016. We have reviewed this attestation memo and are providing the following comments and our Management Decisions below.

General Comments

Comment 1

The Department of Housing and Urban Development (HUD) is on track to report funding and obligation data for its grant and procurement programs by the May 2017 reporting deadline for Federal Funding Accountability and Transparency Act (FFATA) and DATA Act reporting requirements. Previously, certain HUD components, i.e. the Federal Housing Administration (FHA) and the Government National Mortgage Association (GNMA), were excluded; however, on September 26, 2016, the Office of Management and Budget (OMB) directed HUD to report limited data (File A) for both FHA and GNMA.

Comment 2

Per previous discussions with OMB and Treasury, HUD is on track to begin reporting its loan programs with the Q4 FY 2017 data submission.

Comment 3

HUD will submit a File A for FHA to the Broker in accordance with the April FY 2017 requirement. The in-process assessment and data inventory of Files B through D (DATA Act Playbook steps 3 - 4) will be completed by April FY 2017 and will result in a detailed implementation strategy to ensure proper compliance. Once the assessment is complete, HUD will report scheduled compliance dates.

HUD will submit a File A for Ginnie Mae to the Broker in accordance with the April FY 2017 requirement. The in-process assessment and data inventory of Files B through D (DATA Act Playbook Steps 3 - 4) is currently scheduled to be completed by April FY 2017 and will result in a detailed implementation strategy to ensure proper compliance. Once the assessment is complete, HUD will report scheduled compliance.

The management of legacy data identified as required for FFATA and amended DATA Act submissions presents challenges to all Federal agencies, not just HUD. HUD is currently executing data cleansing and other legacy data management activities to identify required data elements and support data quality, integrity, and standards required by the DATA Act. As legacy data issues are identified, HUD is developing mitigation plans to reduce or eliminate the likelihood of new data inheriting characteristics from legacy business processes.

Emphasis of Matter:

HUD Had Not Fully Completed Steps To Allow It To Report Comprehensive Department-wide Spending by the Mandated May 2017 DATA Act Reporting Deadline.

HUD is required to identify the universe of all program obligations and disbursements, including the appropriations account level of obligations and outlays by program activity and by object class for compliant USASpending.gov reporting.

Comment 4

Federal agencies received an Agency Playbook with an 8-step Implementation Plan that estimated timelines for completion of the various steps. The original plan provided for a timeline for updating systems through February 2017. Additionally, delays in finalizing the Government-wide data schemas and broker application reduced the timeframe available for agencies to complete their preparations. It is expected that HUD, like other Federal agencies, would have additional work remaining at December 2016 to prepare for DATA Act compliance.

Despite the aggressive timeline, HUD made significant progress in preparing the HUD Proper and HUD Inspector General reporting components, by completing the following activities:

- Inventory of data elements for the systems and processes;
- Mapping of data elements to the DATA Act schema for the systems and processes used to generate the reporting files required from the financial management system;
- Modifications to its systems and processes used to capture the Award ID data element;
- Testing of the system changes in the Government-wide broker;
- System changes for deriving the Program Activity data element from the accounting structure;
- Reporting of the A-11 Reporting of Obligations by Program Activity and Budget Object Class by the due date; and
- Manual reconciliation of USASpending.gov data to financial system data to identify data quality issues prior to the broker becoming available.

Comment 5

Current guidance indicates both disbursements and outlays are out of scope for the May 2017 implementation date. Identifying the universe and population for FFATA and the amended DATA Act sections is not unique to HUD; it affects all agencies and is subject to interpretation for required reporting. To date, policy and guidance provided by OMB and Treasury do not fully address the universe and population; specifically, recent policy on loan reporting does not enable complete and consistent reporting of HUD's loan programs, by means of the exclusion of financing accounts.

Comment 6

HUD will report program obligations for headquarters by the April deadline, with the exception of loans. HUD loan programs are currently being assessed, with a target date of reporting for FY2017 Q4. The DATA Act team will continue to work in accordance with OMB and Treasury policy and guidance as it is issued to identify all program obligations and funding amounts interpreted by the agency as required.

HUD is performing an evaluation of all loans data and related systems, and to date, has identified a majority of the loan related DATA Act data elements required for financial and non-financial data in Files C and D2. Solutions for reporting this non-financial data are currently being evaluated.

Appendix D

OIG Evaluation of Agency Comments

- Comment 1** OIG disagrees that HUD is on track to have complete files submitted by the statutory deadline of May 2017 because the grant and procurement program transactions do not include all of HUD’s reportable data. HUD will be submitting a limited File A for both Ginnie Mae and FHA. Despite being directed to do so by OMB, the agency will remain not on track to have a complete File A for Ginnie Mae and FHA by the May 2017 statutory deadline.
- Comment 2** Although HUD identifies being on track to submit loan program data by Q4 FY 2017, the submission is past the May 2017 statutory deadline. Additionally, OMB did not grant HUD a formal extension for submitting the loan program files in Q4 FY 2017.
- Comment 3** OIG recognizes that HUD has an implementation plan for FHA and Ginnie Mae Files B through D with the assessment phase concluding in April 2017. However, the implementation phase of the plan will not begin until after the May 2017 statutory deadline; and therefore, the current implementation strategy designed by HUD does not allow for the submission of FHA and Ginnie Mae Files B through D to be on track for the statutory deadline.
- Comment 4** As of December 16, 2016, our end of field work date, there was no indication that HUD resolved data quality issues; and therefore, the issue remained outstanding with HUD not completing its inventory of data elements or the mapping of agency data to the established DATA Act schema. The challenges identified relating to HUD’s reliance on legacy and current financial systems with differing technologies and data elements continued to exist. The file layout HUD established for files B and C did not specify the necessary detail of program activity detail. OIG’s review of Files B and C technical paths did not provide indication that the required information was in the files. HUD has established a “Program Activity Mapping Table”, but they did not provide support to determine if this layout is effective to ensure that complete and accurate live data is submitted to USASpending.gov. As a result, there was no evidence that the agency has completed the mapping of data elements in HUD Proper and HUD Inspector General files. Further, OIG has not subsequently received additional evidence after the end of field work date indicating resolution of the data quality issues.
- Comment 5** OIG disagrees that disbursements and outlays are out of scope for the HUD’s May 2017 submission because Section III of OMB Memorandum M-15-12, Increasing Transparency of Federal Spending by Making Federal spending Data Accessible, Searchable, and Reliable, Data Act requires the reporting at the appropriation account level of obligations and outlays by program activity and by object class. As such, HUD will be expected to report agency outlays to USASpending.gov in their submission of File A.
- Comment 6** HUD has an ongoing process for resolving data quality issues in Files C and D2 to include required Data Act elements in the data fields. Currently, HUD’s implementation plan has a projected implementation timeframe of September 2017 for financial and non-

financial loans. The population includes HUD, FHA and Ginnie Mae loan data. However, the loan data will not be submitted to USASpending.gov within the May 2017 statutory deadline.