



DATA Act Compliance Audit of the U.S. Department of Housing and Urban Development

Office of the Chief Financial Officer, Washington, DC

**Financial Audits Division,
Office of Audit
Washington, DC**

**Audit Report Number: 2018-FO-0001
November 3, 2017**



To: Sarah A. Lyberg, Acting Deputy Chief Financial Officer, F
Thomas R. McEnanly
From: Thomas R. McEnanly, Director of Financial Audits Division, GAF
Subject: HUD's Office of the Chief Financial Officer Did Not Comply With the Digital Accountability and Transparency Act of 2014

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of HUD's fiscal year 2017 compliance with the Digital Accountability and Transparency Act of 2014 and standards established by the Office of Management and Budget.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 202-402-8216.



Audit Report Number: 2018-FO-0001

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HUD's Office of the Chief Financial Officer Did Not Comply With the Digital Accountability and Transparency Act of 2014

Highlights

What We Audited and Why

In accordance with the statutory requirements of the Digital Accountability and Transparency Act of 2014 (DATA Act) and standards established by the Office of Management and Budget (OMB), we audited the U.S. Department of Housing and Urban Development's (HUD) Office of the Chief Financial Officer's (OCFO) compliance with the DATA Act for the second quarter of fiscal year 2017. Our objectives were to assess (1) the completeness, timeliness, quality, and accuracy of fiscal year 2017 second quarter financial and award data submitted for publication on USASpending.gov and (2) HUD's implementation and use of the governmentwide financial data standards established by OMB and the U.S. Department of the Treasury.

What We Found

HUD OCFO did not comply with the DATA Act for complete and accurate data submissions to USASpending.gov by the statutory May 2017 deadline. HUD underreported a total of \$17.9 billion in incurred obligations, \$16.9 billion in outlays, and \$4.2 billion in apportionments and did not comply with the DATA Act. Specifically, Federal Housing Administration (FHA) operational activity contributed to an absolute value of \$17.3 billion in obligations incurred and \$16.6 billion in outlays, and Ginnie Mae contributed an additional absolute value of \$558.3 million in obligations incurred and \$215.8 million in outlays being excluded from the submission. This condition occurred because HUD OCFO did not (1) follow financial data standards required by OMB and the U.S. Department of the Treasury, (2) allocate sufficient financial resources to DATA Act implementation, (3) maintain adequate internal controls, including data reconciliations, and (4) establish governance policies and roles and responsibilities of each entity involved in the agency's submission to USASpending.gov. Therefore, the stakeholders and end users accessing the agency's data on USASpending.gov could not obtain a complete and accurate representation of HUD's financial positions and performance due to HUD not reporting all activity associated with the U.S. Standard General Ledger accounts for each award.

What We Recommend

We made five recommendations in this report. These recommendations are intended to improve HUD's future compliance with the DATA Act and remediate any issues identified by allocating sufficient resources, establishing a governance structure, ensuring that internal control policies and procedures are developed and implemented, and completing data quality and error resolution for programs that have been excluded from HUD's second quarter submission.

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Background and Objectives

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted into law on May 9, 2014. It expanded prior Federal transparency regulations by disclosing Federal agency expenditures and linking Federal contract, loan, and grant spending information to enable taxpayers and policy makers to track Federal spending. A core requirement of the DATA Act is the development of governmentwide data standards to ensure the reporting of reliable, consistent Federal spending data for public use in accordance with these standards. In May 2015, to improve the quality and consistency of the data, the Office of Management and Budget (OMB) and the U.S. Department of the Treasury established and approved 57 standardized data element definitions to assist Federal agencies in meeting their DATA Act reporting requirements. The 57 data definition standards are found within the DATA Act Information Model Schema (DAIMS). DAIMS provides an overall view of the hundreds of distinct data elements used to tell the story of how Federal dollars are spent. It includes artifacts that provide technical guidance for Federal agencies about what data to report to Treasury, including the authoritative sources of the data elements and the submission format.

The Federal Funding Accountability and Transparency Act of 2006 (FFATA)¹ was signed into law on September 26, 2006. The legislation required that Federal contract, grant, loan, and other financial assistance awards of more than \$25,000 be displayed on a searchable, publicly accessible website, USASpending.gov, to give the American public access to information on how their tax dollars are being spent. By May 2017, all Federal agencies were to provide data for a second quarter 2017 submission to USASpending.gov, using a standard data exchange called the DATA Act Schema. Treasury created the DATA Act Schema for financial data based upon the financial data elements required by the DATA Act.

In addition, OMB and Treasury developed and released the DATA Act Implementation Playbook to Federal agencies in June 2016. The Playbook is an eight-step agency implementation plan and timeline with suggested methodology steps to help agencies leverage existing resources to meet their reporting requirements under the DATA Act. During fiscal years 2016 and 2017, we conducted two attestation review engagements² where we reported on areas of potential risk of noncompliance and implementation of the agency's DATA Act submission. Each of the attestation review engagements provided an assessment of the U.S. Department of Housing and Urban Development's (HUD) progress based on the eight-step plan established by OMB and Treasury.

¹ The intent of FFATA is to empower every American with the ability to hold the government accountable for each spending decision. The end result is to reduce wasteful spending in the government. The FFATA legislation requires that information on Federal awards (Federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is USASpending.gov. Refer to Public Laws 109-282 and 110-252.

² We issued two DATA Act review reports: 2016-FO-0802, Attestation Review: U.S. Department of Housing and Urban Development, Data Act Implementation Efforts, and 2017-FO-0801, Data Act Implementation Readiness Review, Steps 5-8, to assess areas of potential risk of noncompliance and implementation of HUD's DATA Act submission.

Further, we presented recommendations to the Office of the Chief Financial Officer (OCFO) to ensure HUD's compliance with the statutory reporting deadline of May 2017.

As written in the DATA Act, inspectors general are required to issue three reports. We, as the Office of Inspector General (OIG) for HUD, are providing Congress with the first required report herein in November 2017, with additional reports following on a 2-year cycle in November 2019 and November 2021.³

The objectives of this audit were to assess (1) the completeness, timeliness, quality, and accuracy of fiscal year 2017 second quarter financial and award data submitted for publication on USASpending.gov and (2) HUD's implementation and use of the governmentwide financial data standards established by OMB and Treasury.

³ Agencies were provided an earlier reporting deadline to Congress of November 2016. However, due to the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) identifying a timing anomaly, after the enactment of the DATA Act, since agencies were not required to submit financial data to USASpending.gov until May 2017, CIGIE suggested that Congress delay required agency reporting under the DATA Act until November 2017 to address the timing anomaly.

Results of Audit

Finding: HUD OCFO Did Not Comply With DATA Act Reporting Requirements for Submitting Valid and Quality Data

As of the statutory reporting deadline, HUD had submitted incomplete and inaccurate data for its programs in data submissions to USASpending.gov. This condition occurred because HUD OCFO did not follow financial data standards required by OMB and the U.S. Department of the Treasury, allocate sufficient financial resources to DATA Act implementation and maintain adequate internal controls, including data reconciliations, governance policies and identify roles and responsibilities of each entity involved in the agency's submission to USASpending.gov. As a result, HUD underreported a total of \$17.9 billion in incurred obligations, \$16.9 billion in outlays, and \$4.2 billion in apportionments and did not comply with the DATA Act. Further, the stakeholders and end users accessing the HUD's data could not obtain an accurate representation of HUD's performance through the submitted data.

HUD OCFO Did Not Comply With DATA ACT Reporting Requirements

Our review of HUD's seven required files⁴ supporting the second quarter of fiscal year 2017 found widespread errors, inconsistencies, omissions, and false values, which were reported to USASpending.gov. Specifically, our testing conducted through the internal control assessment and analytical and statistical procedures identified that

- (1) HUD included Federal Housing Administration (FHA) and Government National Mortgage Association (Ginnie Mae) data with null or false values of "0" for budget object class and program activity code in file B. The submission of file B was inaccurate because false values replaced actual data.
- (2) FHA was unable to consolidate data from multiple source systems for the financial assistance transactions reportable in file C, except for appropriation account 0402, resulting in no FHA data reported for file C. This condition also resulted in completeness, accuracy, and quality issues with the award and awardee attributes for financial assistance reported in file D2.
- (3) Ginnie Mae was unable to consolidate reportable data from the Ginnie Mae Financial and Accounting System for file C, resulting in no Ginnie Mae data reported for file C. This condition also resulted in completeness, accuracy and quality issues with the award and awardee attributes for financial assistance reported in file D2.
- (4) File B was not validated with the Treasury account symbols (TAS) in file A because FHA and Ginnie Mae data were excluded from the submission. The excluded data amounted to a total of \$17.9 billion in incurred obligations and \$16.9 billion in outlays. Specifically, FHA contributed to an absolute value of \$17.3 billion in obligations

⁴ Refer to appendix A for additional information relating to the reported data in each file.

- incurred and \$16.6 billion in outlays, and the Ginnie Mae contributed an additional absolute value of \$558.3 million in obligations incurred and \$215.8 million in outlays.
- (5) In a sample of 385 transactions from HUD's file C submission, we noted that 4 of 28, or 14 percent, procurement transactions were untraceable to file D1 and 34 of 357, or 10 percent, financial assistance transactions were not traceable to file D2.
 - (6) Records were excluded from file D2 because there were duplicative Federal award identification numbers (FAIN)⁵ for public and Indian housing awards, which HUD could not address before the May 2017 reporting deadline. Specifically, a total of 238 FAINs amounting to \$3.8 billion in obligation balances related to eight public housing agencies were excluded. This condition altered the accuracy and completeness of the submission.
 - (7) There were blank, inaccurate, and inactive DUNS®⁶ numbers in the data submission for file D2, which contributed to more than 38,000 record issues in file D2 data, causing the submission to have completeness issues. Further, the missing and inaccurate DUNS® numbers resulted in issues with traceability to government's System for Award Management (SAM)⁷ for Federal awards relating to HUD's public housing agencies.
 - (8) HUD did not report required data for the Section 108 Community Development Loan Guarantee, Title VI Indian Housing Loan Guarantee, and Native Hawaiian Housing Loan Guarantees programs in file D2. The manual templates used to process and record loans in HUD's financial reporting system, Oracle Federal Financials, created complexities by including the DAIMS reporting elements for file C and file D2 submissions. Further, data element mapping was not completed for the loan data before May 2017, which delayed HUD's ability to include the community planning and development and public and Indian housing loans in the submission.
 - (9) HUD was unable to provide File E – Additional Awardee Attributes and File F – Sub-award Attributes. The senior accountable official asserted that the informational data within files E and F were obtained through the awardees and, therefore, HUD did not have access to produce the data during the scope of the audit.⁸
 - (10) OCFO did not report all activity associated with U.S. Standard General Ledger (USSGL) accounts 4801, Undelivered Orders Obligated; 4901, Delivered Orders Obligated; 4802, Undelivered Orders Obligated; and 4902, Delivered Orders Obligated and the gross outlay (disbursements) amount for each award for HUD, Ginnie Mae, and FHA transactions. The account-level and award-level data were either not completely submitted to USASpending.gov or in some instances, reported inaccurately with false

⁵ The FAIN is the unique identification number within the Federal agency for each financial assistance award reported in file C for award financial data. The FAIN was established within DAIMS.

⁶ The unique identification number for an awardee or recipient. Currently the identifier is the nine-digit number assigned by Dun and Bradstreet (D&B) referred to as the DUNS® number included in DAIMS.

⁷ Recipients of Federal funds are required to keep their DUNS® number and SAM registration up to date. Recipients are required to update information in SAM annually to remain compliant with the terms and conditions of associated awards.

⁸ As outlined in OMB's Management Procedures Memorandum 2016-03, the authoritative sources for the data reported in files E and F are SAM and FSRS respectively with no additional action required by HUD OCFO. We assessed the completeness, accuracy, timeliness, and quality of the data extracted from SAM and FSRS within the DATA Act Broker, but we did not hold HUD OCFO responsible for compliance with file E and file F data. As such, our analysis was conducted to determine the completeness, accuracy, timelines and quality of the awardee data published to USASpending.gov.

values for each of the USSGL accounts. The timeliness of the submission was impacted due to the award data's not being reported within 30 days of the quarter close.

- (11) HUD OCFO did not record budget authority provided in the fiscal year 2017 continuing resolution for 10 TAS, amounting to \$5.2 billion in the first quarter and \$4.2 billion in the second quarter, which impacted the completeness and accuracy of file A.

Refer to the table below for the total of exceptions identified in HUD's 2017 second quarter data for the seven required files. The following exceptions were identified through assessing the reporting requirements for each file below.

File	File name	Total records with exceptions	Causes
File A	Appropriation Account	141	<ul style="list-style-type: none"> There were a total of 141 records relating to 18 TAS that had the incorrect budget authority appropriated amount. Therefore, the reported balance in file A was understated by \$4.16 billion
File B	Object Class and Program Activity	1,049	<ul style="list-style-type: none"> 115 records with unknown program activity field. 76 records with a false value of "0" in object class. 858 records with false values relating to Ginnie Mae and FHA main accounts.
File C	Award Financial	62	<ul style="list-style-type: none"> 62 records totaling \$11.9 million in obligated amounts with an "unknown-other" program activity name.
FileD2	Financial Assistance	38,467	<ul style="list-style-type: none"> 38,467 records were not included in file D2 relating to existing DUNS®, Zip +4, and FAIN.
File E	Additional Awardee Attributes	4,030	<ul style="list-style-type: none"> 120 records without a subawardee business type. 569 records without a parent award ID. 453 records without a vendor doing business as name. 612 records without a primary place of performance address line 1. 513 records without a total funding amount. 630 records (entire population) without a legal entity congressional district. 630 records (entire population) without a legal entity foreign postal code. 284 records without a subawardee ultimate parent legal entity name. 219 records without a subawardee ultimate parent unique identifier
File F	Sub-award Attributes	8,164	<ul style="list-style-type: none"> 8,164 records without the unique identification number. 8,102 records that had blank fields in all of the columns.
Total	6 files	51,913	

Weak Planning and Management Decisions

HUD's existing source and financial systems of record (including FHA and Ginnie Mae systems) did not have the capabilities of implementing DAIMS into reportable data for the second quarter of fiscal year 2017. HUD's agency implementation plan's lacked sufficient funding to address its information systems issues for HUD, Ginnie Mae, and FHA source systems and allocate resources in a timely manner. Specifically, HUD did not allocate any funding in its original implementation plan for information system upgrades despite acknowledging necessary upgrades to be compliant with the DATA Act reporting requirements. To subsequently allocate limited funding to system upgrades, HUD leveraged resources from a preexisting agreement with an independent contractor, which were insufficient to complete implementation. The agency continued to remain dependent on financial systems with differing technologies and data elements, which contributed to the issues noted. These existing source systems required modification, configuration, and mapping to obtain the data needed to prepare the files in accordance with the DATA Act Schema, which was not accomplished before the statutory reporting deadline. HUD encountered data consolidation complexities with implementing the DATA Act and DAIMS into its source system data, which contributed to HUD's inability to meet the DATA Act reporting requirements by the statutorily required May 2017 deadline.

Additionally, the agency's limited staffing resources provided by OCFO management and the senior accountable official delayed completion of DATA Act implementation and reporting. As contractually obligated, HUD relied on its Federal shared service provider, Treasury's Administrative Resource Center (ARC), to send data to the broker for submission of its fiscal year 2017 second quarter submission. Data completeness, quality, and accuracy issues were not identified and addressed timelier within the source systems used by each program office when developing file D2. HUD CFO, using legacy technology, identified data completeness, quality, and accuracy issues, including duplicate or missing FAINs, missing or inaccurate DUNS® numbers, and excluded loan data, the issues were not identified by HUD at the program level. Additionally, HUD failed to leverage resources from its private contractor to complete data quality resolution and DATA Act implementation before May 2017.

In regard to the excluded apportionments in file A, there were no procedures established for recording the appropriations provided by a continuing resolution for both the proprietary and budgetary transactions. OCFO's budget office was unaware of the posting logic for Standard General Ledger accounts 109000 – Fund Balance With Treasury While Awaiting a Warrant and 310100 – Unexpended Appropriations – Appropriations Received, which require the level 1 budget template to be completed in Oracle Federal Financials. The lack of recording these entries caused HUD's interim consolidated financial statements for the first and second quarters to be materially understated. The DATA Act reporting field, Budget Authority Appropriated Amount, in file A was understated by \$4.2 billion for HUD's fiscal year 2017 quarter two submission to USASpending.gov.

There Was a Lack of Management Governance Over DATA Act Implementation

OCFO's management did not establish an environment for ensuring a successful implementation of DATA Act reporting during fiscal years 2016 and 2017 and did not consider establishing proper governance through documented policies and procedures. Specifically, the senior accountable official did not document governance policies, including roles and responsibilities of each entity involved in the agency's submission to USASpending.gov.

We conducted two readiness attestation reviews of HUD's progress in complying with steps 1-8 of Treasury's DATA Act Playbook⁹ and to determine whether HUD was positioned to meet the statutory May 2017 deadline. HUD's management was responsible for taking steps to comply with applicable guidance. We offered eight recommendations to management to ensure an effective implementation of the DATA Act within the agency. However, management disregarded our recommendations for two of the eight by not providing management decisions and did not fulfill corrective action plans for the remaining six recommendations, thereby delaying its ability to meet the statutory deadline. Refer to the Followup on Prior Reviews section of the report for additional detail relating to management's response to our recommendations.

Additionally, management inaccurately represented HUD's progress toward implementation in a December 8, 2016, testimony¹⁰ before the United States House of Representatives by stating that HUD had developed a plan that followed the eight steps outlined in the DATA Act Playbook and there had been proactive planning and management. Management represented that HUD was on track to complete milestones, while we were concluding our second attestation review showing that the agency was still unable to show progress in resolving the matters relating to reliance on many legacy and current financial systems with differing technologies and data elements. Further, HUD provided written representations as part of the attestation reviews, stating that it continued to lack sufficient resources to modify its systems and perform the required data inventory and mapping, which contradicted the testimony.

HUD Had Weak Internal Controls Over DATA Act Reporting

HUD's management did not implement sufficient internal controls over DATA Act reporting relating to (1) source systems reconciliations, (2) file consolidation, and (3) maintenance of supporting documentation.

HUD's management did not consider internal control and risk management strategies outlined in OMB Circular No. A-123 for DATA Act reporting, including establishing policies and procedures and analytical review and analysis of data before the data were certified and submitted. HUD was unable to provide a listing and description of the internal controls designed and implemented for reporting for the DATA Act for each source system (including source

⁹ Treasury prepared a DATA Act Playbook as guidance for agencies to implement the DATA Act by the statutory deadline of May 2017. The Playbook included an eight-step plan for the agencies to follow for a successful implementation.

¹⁰ Testimony of Courtney Timberlake, Deputy Chief Financial Officer, U.S. Department of Housing and Urban Development, before the Committee on Oversight and Government Reform Subcommittee on Government Operations, United States House of Representatives, December 8, 2016

systems for FHA and Ginnie Mae), which ensured that data consolidated and submitted to USASpending.gov were complete and accurate. Specifically, HUD did not perform reconciliations between the source system data and files A, B, and C before submission to the DATA Act broker. Further, HUD relied solely on the DATA Act broker website to ensure that the files were complete, reliable, and accurate for submission to USASpending.gov. In particular, HUD used cross-validation tools within the DATA Act broker site to identify errors and inconsistencies in the data files. Although the procedure identified errors in the data files that were submitted to the broker site, it did not confirm that all data within HUD's source systems were included in the consolidated files and reported to USASpending.gov. The failure to design and implement these procedures led to the inability to ensure that the data submitted to USASpending.gov were accurate and reliable.

We conducted a statistical sample of HUD's file C of award financial data, which included 28 procurement instrument identifiers (PIID) and 357 FAINs, for a total of 385 selections, to ensure that the reported data were supported within the agency's source system. HUD was unable to provide supporting documentation for 266 sample selections relating to the Office of Public and Indian Housing (92 sample records) and the Office of Housing (174 sample records). As a result, we were unable to complete our statistical sample review as mandated by law. Management asserted that the records were available. However, the program offices were not properly informed by HUD's senior accountable official or engaged in DATA Act reporting, so the offices were unable to provide the records on a timely basis.

Conclusion

HUD did not fulfill the reporting requirements of the DATA Act that included complete, timely, quality, and accurate data submissions to USASpending.gov for the second quarter of fiscal year 2017 by the statutory May 2017 deadline and as a result, did not comply with the DATA Act.

The lack of implemented internal control procedures for DATA Act reporting, including reconciliations between the source system records and data files, contributed to the data on USASpending.gov being incomplete and inaccurate. Further, management governance was insufficient with no defined policies and procedures, including roles and responsibilities established for HUD's internal personnel, which include Ginnie Mae and FHA, and ARC.

The data submitted by the agency and published on USASpending.gov as of second quarter of fiscal year 2017 did not present complete, timely, quality, and accurate financial and award data to those individuals accessing this information on the public platform. FHA contributed to a total absolute value of \$17.3 billion in obligations incurred and \$16.6 billion in outlays, and Ginnie Mae contributed to a total of \$558.3 million in obligations incurred and \$215.8 million in outlays, which were excluded from DATA Act reporting and not reported on USASpending.gov. Additionally, \$4.2 billion in apportionments was not reported to USASpending.gov.

As a result of the agency's internal control weaknesses, OCFO was unable to ensure the completeness, accuracy, and timeliness of HUD's, including its component entities FHA and Ginnie Mae, second quarter 2017 submission. The agency was unable to validate that all reportable data had been submitted to USASpending.gov. Further, the stakeholders and end

users accessing the agency's data could not obtain an accurate representation of HUD's financial performance through the submitted data.

Recommendations

Prior-year recommendations from our attestation reviews remained open and can be referred to in the Followup on Prior Reviews section of this report. We have five new recommendations in this report.

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

- A. Designate additional HUD personnel and establish an internal reporting structure to complete DATA Act implementation, while sustaining reliable DATA Act reporting for later periods.
- B. Validate, certify, and submit all reportable FHA and Ginnie Mae data through the DATA Act broker and report the data on USASpending.gov, including files A through F.
- C. Complete data quality and error resolution for HUD's loan programs to ensure inclusion in HUD's subsequent submissions.
- D. Allocate the financial resources to ensure that reconciliations are performed in the consolidation of source system data to the DATA Act submission files.
- E. Establish and implement internal control policies and procedures for consolidating and reconciling data from HUD, Ginnie Mae, and FHA source systems are documented and include a governance structure, including roles, responsibilities, and personnel completing DATA Act reporting procedures.

Scope and Methodology

We conducted the audit of HUD's compliance with the DATA Act from April through October 2017 at HUD headquarters in Washington, DC. The scope of our audit included the fiscal year 2017 second quarter financial and award data the Federal agency submitted for publication on USASpending.gov and the applicable procedures, documentation, and controls to achieve this process. According to OMB's Management Procedures Memorandum No. 2016-03, data reported by Federal agencies will be displayed on USASpending.gov by May 2017.

To achieve our objectives, we

- Reviewed and obtained an understanding of regulatory criteria, including laws, legislation, and directives related to HUD's responsibilities to report financial and award data under the DATA Act.
- Determined HUD's systems, processes, and internal controls implemented for data management under the DATA Act.
- Assessed the general and application controls pertaining to the financial management systems (including grants, loans, procurement from which the data elements were derived and linked).
- Performed an assessment of HUD's internal controls over the financial and award data reported to USASpending.gov according to OMB Circular A-123.
- Reviewed a statistically valid sample from fiscal year 2017 second quarter financial and award data submitted by HUD for publication on USASpending.gov.
- Assessed the completeness, timeliness, quality, and accuracy of the financial and award data sampled.
- Assessed HUD's implementation and use of the 57 data definition standards established by OMB and Treasury.

The procedures provided by the Inspectors General Guide to Compliance Under the DATA Act¹¹ were designed to foster a consistent methodology and reporting approach across the inspector general community and not to restrict an auditor from pursuing issues related to his or her agency's implementation of the DATA Act.

In accordance with the DATA Act, the inspector general of each Federal agency is to review a statistically valid sample of the spending data submitted by that Federal agency and submit to Congress a publicly available report on the completeness, timeliness, quality, and accuracy of the data and the use of governmentwide data standards. Completeness is measured in two ways: (1) all transactions that should have been recorded are recorded in the proper reporting period and (2) as the percentage of transactions containing all applicable data elements required by the DATA Act. Timeliness is measured as the percentage of transactions reported within 30 days of quarter end.

¹¹ The Inspectors General Guide to Compliance under the DATA Act was issued on February 27, 2017.

Quality is defined as a combination of utility, objectivity, and integrity. Accuracy is measured as the percentage of transactions that are complete and agree with the systems of record or other authoritative sources.

If additional areas of concern were identified, we proceeded according to our professional judgment.

- During the audit, we relied in part on computer-processed data from HUD's financial reporting systems. However, we determined, due to HUD's insufficient internal controls relating to the DATA Act file consolidation, that there was no assurance on the completeness, accuracy, and quality of the data in its file C.¹² Therefore, we concluded that a statistical sample could not be performed during the review. More than 2,200 records in file C were without an obligation amount field and included null or false values. HUD did not submit all required data for Ginnie Mae, FHA, and its loan programs relating to community planning and development and public and Indian housing. As a result, file C was not representative of the entire population because it was not complete or accurate.
- As part of our internal control assessment, we interviewed HUD's senior accountable official, HUD's Deputy Chief Financial Officer, other HUD DATA Act work group officials responsible for the implementation, and the Bureau of the Fiscal Service staff and had a discussion with the U.S. Government Accountability Office (GAO) regarding our reliance of HUD's submission due to weak internal controls over its DATA Act submission.
- We held a discussion with GAO officials to inform them of OCFO's internal control weaknesses regarding HUD's DATA Act submission and to obtain guidance on conducting a statistically valid sample of the incomplete and inaccurate data. We were instructed to complete a simple random sample from HUD's partial DATA Act submission. GAO noted both the significance of HUD's internal control issues and its incomplete data submission. However, it requested that the quality of the data be assessed, and since it was required by law, it was to be reviewed as a statistically valid sample.
- We selected the random sampling for HUD's file C submission using a 95 percent confidence level with a projected error rate of 5 percent. We divided the audit universe of 143,409 records into two strata by (1) PIID and (2) FAIN. We selected a simple random sample of 28 PIID and 357 FAIN records for auditing.

On October 10th 2017, the FEAC DATA Act Working Group released additional guidance for reporting on government-wide reporting issues. We considered the standard reporting language below in conducting our compliance audit.

¹² Files A, B, and C are submitted by HUD's internal financial systems for publication on USASpending.gov. Files A and B are summary-level financial data. File C is reportable award-level data.

Standard Language for Reporting

File E of the DATA Act Information Model Schema (DAIMS) contains additional awardee attribute information extracted from the System for Award Management (SAM) per the DATA Act Broker. File F contains sub-award attribute information extracted from the FFATA Subaward Reporting System (FSRS) within the DATA Act Broker. It is the prime awardee's responsibility to report sub-award and executive compensation information in SAM and FSRS. Data reported from these two award reporting systems are generated in the broker for display on USASpending.gov. As outlined in OMB's Management Procedures Memorandum 2016-03, the authoritative sources for the data reported in files E and F are SAM and FSRS respectively with no additional action required by HUD OCFO. We assessed the completeness, accuracy, timeliness, and quality of the data extracted from SAM and FSRS within the DATA Act Broker, but we did not hold HUD OCFO responsible for compliance with file E and file F data. As such, our analysis was conducted to determine the completeness, accuracy, timelines and quality of the awardee data published to USASpending.gov.

While assessing procurement awards from file C and file D1, Current Total Value of Award and Potential Total Value of Award Errors for Procurement Award Modifications – Data from the (1) current total value of award and (2) potential total value of award elements are extracted from the Federal Procurement Data System – Next Generation (FPDS-NG) per the legacy USASpending.gov and provided to the DATA Act broker (broker)¹³. Specifically, data for these elements are extracted from the following FPDS-NG fields respectively: (1) base and exercised options value and (2) base and all options value. These two fields are categorized in FPDS-NG under two columns for data entry labeled “current” and “total”. The “current” column contains amounts entered into the system by the agency. The “total” column contains cumulative amounts computed by FPDS-NG based on the modification amounts entered into the system by the agency. Procurement award modifications, included in our sample, reported values for these elements from FPDS-NG's “current” column, which displays the modification amount, rather than the “Total” column, which displays the total award value. As a result, data for the current total value of award and potential total value of award elements were inconsistent with data submitted from PRISM procurement system and Oracle Federal Financials. A no-cost modification would cause the “Total” column to display an erroneous zero balance. Procurement awards (base awards) that were not modified did not produce these same errors. The Department of the Treasury's PMO Government-wide DATA Act Program Management Office officials confirmed that they are aware that the broker currently extracts data for these elements from the “current” column rather than the “Total” column. A Treasury official stated that the issue will be resolved once DAIMS version 1.1 is implemented in the broker and related historical data from USASpending.gov are transferred to Beta.USASpending.gov during fall 2017. However, as HUD does not have responsibility for how data is extracted by the DATA Act Broker, we did not evaluate the reasonableness of Treasury's planned corrective action.

Indefinite Delivery Vehicle (IDV) Type Errors – For procurement awards included in our sample, data from the IDV Type element should be extracted from FPDS-NG and provided to the broker.

¹³ The Office of Management and Budget (OMB) defines the current total value of award data element as the total amount obligated to date on a contract, including the base and exercised options. Potential total value of award is defined as the total amount that could be obligated on a contract, if the base and all options are exercised. The legacy USASpending.gov uses FPDS Version 1.4 to extract and map that data from FPDS-NG. This was a one-time extraction for 2nd quarter transactions

The FPDS-NG atom feed¹⁴ delivers the IDV Type and contract award type in the same field. The broker did not break down the data for IDV Type which resulted in inconsistencies with data submitted from PRISM procurement system and Oracle federal financials. Treasury's DATA Act PMO officials confirmed that they are aware of this issue and have taken steps to avoid this issue in future reporting periods. However, as HUD does not have responsibility for how data is extracted by the broker, we did not evaluate the reasonableness of Treasury's planned corrective action.

While assessing the accuracy and completeness of file D2, we considered that the Legal Entity City Code and Primary Place of Performance County Name Errors – the interface definition document (IDD), a DAIMS artifact, states that data from legal entity city code and primary place of performance county name, for financial assistance awards in file D2, are extracted via Treasury's Award Submission Portal (ASP). While conducting fieldwork, we determined that data for these two fields were consistently blank. A Treasury official stated that data for legal entity city code had not been derived since January 2017 and there were plans to reconsider how this element would be handled. The Treasury official further explained that data derived for primary place of performance county name would not be implemented until September 2017. Because data for these elements were not derived or implemented these data fields were consistently blank and therefore not reported for display on USAspending.gov. However, as HUD OCFO does not have responsibility for how data is extracted by the broker from Treasury's ASP, we did not evaluate the reasonableness of Treasury's planned corrective action.

We conducted the 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 objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹⁴ FPDS-NG has data reporting web services that provide access in real-time to a central data repository. FPDS-NG also provides real-time feeds of the same contractual data using atom feeds

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- HUD's design and implementation of controls to ensure reliability, accuracy, completeness, and timeliness of data processed in source systems reported to USASpending.gov.
- HUD's reporting processes between program offices and OCFO.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- 1) OCFO did not implement sufficient internal controls over DATA Act reporting relating to source systems reconciliations and data file consolidation procedures,
- 2) HUD's program offices, FHA and Ginnie Mae did not maintain adequate supporting documentation to ensure reliability of the data being reported to U.S. Department of Treasury's DATA Act Broker and USASpending.gov,
- 3) OCFO did not establish proper governance for each entity involved in HUD's submission to USASpending.gov. There were no defined policies and procedures established for HUD internal personnel, including FHA and Ginnie Mae, and ARC.

Followup on Prior Reviews

We reviewed the recommendations from our prior reviews regarding HUD OCFO's compliance with the DATA Act Treasury Playbook, including attestation review reports 2016-FO-0802 and 2017-FO-0801. As of September 2017, two of the four recommendations from audit report 2016-FO-0802 and four of the four recommendations from audit report 2017-FO-0801 remained open with final action target dates between August 26, 2016, and July 31, 2017. Of these six open recommendations, management decisions had not been reached on two recommendations from 2016-FO-0802.

The six open recommendations are listed below.

Attestation Report 2016-FO-0802

We recommended that the Chief Financial Officer and senior accountable officials

1A – 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.

1B – Prepare and execute a plan to resolve errors already identified in programmatic expenditure information transferred to USASpending.gov before full implementation and ensure that similar types of errors are timely identified and promptly resolved prior to implementation.

Attestation Report 2017-FO-0801

We recommended that the Chief Financial Officer and senior accountable officials

1. 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.
2. 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.
3. 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.

4. 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.

Appendixes

Appendix A

Description of DATA Act Files Submitted to USASpending.gov

File	File name	Description
A	Appropriations Account	File A contains appropriation summary-level data that are aligned to the SF (standard form) 133 - Report on Budget Execution and Budgetary Resources reporting.
B	Object Class and Program Activity	File B includes obligation and outlay information at the program activity and object class level.
C	Award Financial	File C reports the obligations at the award and object class level. Files C, D1, and D2, outlined below, should be linked using the unique PIID and parent PIID for procurement awards (in D1) and the FAIN or unique record identifier for financial assistance records (in D2).
D1	Procurement	File D1 reports award and awardee attributes for procurement data pulled from the Federal Procurement Data System – Next Generation (Note: File D1 will be extracted from the existing USASpending.gov database). Award and awardee details for file D1 are linked to file C.
D2	Financial Assistance	File D2 reports award and awardee attributes for financial assistance data pulled from the Awards Submission Portal (ASP). Treasury will modify ASP to accept financial assistance files in the new format (D2) defined in the DATA Act Schema. Award and awardee details for file D2 are linked to file C.
E	Additional Awardee Attributes	File E includes the additional prime awardee attributes pulled from SAM.
F	Sub-award Attributes	File F includes subaward attributes reported from the FFATA Sub-award Reporting System.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments


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

OFFICE OF THE CHIEF FINANCIAL OFFICER

October 16, 2017

MEMORANDUM FOR: Thomas R. McEnanly, Director, Financial Audits Division, GAF

FROM: 
Joseph I. Hungate III, Assistant Chief Financial Officer for Systems,
FY

SUBJECT: Response to OIG Draft Audit Report 2017-FO-000X titled, "HUD's Office of the Chief Financial Officer Did Not Comply with the Digital Accountability and Transparency Act of 2014", issued September 28, 2017.

This memorandum is in response to your Draft Audit Report (2017-FO-00XX) titled, "HUD's Office of the Chief Financial Officer Did Not Comply with the Digital Accountability and Transparency Act of 2014", issued September 28, 2017. We have reviewed this report and have provided our responses below. We would be happy to meeting/follow up on any questions or clarifications.

Comments

In response to the **OIG Highlights** page, under "**What We Found**", 2nd sentence,

"HUD underreported a total of \$17.9 billion in incurred obligations, \$16.9 billion in outlays, and \$4.2 billion in apportionments and did not comply with the DATA Act."

OCFO suggests revising the text to:

"Although HUD reported complete and accurate data for all components in file A, aligned with GTAS and SF 133 reporting as recommended in OMB M-17-04, the below totals were underreported from detailed DATA Act reporting (files B, C, and D2): \$17.9 billion in incurred obligations, \$16.9 billion in outlays, and \$4.2 billion in apportionments."

In response to Page 5, under "**Results of Audit**", 1st paragraph, 2nd sentence:

"This condition occurred because HUD OCFO did not follow financial data standards required by OMB and the U.S. Department of the Treasury, allocate sufficient financial resources to DATA Act implementation and maintain adequate internal controls, including data reconciliations, governance policies and identify roles and responsibilities of each entity involved in the agency's submission to USASpending.gov. As a result, HUD

www.hud.gov espanol.hud.gov

Comment 1

Comment 2

underreported a total of \$17.9 billion in incurred obligations, \$16.9 billion in outlays, and \$4.2 billion in apportionments and did not comply with the DATA Act. Further, the stakeholders and end users accessing the HUD's data could not obtain an accurate representation of HUD's performance through the submitted data".

OCFO suggests revising the text to:

"This condition occurred as a result of HUD's new reporting requirement of FHA and GNMA, which previously had not reported for FFATA. Additionally, the OCFO did not follow financial data standards required by OMB and the U.S. Department of the Treasury, allocate sufficient financial resources to DATA Act implementation, and maintain adequate internal controls, including data reconciliations, governance policies, and identify roles and responsibilities of each entity involved in the agency's submission to USASpending.gov. As a result, although HUD reported complete and accurate data for all components in file A, aligned with GTAS and SF 133 reporting as recommended in OMB M-17-04, the below totals were underreported from detailed DATA Act reporting (files B, C, and D2): \$17.9 billion in incurred obligations, \$16.9 billion in outlays, and \$4.2 billion in apportionments. As a result of this underreporting, HUD did not fully comply with the DATA Act. Further, the stakeholders and end users accessing the HUD's data could not obtain an accurate representation of HUD's performance through the submitted data."

Comment 3

In response to Page 5-7, under "HUD OCFO Did Not Comply with DATA Act Reporting Requirements":

(1) HUD included Federal Housing Administration (FHA) and Government National Mortgage Association (Ginnie Mae) data with null or false values of "0" for budget object class and program activity code in file B. The submission of file B was inaccurate because false values replaced actual data.

(2) FHA was unable to consolidate data from multiple source systems for the financial assistance transactions reportable in file C, resulting in the use of false values containing "0" for obligated transaction amounts. This condition also resulted in completeness, accuracy, and quality issues with the award and awardee attributes for financial assistance reported in file D2.

(3) Ginnie Mae was unable consolidate reportable data from the Ginnie Mae Financial and Accounting System for file C, resulting in the use of false values containing "0" for obligated transaction amounts. This condition also resulted in completeness, accuracy, and quality issues with the award and awardee attributes for financial assistance reported in file D2.

(6) Records were excluded from file D2 because there were duplicative Federal award identification numbers (FAIN) for public and Indian housing awards, which HUD could not address before the May 2017 reporting deadline. Specifically, a total of 238 FAINs amounting to \$3.8 billion in obligation balances related to eight public housing agencies

were excluded. This condition altered the accuracy and completeness of the submission.

(9) HUD was unable to provide File E – Additional Awardee Attributes and File F – Sub-award Attributes. The senior accountable official asserted that the informational data within files E and F were obtained through the awardees and, therefore, HUD did not have access to produce the data during the scope of the audit.

For item (6), this error was resolved prior to the Q2 submission. As a result, delete (6). Please also delete (9). In addition, OCFO suggests revising the text cited to:

(1) HUD included Federal Housing Administration (FHA) and Government National Mortgage Association (Ginnie Mae) data with null values of "0" for budget object class and program activity code in file B. The submission of file B was inaccurate because null values replaced actual data, but reporting "0" values was necessary in order to submit a complete file A for HUD, FHA, and Ginnie Mae.

(2) FHA was unable to consolidate data from multiple source systems for the financial assistance transactions reportable in file C, resulting in no FHA data reported for file C. This condition also resulted in completeness, accuracy, and quality issues with the award and awardee attributes for financial assistance reported in file D2.

(3) Ginnie Mae was unable to consolidate reportable data from the Ginnie Mae Financial and Accounting System for file C, resulting in no Ginnie Mae data reported for file C. This condition also resulted in completeness, accuracy and quality issues with the award and awardee attributes for financial assistance reported in file D2.

~~(6) Records were excluded from file D2 because there were duplicative Federal award-identification numbers (FAIN) for public and Indian housing awards, which HUD could not address before the May 2017 reporting deadline. Specifically, a total of 238 FAINs amounting to \$3.8 billion in obligation balances related to eight public housing agencies were excluded. This condition altered the accuracy and completeness of the submission.~~
– Delete

~~(9) HUD was unable to provide File E – Additional Awardee Attributes and File F – Sub-award Attributes. The senior accountable official asserted that the informational data within files E and F were obtained through the awardees and, therefore, HUD did not have access to produce the data during the scope of the audit.~~
– Delete

Comment 4

In response to the chart on Page 7:

File	File name	Total records with exceptions	Causes
File B	Object Class and Program Activity	972	<ul style="list-style-type: none"> • 115 records with unknown program activity field. • 152 records with no beginning or ending period of availability fields. • 76 records with a false value of "0" in object class. • 629 records with false values relating to Ginnie Mae and FHA main accounts.
File C	Award Financial	90,328	<ul style="list-style-type: none"> • 62 records totaling \$11.9 million in obligated amounts with an "unknown-other" program activity name. • For the beginning period of availability and ending period of availability, there were 90,266 records without a beginning or ending date. • For the transaction obligated amount, there were 54,302 records with a blank or false value in the record.

OCFO suggests revising the chart to the following, removing exceptions that pertain to records that were reported correctly under the applicable Treasury guidance:

File	File name	Total records with exceptions	Causes
File B	Object Class and Program Activity	220	<ul style="list-style-type: none"> • 115 records with unknown program activity field. • 76 records with a false value of "0" in object class. • 29 records with false values relating to Ginnie Mae and FHA main accounts.
File C	Award Financial	62	<ul style="list-style-type: none"> • 62 records totaling \$11.9 million in obligated amounts with an "unknown-other" program activity name.

- **File B Exceptions** – "152 records with no beginning or ending period of availability fields" were reported as required with the Reporting Submission Requirements (RSS) v1.1 issued by Treasury. Data definitions for beginning and ending period of availability designate these fields for reporting annual and multi-year funds. These fields should be reported as blank for no-year appropriations, which are identified by an availability type code of "X". These exceptions should be removed.

Comment 5

- **File B Exceptions** – “629 records with false values relating to Ginnie Mae and FHA main accounts,” only 29 records are related for FHA and Ginnie Mae main accounts. Other \$0 records are HUD main accounts with \$0 in activity for the reporting period within ARC. These exceptions should be removed.
- **File C Exceptions** – “for the beginning period of availability and ending period of availability, there were 90,266 records without a beginning or ending date”. These records were reported as required with the Reporting Submission Requirements (RSS) v1.1 issued by Treasury. Data definitions for beginning and ending period of availability designate these fields for reporting annual and multi-year funds. These fields should be reported as blank for no-year appropriations, which are identified by an availability type code of “X”. These exceptions should be removed.
- **File C Exceptions**– “for the transaction obligated amount, there were 54,302 records with a blank or false value in the record”, these records were reported consistent with the requirements in the supplementary Treasury DATA Act PMO guidance for file C, “FAQ and Examples Related to File C Transaction Obligated Amount (TOA)”. Per this document, transaction obligated amount should be left as null [blank] for records for USSGL balances populated, and vice versa. These exceptions should be removed.

In response to Page 8, under “Weak Planning and Management Decisions”, 1st paragraph, 1st sentence:

“HUD’s existing source and financial systems of record (including FHA and Ginnie Mae systems) did not have the capabilities of implementing DAAMS into reportable data for the second quarter of fiscal year 2017.”

OCFO suggests revising the text to:

“HUD’s existing source and financial systems of record (including FHA and Ginnie Mae systems) did not have the capabilities of implementing DAAMS into reportable data for the second quarter of fiscal year 2017 and required Oracle to produce the DATA Act patch for PeopleSoft.”

Comment 6

In response to Page 8, under “**Weak Planning and Management Decisions**”, 2nd paragraph:

“Additionally, the agency’s limited staffing resources imposed by OCFO management and the senior accountable official delayed completion of DATA Act implementation and reporting. HUD relied on its Federal shared service provider, Treasury’s Administrative Resource Center (ARC), to consolidate data for its fiscal year 2017 second quarter submission, rather than taking responsibility for financial reporting at the HUD program level. Data completeness, quality, and accuracy issues were not identified and addressed more timely within the source systems used by each program office. Although the consolidations completed by ARC identified data completeness, quality, and accuracy issues, including duplicate or missing FAINs, missing or inaccurate DUNS® numbers, and excluded loan data, the issues were not identified by HUD at the program level, and ARC was not responsible for resolving these issues. Additionally, HUD failed to leverage resources from its private contractor to complete data quality resolution and DATA Act implementation before May 2017.”

OCFO suggests revising the text to:

“Additionally, the agency’s limited staffing resources imposed by OCFO management and the senior accountable official delayed completion of DATA Act implementation and reporting. As contractually obligated, HUD relied on its Federal shared service provider, Treasury’s Administrative Resource Center (ARC), to send data to the broker for submission of its fiscal year 2017 second quarter submission. Data completeness, quality, and accuracy issues were not identified and addressed timelier within the source systems used by each program office when developing file D2. HUD CFO, using legacy technology, identified data completeness, quality, and accuracy issues, including duplicate or missing FAINs, missing or inaccurate DUNS® numbers, and excluded loan data, the issues were not identified by HUD at the program level. Additionally, HUD failed to leverage resources from its private contractor to complete data quality resolution and DATA Act implementation before May 2017 due to contractual issues, including funding and vehicle limitations.”

Comment 7

In response to Page 9, under “**There Was a Lack of Management Governance Over DATA Act Implementation**”, 3rd paragraph:

“Additionally, management inaccurately represented HUD’s progress toward implementation in a December 8, 2016, testimony before the United States House of Representatives by stating that HUD had developed a plan that followed the eight steps outlined in the DATA Act Playbook and there had been proactive planning and management. Management represented that HUD was on track to complete milestones, while we were concluding our second attestation review showing that the agency was still unable to show progress in resolving the matters relating to reliance on many legacy and current financial systems with differing technologies and data elements. Further, HUD provided written representations as part of the attestation reviews, stating that it continued to lack sufficient resources to modify its systems and perform the required data inventory and mapping, which contradicted the testimony.”

Comment 8

OCFO suggests deleting the paragraph above for the following reasons:

At the time of the committee hearing, OCFO was optimistic in the ability to report DATA Act across all HUD components. During the hearing, management represented current status and planned activities accurately, as assessments were still being performed on the capability to report all HUD component data by the statutory deadline. Throughout the agile and collaborative process of implementation, HUD provided updates to DATA Act implementation statuses for all component to OMB and Treasury on a regular basis. Status communicated was not an inaccurate representation at the time.

In response to Page 9, under “HUD Had Weak Internal Controls Over DATA Act Reporting”, 2nd paragraph:

“HUD’s management did not consider internal control and risk management strategies outlined in OMB Circular No. A-123 for DATA Act reporting, including establishing policies and procedures and analytical review and analysis of data before the data were certified and submitted.”

OCFO suggests revising the text to:

“HUD’s management did not complete its internal control and risk management strategies outlined in OMB Circular No. A-123 for agency financial reporting or DATA Act reporting, including establishing policies and procedures and analytical review and analysis of data before the data were certified and submitted.”

Comment 9

In response to Page 10, under “Conclusion”, 3rd paragraph:

The data submitted by the agency and published on USASpending.gov as of second quarter of fiscal year 2017 did not present complete, timely, quality, and accurate financial and award data to those individuals accessing this information on the public platform. FHA contributed to a total absolute value of \$17.3 billion in obligations incurred and \$16.6 billion in outlays, and Ginnie Mae contributed to a total of \$558.3 million in obligations incurred and \$215.8 million in outlays, which were excluded from DATA Act reporting and not reported on USASpending.gov. Additionally, \$4.2 billion in apportionments was not reported to USASpending.gov.

OCFO suggests revising the text to:

The data submitted by the agency and published on [USASpending.gov](https://www.usaspending.gov) as of second quarter of fiscal year 2017 did not present complete, timely, quality, and accurate financial and award data to those individuals accessing this information on the public platform. Although HUD reported complete and accurate data for all components in file A, aligned with GTAS and SF 133 reporting as recommended in OMB M-17-04, the below totals were underreported from detailed DATA Act reporting (files B, C, and D2): \$17.9 billion in incurred obligations, \$16.9 billion in outlays, and \$4.2 billion in apportionments.

We look forward to working with you and your staff to resolve and close-out the recommendations.

If you have any questions or need additional information, please contact James Norsworthy at 202-402-6278.

cc:

Christopher B. Davies, Deputy Assistant CFO for Systems, FY

Melajo K. Kubacki, Deputy Assistant CFO for Financial Management, FM

Larry McGhee, Director, Audit Liaison Division, FMA

OIG Evaluation of Agency Comments

Comment 1 OIG recognizes that file A contained Ginnie Mae and FHA data as recommended in OMB M-17-4; however file A was incomplete and inaccurate due to \$4.2 billion in apportionments relating to HUD programs. Files B, C and D2 were underreported by \$17.9 billion in incurred obligations and \$16.9 billion in outlays for Ginnie Mae and FHA component entities. As such, changing the What We Found section of OIG highlights would be misrepresentative of file A.

Comment 2 The intent of the first paragraph in the Results of Audit section is to provide a brief summarization of the content in this section of the report. Furthermore, the first paragraph aligns with the What We Found section of the OIG Highlights. The causes described herein as HUD OCFO did not (1) follow financial data standards required by OMB and the U.S. Department of the Treasury, (2) allocate sufficient financial resources to DATA Act implementation and (3) maintain adequate internal controls, including data reconciliations, governance policies and identify roles and responsibilities of each entity involved in the agency's submission to USASpending.gov. OIG recognizes that file A contained Ginnie Mae and FHA data as recommended in OMB M-17-4; however file A was incomplete and inaccurate due to \$4.2 billion in apportionments relating to HUD programs. Files B, C and D2 were underreported by \$17.9 billion in incurred obligations and \$16.9 billion in outlays for Ginnie Mae and FHA component entities.

OIG acknowledges the Digital Accountability and Transparency Act of 2014 (DATA Act) added additional reporting requirements from the Federal Funding Accounting Accountability and Transparency Act of 2006 (FFATA) requiring FHA and Ginnie Mae to report data to USASpending.gov. The causes of the condition that OIG highlighted in Result of Audit, first paragraph, were those imposed by HUD OCFO implementation and reporting in compliance with DATA Act. The changes from the FFATA to DATA Act reporting requirements are an external factor that HUD OCFO was responsible to fulfill as of the statutory reporting deadline.

Comment 3 *Condition 1* OIG acknowledged that the reason for reporting "0" values in file B was to submit file A for HUD, FHA and Ginnie Mae data. The cross-validation between file A and file B required the FHA and Ginnie Mae data to be included in file B with the null value rather than the actual reported data. In our determination of accuracy and completeness, we identified "0" or null values to be "false" data because this was a misrepresentation of the actual reported balances for FHA and Ginnie Mae data. Although, the following statement is valid, "The submission of file B was inaccurate because null values replaced actual data, but reporting '0' values was necessary in order to submit a complete file A for HUD, FHA, and Ginnie Mae," it is the cause of the condition described herein. As such, OIG did not modify the condition as written.

Condition 2 OIG agrees with the modification to condition 2 because no FHA data was reported in file C, except for appropriation account 0402, and the false values of “0” impacted file B. The report was modified to state, “FHA was unable to consolidate data from multiple source systems for the financial assistance transactions reportable in file C, except for appropriation account 0402, resulting in no FHA data reported for file C. This condition also resulted in completeness, accuracy, and quality issues with the award and awardee attributes for financial assistance reported in file D2.”

Condition 3 OIG agrees with the modification to condition 3 because no Ginnie Mae data was reported in file C and the false values of “0” impacted file B. The report was modified to state, “(3) Ginnie Mae was unable to consolidate reportable data from the Ginnie Mae Financial and Accounting System for file C, resulting in no Ginnie Mae data reported for file C. This condition also resulted in completeness, accuracy and quality issues with the award and awardee attributes for financial assistance reported in file D2.”

Condition 6 – OIG recognizes that HUD OCFO recommends removing the following language from our report, however, we did not receive support during our compliance audit to confirm that the file D2 issues relating the Federal award identification number (FAIN) for public and Indian housing awards were resolved. As of June 26, 2017, OIG received documentation from OCFO Systems that there were eight public housing authorities (PHAs) that were excluded from the D2 submission. We determined that the total count for the FAINS associated with the eight were 238 with a total obligation balance of \$3.8 billion, which was reported in Condition 6.

Condition 9 OIG recognizes that HUD OCFO recommends removing the following language from our report, “HUD was unable to provide File E – Additional Awardee Attributes and File F – Sub-award Attributes. The senior accountable official asserted that the informational data within files E and F were obtained through the awardees and, therefore, HUD did not have access to produce the data during the scope of the audit.”, but there was no justification or basis for this position. OIG notes that the FAEC DATA Act Working Group released the Recommended DATA Act Considerations and Standard Reporting Language on October 10, 2017, which provides guidance for reporting on files E and F. OIG concludes that files E and F are the responsibility of the awardee; and therefore, Condition 9 include a footnote to describe the responsibility. Additionally, the Scope and Methodology section of the report will include standard reporting language for assessing E and F.

Comment 4 *File B and C BeginningPeriodOfAvailability and EndingPeriodOfAvailability Exceptions*

OIG is in agreement with OCFO for removing the 152 records with no beginning or ending period of availability dates. Although for financial reporting purposes Oracle federal financials contains the budget fiscal year (BFY) for no-year funds, we are in

agreement that the DATA Act Reporting Submission Requirements (RSS) v1.1 does not require the beginning or ending period of availability to be populated. The definitions per RSS v1.1 do not specifically reference no-year funding and obligations; therefore, OIG confirmed with the FAEC DATA Act Working group on October 18, 2017 how to interpret the reporting requirements BeginningPeriodOfAvailability, EndingPeriodOfAvailability and AvailabilityTypeCode. Based on their guidance, OIG agreed to remove this exception of 152 records from file B and 90,266 records from file C.

File B Exceptions

OIG assessed the HUD OCFO's compliance with DATA Act Information Model Schema Data Dictionary v1.1 required fields for file B. In our review of file B, we noted that there was a total of 49 rows relating to 13 FHA and Ginnie Mae main account codes or appropriation funds. We determined that 23 rows related to appropriation fund, 0402, which had data populated for Technology Information Research and Demonstrations and Technical Assistance and Capacity Building. As such, these records were not evaluated as part of the exception. The remaining 26 rows related to main account codes 0200, 0183, 0186, 0242, 0402, 4070, 4072, 4077, 4105, 4240, 4242, 4353, and 4587. After evaluating the false or null values included in the required fields, we determined that there was false values for 858 records. In conclusion, our final report will be updated to reflect the change from the 629 records to 858 total exceptions. As a note, OIG reported on each reporting element within each row of file B as one record.

File C Transaction Obligated Amount Exceptions

In OIG's review of file C, the transaction obligated amount did not show \$0, rather the field is blank. Therefore, the user could not determine that there was an actual \$0 dollar balance from Oracle Federal financials. In other columns, a "0" is entered, which would indicate a \$0 balance was reported from Oracle Federal financials. In our analysis, we assessed the inputted value in each reported field. Since there was no inputted field in the 54,302 records as stated in our audit report, we concluded that the record was an exception. This was the basis for the conclusion of "blank or false value". OIG conducted our compliance audit using DATA Act Information Model Schema (DAIMS) Reporting Submission Specification (RSS) v1.1, Submission Content Detailed Inventory - File C Award Financial to determine the reporting requirements for field, TransactionObligatedAmount. The instructions therein do not state to include null [blank] data.

In OCFO's response to our report, the Treasury DATA Act PMO guidance FAQ and Examples Related to File C Transaction Obligated Amount (TOA) was cited. Upon our review of *Question 3. How should USSGL and related subtotals be reported?*, we are in agreement with OCFO's position. OIG agreed to remove the exceptions in file C of 54,302 records to 0.

Comment 5 OIG acknowledges that HUD OCFO made progress with implementing DATA Act reporting for component entities, FHA and Ginnie Mae, with the adding the PeopleSoft patch until late 2nd quarter 2017. However, as of the statutory reporting date of Q2 2017, HUD did not have the capability to report FHA and Ginnie Mae data. Therefore we did not add the requested language regarding People Soft because it did not change HUD's capability to report FHA and Ginnie Mae data during the period under the audit. OIG notes that the Oracle federal financial requirement of the DATA Act patch for PeopleSoft may allow for HUD OCFO to report this data in future reporting periods.

Comment 6 We agree with the suggestion to change the text within page 8, "Weak Planning and Management Decision."

Comment 7 OIG acknowledges HUD OCFO's response regarding the December 8, 2016 testimony before the United States House of Representatives. However, we disagree that HUD was confident in their ability to complete implementation by the reporting deadline. In coordination of the second attestation review HUD CFO represented that, "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. 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." The scope of our engagement was as of December 16, 2016, which is within the timeframe of the testimony. Therefore, we concluded conflicting statements between the testimony and status represented during our readiness review. We concluded there was a lack of management governance over DATA Act implementation.

Comment 8 OIG conducted an assessment of HUD's compliance with OMB Circular A-123 Appendix A. On June 29, 2017, OIG received a response from HUD's CFO Financial Management Division regarding the inclusion of reporting to USASpending.gov and/or DATA Act Reporting and Controls was completed in the A-123 Compliance Review. OCFO Financial Management Division stated reporting under DATA Act was not in the scope of their assessment. In conclusion, we determined that HUD did not consider OMB Circular A-123, Appendix A compliance while implementing internal controls over DATA Act reporting. Therefore, it is appropriate to state, "did not consider". Furthermore, HUD did not provide evidence that it established and implemented internal controls for second quarter 2017 reporting.

Comment 9 OIG recognizes that file A contained Ginnie Mae and FHA data as recommended in OMB M-17-4; however file A was incomplete and inaccurate due to \$4.2 billion in apportionments relating to HUD programs. Files B, C and D2 were underreported by \$17.9 billion in incurred obligations and \$16.9 billion in outlays for Ginnie Mae

and FHA component entities. As such, changing the Conclusion section of the report would be misrepresentative of file A.