

NATIONAL ENDOWMENT FOR THE ARTS

Report of the National Endowment for the Arts' Compliance with the Digital
Accountability Transparency Act of 2014 for First Quarter Fiscal Year 2019

November 8, 2019





Ms. Ann Eilers
Deputy Chairman for Management and Budget
National Endowment for the Arts
Washington, District of Columbia

Dear Ms. Eilers:

Williams, Adley & Company-DC, LLP has conducted a performance audit of the National Endowment for the Arts' (the Arts Endowment's) compliance with the Digital Accountability and Transparency Act of 2014 for the first quarter of Fiscal Year 2019.

The objectives of our audit were to assess (1) the completeness, accuracy, timeliness, and quality of the first quarter Fiscal Year 2019 financial and award data submitted by the Art's Endowment for publication on USASpending.gov and (2) the Arts Endowment's implementation and use of the Government-wide financial data standards established by the Office of Management and Budget and the Department of the Treasury. This report is for the purpose of concluding on the audit objectives described above. Accordingly, this report is not suitable for any other purpose.

We conducted our audit in accordance with applicable *Government Auditing Standards*, 2011 Revision, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the cooperation provided by the Arts Endowment's personnel during the audit.

Sincerely,

A handwritten signature in black ink that reads 'Williams, Adley & Company-DC, LLP'.

Washington, District of Columbia
November 8, 2019

WILLIAMS, ADLEY & COMPANY-DC, LLP

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BACKGROUND

The Digital Accountability and Transparency Act of 2014 (DATA Act) was signed into law in May 2014 in an effort to increase the transparency of federal spending data by making it more accessible, searchable, and reliable to taxpayers. The DATA Act expanded on the requirements of the Federal Funding Accountability and Transparency Act of 2006 (FFATA) by requiring Federal agencies to report financial and award data in accordance with Government-wide financial data standards. In May 2015, the Office of Management and Budget (OMB) and the Department of Treasury (Treasury) published 57 data definition standards and required Federal agencies to report financial data in accordance with these standards for DATA Act reporting, beginning January 2017.

These standards ensure consistency across departments and agencies and define the specific data elements agencies must report under the DATA Act, such as appropriation account, object class, expenditures, and program activity. This information is published in the DATA Act Information Model Schema (DAIMS), which provides agencies an overall view of the hundreds of distinct data elements included in agencies' DATA Act files. The Arts Endowment's DATA Act submission is comprised of the following files:

Table 1: Agency-Created Files

File	Content	Description	Source
File A	Appropriations Account	Includes the appropriations account summary-level information.	Delphi
File B	Object Class and Program Activity	Includes the fiscal year cumulative Federal Budget Object Classification and program activity summary-level information.	Delphi
File C	Award-Level Financial	Includes record-level financial information for all awards, procurement, and financial assistance (i.e., grants and cooperative agreements) processed during the reporting period.	Delphi

Source: Prepared by Williams Adley based on Treasury and OMB guidance and testing performed.

Table 2: DATA Act Broker-Generated Files¹

File	Content	Description	Source
File D1	Award and Awardee Attribute - Procurement Awards	Contains the award and awardee attributes information for procurement awards sourced from Federal Procurement Data System - Next Generation (FPDS-NG). ²	FPDS-NG

¹ File F – FFATA Subaward Attributes are not discussed in this report since they are not applicable to the Arts Endowment .

² FPDS-NG is the repository for Federal procurement data that is operated by the General Services Administration. Agencies are required to report all contracts with an estimated value greater than \$10,000, and modifications to those contracts, into FPDS-NG.

File D2	Award and Awardee Attribute – Financial Assistance Awards	Contains the award and awardee attributes information for financial assistance awards sourced from Financial Assistance Broker Submission (FABS), which is populated with information from the Art Endowment’s Electronic Grants Management System.	FABS
File E	Additional Awardee Attributes	Contains additional awardee attributes information sourced from System for Award Management (SAM). ³	SAM

Source: Prepared by Williams Adley based on Treasury and OMB guidance and testing performed.

Files A through C are generated by the Arts Endowment, whereas Files D1 is generated from FPDS-NG, File D2 is generated from FABS and File E is generated from SAM. The Broker extracts the agency’s procurement information from FPDS-NG, FABS and SAM for files D1, D2 and E. The DATA Act Broker generates warnings and errors based on Treasury-defined rules. Errors represent major issues with submitted data that will not allow publication of the data. Warnings are less severe issues that will not prevent data publication.

The DATA Act requires that agency submissions be certified by the Senior Accountable Official (SAO). The SAO is a high-level senior official or their designee who is accountable for the quality and objectivity of Federal spending information. The SAO should ensure that the information conforms to OMB guidance on information quality and adequate systems and processes are in place within the agencies to promote such conformity. Once submitted, the data is displayed on USASpending.gov for taxpayers and policy makers.

Starting in FY 2019, OMB Circular A-123, Appendix A, *Management of Reporting and Data Integrity Risk* (M-18-16), established that agencies must develop a Data Quality Plan (DQP) to identify a control structure tailored to address identified risks. Quarterly certifications by the SAO should be based on the considerations of the agency’s DQP.

The DATA Act also requires Inspectors General to review a statistically-valid sample of the spending data submitted by their Federal agency and to submit to Congress a publicly available report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of the Government-wide financial data standards by the agency. The Council of the Inspectors General on Integrity and Efficiency (CIGIE) issued the Federal Audit Executive Council (FAEC) *Inspectors General Guide to Compliance Under the DATA Act* to provide IGs with a common methodology and reporting approach to use when performing this mandated work. The Arts Endowment’s Office of Inspector General contracted with Williams Adley to conduct an audit of the Arts Endowment’s FY 2019, Quarter 1 submission to satisfy this requirement.

³ SAM is operated by the General Services Administration. All organizations that do business or want to do business with the Federal Government must have an active registration for this system.

CIGIE identified a timing anomaly with the oversight requirements contained in the DATA Act. That is, the first Inspector General reports were due to Congress on November 2016; however, Federal agencies were not required to report spending data until May 2017. To address this reporting date anomaly, the inspector generals provided Congress with their first required reports by November 8, 2017, one year after the statutory due date, with two subsequent reports to be submitted on a 2-year cycle. On December 22, 2015, CIGIE's chair issued a letter detailing the strategy for dealing with the inspector general reporting date anomaly and communicated the strategy to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform. See CIGIE Anomaly Letter in Appendix A.

During the period of our audit, the Arts Endowment utilized the Enterprise Service Center's (ESC) as their DATA Act service provider. ESC is responsible for managing, hosting and maintaining the Art Endowment's accounting system, Delphi. The Delphi software is used to produce File C. Although ESC performs specific DATA Act financial reporting duties, the Arts Endowment, as the data owner, is primarily responsible to ensure that the integrity and quality of the data reported is complete, accurate and timely.

RESULTS OF AUDIT

The information submitted for inclusion in USAspending.gov for FY 2019, Quarter 1, was accurate, timely, complete, and in accordance with data standards. However, we did note an issue related to accurate implementation and use of the data standards in File D2 as described below.

Assessment of Internal Control over Source Systems

In FY 2019, the Arts Endowment used Delphi as its source system for processing and recording procurement and financial data and for generating its DATA Act submission. In addition to Delphi, the Arts Endowment utilized the Electronic Grants Management System as a source for their financial assistance awards. We performed procedures to determine whether internal controls over these systems, as they relate to its FY 2019, Quarter 1 DATA Act submission, were properly designed, implemented, and operating effectively. Those procedures consisted of:

- Gaining an understanding of the source system used for recording procurement and financial assistance awards and reporting under the DATA Act.
- Reviewing ESC's Statement of Standards for Attestation Engagements Number 18, Service Organization Controls (SOC) 1, Type 2 report and determining whether any issues were noted that could have an impact on the accuracy, timeliness, or quality of the DATA Act submission.
- Reviewing the Arts Endowment's FY 2018 Financial Statement Audit Report to identify whether any issues were noted with internal controls that could have an impact on the accuracy, timeliness, or quality of the DATA Act submission.
- Obtaining an understanding of Complementary User Entity Controls required by the SOC report and implemented by the Arts Endowment to determine whether gaps exist that might impact the accuracy, timeliness, or quality of the DATA Act submission.

- Reviewing the Arts Endowment's FY 2018 Financial Statement Audit Report to identify findings that could affect the reliability of the source system or data produced from it.

Based on the review of these internal controls over these systems, we found that the Arts Endowment designed and implemented effective internal controls over its source system.

Assessment of Internal Controls over DATA Act Submission

We performed inquiry and document review to determine whether internal controls over the DATA Act Submission were operating effectively. We found that overall, controls over the FY 2019, Quarter 1 DATA Act submission were effective; however, we noted that improvements could be made.

We obtained an understanding of internal controls designed and implemented by the Arts Endowment as it relates to its FY 2019, Quarter 1 DATA Act submission. The Arts Endowment relies on its shared service provider, ESC, to perform key functions related to payment processing, supplier setup, operations and maintenance, and financial reporting support. As it relates to the DATA Act, ESC prepares the DATA Act files with information from Delphi and makes any updates required as requested by the Arts Endowment.

Starting in FY 2019, Treasury requires agencies to develop a DQP. As of our fieldwork date, the Arts Endowment's DQP was still in draft form and did not include the specific risks the Arts Endowment was considering. OMB Circular A-123, Appendix A, *Management of Reporting and Data Integrity Risk* (M-18-16), requires that agencies consider its DQP in its annual assurance statement on internal controls over reporting, beginning in FY 2019. It is important that the Arts Endowment continue steps to finalize the DQP in adequate time for consideration in the Arts Endowment's annual assurance statement.

Through discussion with the Arts Endowment personnel and review of policies and procedures, we obtained an understanding of the Arts Endowment's process for reconciliation, validation, and certification of quarterly spending data submitted for publication in USAspending.gov. According to the Arts Endowment's standard operating procedures for the DATA Act, ESC performs all reconciliations for data files. Then, the Arts Endowment's Finance and Grants offices are responsible for providing any explanations for the causes of any discrepancies found by ESC. Once this process is complete, ESC uploads the files to the DATA Act Broker and informs the Arts Endowment to certify the data.

Results of Sample Tests Performed at the Award Level

We selected a statistically-valid random sample of procurement award records included in the Arts Endowment's File C for FY 2019, Quarter 1, to determine the completeness, accuracy, and timeliness of information submitted for publication in USAspending.gov. We also assessed the Arts Endowment's implementation and use of the 57 data definition standards established by OMB and Treasury.

Sampling Methodology:

In accordance with the *CIGIE DATA Act Guide*, we selected a sample of certified spending data records for transaction level testing. The *CIGIE DATA Act Guide* recommends auditors select their sample from the Agency's File C if suitable for sampling. In order to determine whether the Arts Endowment's File C was suitable for sampling, we:

- obtained an understanding of the Arts Endowment's process for ensuring File C is complete and Broker warnings have been addressed.
- tested certain linkages between File C and File B, such as Treasury Account Symbol, object class, and program activity.
- tested Procurement Instrument Identifier (PIID) linkages between File C and File D1 to ensure records included in File D1 are included in File C and vis-versa.
- tested Financial Assistance Identifier Number (FAIN) linkages between File C and File D2 to ensure records included in File D2 are included in File C and vice-versa.

Based on the work performed, we found File C suitable for sampling.

The *CIGIE DATA Act Guide* recommends a sample size of 385 records but provides an alternate sample size determination formula for agencies with smaller populations. The Arts Endowment's FY 2019, Quarter 1 File C contains 192 records. We randomly selected a statistically valid sample using the criteria set forth by *CIGIE* in the *DATA Act Guide*⁴, as follows:

- Confidence level – 95 percent
- Expected error rate – 20 percent⁵
- Sample Precision – 5 percent

Using these boundaries, we selected a sample size of 100 records.

Included in these 100 samples were seven procurement awards. For each procurement record selected for testing, we compared the information in the Arts Endowment's File C and File D1 to the source document (such as contract, modification, or other obligating document) to determine whether the records submitted for publication in USA Spending.gov were complete, accurate, and timely, as defined below. The remaining 93 sample records selected were financial assistance awards. Similarly, for each financial assistance award selected, we compared the information in the Arts Endowment's File C and File D2 to the source document (such as the grant awarding documentation, notice of action forms, or other documents) to determine whether the records submitted for publication in USA Spending.gov were complete, accurate, and timely, as defined below.

Table 3: Completeness, Accuracy, and Timeliness Definitions

Attribute	Definition
Completeness	For each of the required data elements that should have been reported, the data element was reported in the appropriate files A through D2.

⁴ *CIGIE FAEC Inspectors General Guide to Compliance under the DATA Act, 2/14/2019, Section 560.02*

⁵ Determined based on the results of the November 2017 testing of the Art Endowment's DATA Act information as required by *CIGIE*

Attribute	Definition
Accuracy	Amounts and other data relating to recorded transactions have been recorded in accordance with the DAIMS, Reporting Submission Specification, Interface Definition Document, and the online data dictionary; and agrees with authoritative source documentation.
Timeliness	<p>For each of the required data elements that should have been reported, the data elements were reported in accordance with the reporting schedules defined by the financial, procurement, and financial assistance requirements. To assess the timeliness of data elements:</p> <ul style="list-style-type: none"> • Award financial data elements within File C should be reported within the quarter in which it occurred. • Procurement award data elements within File D1 should be reported in FPDS-NG within 3 business days after contract award in accordance with the Federal Acquisition Regulations Part 4.604. • Financial assistance award data elements within File D2 should be reported no later than 30 days after award, in accordance with FFATA.

Source: CIGIE FAEC Inspectors General Guide to Compliance under the DATA Act, 2/14/2019, Section 580.02-580.04

Summary-Level Data and Linkages for Files A, B, and C

We verified the accuracy and completeness of File A by reconciling the data to the agency's Governmentwide Treasury Account Symbol (GTAS) Standard Form 133. We found that File A contained all data that should have been reported according to the Arts Endowment's Standard Form 133. We then reconciled Files A and B to determine if there was accurate linkage between the files. Through our testwork, we noted that Files A and B were accurate. Additionally, we reconciled the linkages between Files A, B, and C to determine if the linkages were valid and to identify any significant variances between the files. Our testwork did not identify any significant variances between Files A, B, and C.

Completeness and Timeliness of Agency Submission

We evaluated the Arts Endowment's DATA Act submission to Treasury's DATA Act Broker and determined whether the submission was complete and submitted timely.

Due to the federal government shutdown between December 22, 2018 to January 25, 2019, Treasury DATA Act Program Management Office extended the due date for agency submissions for FY 2019, Quarter 1 to March 20, 2019. The Arts Endowment submitted its FY 2019, Quarter 1 submission on March 13, 2019, which is before the deadline required by Treasury. Therefore, we determine the Art Endowment's DATA Act submission to be timely.

To determine whether the Arts Endowment's submission was complete, we evaluated Files A, B, and C to determine whether all transactions and events that should have been recorded were recorded in the proper period. We noted three instances where a record was included in File C but was not included in File D2 even though it should have been. These three instances occurred as follows:

- One record was erroneously not recorded until the next quarterly reporting period. The Arts Endowment's explained that the delay in recording process was a result of the government

shutdown. Once the government re-opened, there was a backlog of tasks, resulting in this financial assistance award not being recorded until February 21, 2019. Since the action occurred on December 19, 2018, it should have been recorded in the FY 2019 Q1 File D2 submission.

- The other two instances were due to an inaccurate Broker rejection. The Broker did not accept these de-obligation actions as the awardee's SAM registration was expired. However, while current SAM registration is required at the time of award, a de-obligation to remove unused funds from a grant does not require an active SAM registration. See further details in Appendix D.

Based on the procedures performed, we determine that the Arts Endowment's FY 2019, Quarter 1 DATA Act submission was timely and substantially complete.

Record-Level Data and Linkages for Files C and D

We selected a sample of 100 records and tested 57 data elements for completeness, accuracy, and timeliness.

Completeness of the Data Elements

The projected error rate for the completeness of the data elements is 2.59%⁶. A data element was considered complete if the required data element that should have been reported was reported. All the data element completeness errors noted were caused by the three records missing from File D2 as described in the section above.

Accuracy

The projected error rate for the accuracy of the data elements is 5.13%⁷. A data element was considered accurate when amounts and other data relating to recorded transactions were recorded in accordance with DAIMS requirements and agree with the authoritative source records.

The inaccuracies discovered during procurement award testing were related to the current total value of the award and the potential total value of the award reported. For the two transactions that had incorrect data for these fields, the Arts Endowment did not correctly report the base and modifications exercised to present the current total of the award. Similarly, for the second transaction the Arts Endowment did not include all modifications in the potential total of the award. Enhancing internal controls to verify that this calculation is done accurately and completely would ensure this data is reported appropriately in future quarters.

The majority of the accuracy errors we noted for the 93 financial assistance records pertained to inaccurate data reported in the Award Modification/Amendment Number data element included in the Arts Endowment's File D2. As described in more detail in the *Implementation and Use of Data Standards* section below, there were issues with the Arts Endowment's understanding of the definition and permissible use of optional fields.

⁶ Based on a 95% confidence level, the projected error rate for the completeness of the data elements is between 0% and 7.59%. *Margin of error is plus and minus 5 percentage points without going below 0.*

⁷ Based on a 95% confidence level, the projected error rate for the accuracy of the data elements is between 0.13% and 10.13%. *Margin of error is plus and minus 5 percentage points without going below 0.*

Timeliness of the Data Elements

The projected error rate for the timeliness of the data elements is 2.76%⁸. The timeliness of data elements was based on the reporting schedules defined by the procurement and financial assistance requirements. The untimeliness errors were in relation to the three instances identified under the Completeness and Timeliness of Agency Submission section.

Quality

The quality of the data elements was determined using the midpoint of the range of the proportion of errors (error rate) for completeness, accuracy and timeliness. The highest of the three error rates was used as the determining factor of quality. The following table provides the range of error in determining the quality of the data elements.

Table 4: Data Quality Levels

Error Rate	Quality Level
0% - 20%	Higher
21% - 40%	Moderate
41% and above	Lower

Source: CIGIE FAEC Inspectors General Guide to Compliance under the DATA Act, 2/14/2019, Section 710.04

Based on our testwork and the highest error rate of 5.19%, we determined that the quality of the Arts Endowment's data is considered **Higher**.

Implementation and Use of the Data Standards

The CIGIE Guide⁹ requires auditors to assess Federal agencies' implementation and use of the Government-wide financial data standards established by OMB and Treasury. On the basis of work performed for this audit, we evaluated the Arts Endowment's implementation and use of the Government-wide financial data standards for spending information as developed by OMB and Treasury and concluded that improvements are needed to ensure the consistent application of data standards.

Specifically, we noted that the Arts Endowment submitted inaccurate data under Award Modification Amendment Number for all awards reported in File D2. According to Treasury and OMB guidance, data reported for this element is defined as the identifier of an action to indicate a specific subsequent change has occurred to the initial award¹⁰.

During FY 2019, Quarter 1, the Arts Endowment used this field for internally tracking numbers that did not comply with the definition in DAIMS. The numerical data reported in this field for all financial assistance awards represented a table reference that allowed the Arts Endowment management to quickly locate where the data for a specific award resides within their Electronic Grants Management System. This data did not represent a change to an initial award,

⁸ Based on a 95% confidence level, the projected error rate for the timeliness of the data elements is between 0% and 7.62%. Margin of error is plus and minus 5 percentage points without going below 0.

⁹ "CIGIE FAEC Inspectors General Guide to Compliance under the DATA Act," § 120, at 2.

¹⁰ Bureau of Fiscal Service, DATA Act Information Model Schema (DAIMS) Reporting Submission Specification (RSS) Version 1.3.1, 2/8/2019, Schema Version 1.3.1

as defined by DAIMS. DAIMS states that this data element is an optional field, therefore the Arts Endowment believed it was allowed to use the field at their discretion as long as they reported data within the maximum field length of 25 characters. Although this field is optional, the CIGIE Guide requires that if an agency reported an optional data element, the audit team should test the accuracy of the element and include those results in the projection. Therefore, we considered this an error.

Including inaccurate information in its DATA Act submission could lead USAspending.gov users to believe an award was modified when it wasn't. We recommend the Arts Endowment only report data that meets the Treasury approved definition.

Results of Work Performed Related to Federal Shared Service Providers

Federal shared services are arrangements under which one agency (the provider) provides information technology, human resources, financial, or other services to other departments, agencies, and bureaus (the customers). As discussed above, the Arts Endowment uses the Federal Shared Service Provider, ESC, in its process for preparing and submitting data for inclusion in USAspending.gov. The role of ESC as it relates to the DATA Act is discussed in greater detail in the Background section of this report.

We reviewed ESC's SSAE 18, SOC 1, Type 2 report and related gap letter to determine whether any issues were noted that could have an impact on the accuracy, timeliness, or quality of the Arts Endowment's DATA Act submission. The SOC report did not contain any findings that affect the Arts Endowment's ability to submit accurate, complete, and timely data for publication on USAspending.gov.

We also obtained an understanding of complementary user entity controls required by the SOC report and implemented by ESC, and did not note any gaps that might impact the accuracy, timeliness, or quality of the DATA Act submission.

We also reviewed the results of our FY 2018 Financial Statement Audit of the Arts Endowment. While we did not identify any material weaknesses or significant deficiencies that could affect the timeliness, accuracy, or completeness of the DATA Act submission, we did identify certain control weaknesses related to access controls and configuration management that we included as management letter comments. We do not believe these previous findings substantially impacted the FY 2019, Quarter 1 DATA Act submission.

Conclusion

We conclude that, overall, the Arts Endowment's FY 2019, Quarter 1 submission for publication on USAspending.gov was timely, substantially complete, and the data was of higher quality. However, as described above we identified two specific areas that the Arts Endowment can improve to strengthen controls surrounding its DATA Act compilation process related to financial assistance awards. This area includes re-mapping the Award Modification/Amendment Number to only report data that meets the definition in DAIMS. These changes, if properly implemented, could further improve the accuracy, completeness, and timeliness of its submitted data.

RECOMMENDATIONS

We recommend the Arts Endowment management:

1. Reassign the source of the Award Modification Amendment Number in File D2 to ensure that data reported for each record meets the Treasury approved definition.
2. Enhance internal controls over entry of the Current Total Value of Awards and Potential Total Value of Awards data into FPDS-NG to ensure the accuracy of the amounts submitted.

APPENDIX A – ANOMALY LETTER

CIGIE's DATA Act Anomaly Letter Submitted to the Senate Committee on Homeland Security and Government Affairs and the House Committee on Oversight and Government Reform.



December 22, 2015

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

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

Dear Mr. Chairmen and Ranking Members:

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

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

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

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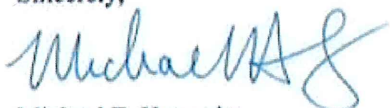
intent of the oversight provisions in the DATA Act and provide useful reports for the public, the Congress, the Executive Branch, and others.

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

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

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

Sincerely,



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

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

APPENDIX B – The Art Endowment’s RESULTS FOR THE DATA ELEMENTS

Of the 100 records selected for testing, seven were related to procurement records submitted in the Arts Endowment’s DATA Act submission for the first quarter of FY 2019. The table below provides the projected error rates for each data element based on the results of our testing of the data elements related to the PIIDs from the Arts Endowment’s DATA Act Files C and D1.

Since the Arts Endowment’s final DQP was not completed at the time of our fieldwork and the draft DQP did not identify the specific risks the Arts Endowment was considering. As such, we were unable to determine whether these risks are consistent with the risks identified in its DQP.

Table 5: File D1 Results - Procurement Awards¹¹

The Art Endowment’s PIID results listed in <u>descending</u> order by accuracy error rate percentage.					
Accuracy (A), Completeness (C), Timeliness (T)					
Data Element No.	File	Data Element Name	Error Rate ¹²		
			C	A	T
27	File D1	Period of Performance Current End Date	0%	14%	0%
14	File D1	Current Total Value of Award	0%	29%	0%
15	File D1	Potential Total Value of Award	0%	29%	0%
24	File C	Parent Award ID Number	0%	0%	0%
34	File C	Award ID Number (PIID/FAIN)	0%	0%	0%
50	File C	Object Class	0%	0%	0%
51	File C	Appropriations Account	0%	0%	0%
53	File C	Obligation	0%	0%	0%
56	File C	Program Activity	0%	0%	0%
1	File D1	Awardee/Recipient Legal Entity Name	0%	0%	0%
2	File D1	Awardee/Recipient Unique Identifier	0%	0%	0%
3	File D1	Ultimate Parent Unique Identifier	0%	0%	0%
4	File D1	Ultimate Parent Legal Entity Name	0%	0%	0%
5	File D1	Legal Entity Address	0%	0%	0%
6	File D1	Legal Entity Congressional District	0%	0%	0%
7	File D1	Legal Entity Country Code	0%	0%	0%
8	File D1	Legal Entity Country Name	0%	0%	0%
11	File D1	Federal Action Obligation	0%	0%	0%
16	File D1	Award Type	0%	0%	0%
17	File D1	NAICS Code	0%	0%	0%
18	File D1	NAICS Description	0%	0%	0%

¹¹ Data elements that are not required or applicable to a sample are not included in the calculation of error rates

¹² All estimates from the sample have a margin of error no greater than plus or minus 5 percentage points unless otherwise noted.

The Art Endowment's PIID results listed in <u>descending</u> order by accuracy error rate percentage.					
Accuracy (A), Completeness (C), Timeliness (T)					
Data Element No.	File	Data Element Name	Error Rate ¹²		
			C	A	T
22	File D1	Award Description	0%	0%	0%
23	File D1	Award Modification / Amendment Number	0%	0%	0%
24	File D1	Parent Award ID Number	0%	0%	0%
25	File D1	Action Date	0%	0%	0%
26	File D1	Period of Performance Start Date	0%	0%	0%
28	File D1	Period of Performance Potential End Date	0%	0%	0%
29	File D1	Ordering Period End Date	0%	0%	0%
30	File D1	Primary Place of Performance Address	0%	0%	0%
31	File D1	Primary Place of Performance Congressional District	0%	0%	0%
32	File D1	Primary Place of Performance Country Code	0%	0%	0%
33	File D1	Primary Place of Performance Country Name	0%	0%	0%
34	File D1	Award ID Number (PIID)	0%	0%	0%
36	File D1	Action Type	0%	0%	0%
38	File D1	Funding Agency Name	0%	0%	0%
39	File D1	Funding Agency Code	0%	0%	0%
40	File D1	Funding Sub Tier Agency Name	0%	0%	0%
41	File D1	Funding Sub Tier Agency Code	0%	0%	0%
42	File D1	Funding Office Name	0%	0%	0%
43	File D1	Funding Office Code	0%	0%	0%
44	File D1	Awarding Agency Name	0%	0%	0%
45	File D1	Awarding Agency Code	0%	0%	0%
46	File D1	Awarding Sub Tier Agency Name	0%	0%	0%
47	File D1	Awarding Sub Tier Agency Code	0%	0%	0%
48	File D1	Awarding Office Name	0%	0%	0%
49	File D1	Awarding Office Code	0%	0%	0%

Source: Auditor Generated based on the results of testing performed.

Table 6: File D1 Results - Financial Assistance Awards

Of the 100 items selected for testing, 93 were related to domestic financial assistance records submitted in the DATA Act submission for the first quarter of FY 2019. The table below provides the projected error rates for each data element based on the results of our testing of the data elements related to the Federal Award Identification Numbers from the Arts Endowment's DATA Act Files C and D2.

The Art Endowment's FAIN results listed in descending order by accuracy error rate percentage. Accuracy (A), Completeness (C), Timeliness (T)					
Data Element No.	File	Data Element Name	Error Rate ¹³		
			C	A	T
2	File D2	Awardee/Recipient Unique Identifier	4%	4%	4%
5	File D2	Legal Entity Address	3%	3%	3%
7	File D2	Legal Entity Country Code	3%	3%	3%
8	File D2	Legal Entity Country Name	3%	3%	3%
11	File D2	Federal Action Obligation	3%	3%	3%
13	File D2	Amount of Award	3%	3%	3%
16	File D2	Award Type	3%	3%	3%
19	File D2	Catalog of Federal Domestic Assistance (CFDA) Number	3%	3%	3%
20	File D2	Catalog of Federal Domestic Assistance (CFDA) Title	3%	3%	3%
22	File D2	Award Description	3%	3%	3%
25	File D2	Action Date	3%	3%	3%
30	File D2	Primary Place of Performance Address	3%	3%	3%
32	File D2	Primary Place of Performance Country Code	3%	3%	3%
33	File D2	Primary Place of Performance Country Name	3%	3%	3%
34	File D2	Award ID Number (FAIN)	3%	3%	3%
35	File D2	Record Type	3%	3%	3%
36	File D2	Action Type	3%	3%	3%
37	File D2	Business Types	3%	3%	3%
38	File D2	Funding Agency Name	3%	3%	3%
39	File D2	Funding Agency Code	3%	3%	3%
40	File D2	Funding Sub Tier Agency Name	3%	3%	3%
42	File D2	Funding Office Name	3%	3%	3%
44	File D2	Awarding Agency Name	3%	3%	3%
45	File D2	Awarding Agency Code	3%	3%	3%
46	File D2	Awarding Sub Tier Agency Name	3%	3%	3%
47	File D2	Awarding Sub Tier Agency Code	3%	3%	3%
48	File D2	Awarding Office Name	3%	3%	3%
12	File D2	Non-Federal Funding Amount	1%	2%	2%
26	File D2	Period of Performance Start Date	1%	1%	1%
27	File D2	Period of Performance Current End Date	1%	1%	1%
34	File C	Award ID Number (PIID/FAIN)	0%	0%	0%
50	File C	Object Class	0%	0%	0%
51	File C	Appropriations Account	0%	0%	0%
53	File C	Obligation	0%	0%	0%
56	File C	Program Activity	0%	0%	0%
24	File C	Parent Award ID Number	N/A	N/A	N/A

¹³ All estimates from the sample have a margin of error no greater than plus or minus 5 percentage points unless otherwise noted.

The Art Endowment's FAIN results listed in descending order by accuracy error rate percentage.
Accuracy (A), Completeness (C), Timeliness (T)

Data Element No.	File	Data Element Name	Error Rate 13		
			C	A	T
14	File D2	Current Total Value of Award	N/A	N/A	N/A
41	File D2	Funding Sub Tier Agency Code	N/A	N/A	N/A
43	File D2	Funding Office Code	N/A	N/A	N/A
49	File D2	Awarding Office Code	N/A	N/A	N/A

Source: Auditor generated based on results of testing

APPENDIX C – ANALYSIS OF THE ACCURACY OF DOLLAR VALUE-RELATED DATA ELEMENTS

Our testing included tests of certain dollar value-related data elements, such as federal action obligation, current total value of award, potential total value of award, and transaction obligation amount. The table below shows the results of the accuracy of the data elements related to dollar value.

Table 7: Accuracy of Dollar Value Related Data Elements

Accuracy of Dollar-Value Related Data Elements								
Type		Data Element	Accurate	Not Accurate	N/A	Total Tested	Error Rate	Absolute Value of Errors ¹⁴
PIID	DE 11	Federal Action Obligation	7	0	-	7	0%	-
PIID	DE 14	Current Total Value of Award	5	2	-	7	29%	\$177,243
PIID	DE 15	Potential Total Value of Award	5	2	-	7	29%	\$74,774
PIID	DE 53	Transaction Obligation Amount	7	0	-	7	0%	-
FAIN	DE 11	Federal Action Obligation	90	3	-	93	3%	\$20,413
FAIN	DE 53	Transaction Obligation Amount	93	-	-	93	0%	-
		Total	207	7	0	214		\$272,430

Source: Auditor generated based on results of testing

¹⁴ The amounts included in the table are not projectable to the universe.

APPENDIX D – ANALYSIS OF ERRORS IN DATA ELEMENTS NOT ATTRIBUTABLE TO THE AGENCY

Our statistical sampling results included all errors discovered in the data reported, whether the error was caused by the agency or a third-party system¹⁵

During our testing we discovered two (2) FAIN records to have inaccurate information reported in File D2 for data elements 6 and 31. For both of these records, File D2 reported the Legal Entity Congressional District (DE 6) and the Primary Place of Performance Congressional District (DE 31) as “2”. However, the Arts Endowment’s source documentation and the House of Representatives online database¹⁶ provide that the accurate congressional district based on the address of the awardee was district “3”. The zip code associated with this award was re-districted in February of 2018. SAM.gov failed to provide the updated congressional district when populating the information for these records.

Additionally, we found two instances in which a de-obligation that was accurately recorded in File C was not reported in File D2 due to a third-party error. These two (2) actions were to de-obligate the remaining grant amount awarded that the awardee had not used. At the time the financial assistant award was first obligated, the Arts Endowment verified that the recipient was registered in SAM, as required. When the award was de-obligated, the awardee’s SAM registration had expired. Frequently with de-obligations the awardee organizations are either no longer in business or are not intending to continue work with the federal government and thus do not update their SAM registration. While the Arts Endowment was able to report the data into FABS, the Broker did not accept these two (2) actions due to the expired SAM registration. SAM registration is not required for an entity de-obligating the remainder of a financial assistant award and thus, the Broker should have accepted the record, allowing it to be accurately reported in File D2.

Table 8: Errors in Data Elements Not Attributable to the Agency

Errors in Data Elements Not Attributable to the Agency			
PIID/FAIN		Data Element	Attributed to
FAIN	DE 6	Legal Entity Congressional District	Outdated Information in SAM
FAIN	DE 31	Primary Place of Performance Congressional District	Outdated Information in SAM
FAIN	N/A	All Data Elements included in File D2	Treasury’s DATA Act Broker Extracting from SAM

Source: Auditor generated based on results of testing

¹⁵ CIGIE FAEC Inspectors General Guide to Compliance under the DATA Act, 2/14/2019, Section 590.06

¹⁶ House of Representatives, Find Your Representative, <https://www.house.gov/representatives/find-your-representative>.

APPENDIX E – STANDARD LANGUAGE FOR REPORTING PROVIDED BY THE COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

Testing Limitations for Data Reported in File E

File E of the DATA Act Information Model Schema (DAIMS) contains additional awardee attribute information the broker extracts from the System for Award Management (SAM). File F contains sub-award attribute information the broker extracts from the FFATA Subaward Reporting System. Files E and F data remains the responsibility of the awardee in accordance with terms and conditions of Federal agreements; and the quality of this data remains the legal responsibility of the recipient. Therefore, agency senior accountable officials are not responsible for certifying the quality of File E and F data reported by awardees, but they are responsible for assuring controls are in place to verify that financial assistance awardees register in SAM at the time of the award. As such, we did/did not assess the completeness, timeliness, quality, and accuracy of the data extracted from SAM and FFATA Subaward Reporting System via the DATA Act broker system.

Period of Performance Start Dates for Procurement Awards

The DATA Act Information Model Schema (DAIMS) defines Period of Performance Start Date as the date on which, for the award referred to by the action being reported, awardee effort begins or the award is otherwise effective. For modifications of procurement awards, it is not clear whether “the award referred to” is the initial award or the modification and neither the Office of Management and Budget nor Treasury’s DATA Act Program Management Office has issued guidance with specific instructions on this. Thus, for procurement awards with modifications, if agencies recorded the initial award date or the date of the modification as the start date, in accordance with their internal policies and procedures/practices, it is not an error for DATA Act reporting purposes.

APPENDIX F – OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of this audit are to assess (1) the completeness, accuracy, timeliness, and quality of the financial and award data the Arts Endowment submitted for publication on USASpending.gov and (2) the Arts Endowment's implementation and use of the Government-wide financial data standards established by OMB and the Department of Treasury (Treasury).

To achieve these objectives, we met with the Arts Endowment management and staff to obtain an understanding of processes and internal controls related to the preparation and certification of the Fiscal Year (FY) 2019, Quarter 1 Digital Accountability and Transparency Act of 2014 (DATA Act) submission. We also assessed whether internal and information system controls as they relate to the extraction of data from the source systems and the reporting of data to the DATA Act Broker¹⁷ have been properly designed and implemented, and are operating effectively. We also reviewed SOC reports over source systems to determine findings that could have a significant impact on the Arts Endowment's DATA Act submission.

We selected a statistically valid sample of certified spending data from the Arts Endowment's certified File C (award level transactions) for testing to determine whether the Arts Endowment's DATA Act submission was complete, timely and accurate.

The scope of this audit was fiscal year 2019, first quarter financial and award data submitted by the Arts Endowment for publication on USASpending.gov, and any applicable procedures, certifications, documentation, and controls to achieve this process.

We conducted our performance audit from June 1, 2019 to October 30, 2019 in accordance with *Government Auditing Standards*, 2011 revision. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹⁷ The DATA Act Broker is a tool that The Department of the Treasury developed to allow agencies to submit the required data in a standardized format for publication on USASpending.gov.

APPENDIX G - ACRONYMS

CIGIE	Council of the Inspectors General on Integrity and Efficiency
DAIMS	DATA Act Information Model Schema
DATA Act	Digital Accountability and Transparency Act of 2014
DQP	Data Quality Plan
ESC	Enterprise Services Center
FABS	Financial Assistance Broker Submission
FAEC	Federal Audit Executive Council
FY	Fiscal Year
FPDS-NG	Federal Procurement Data System - Next Generation
FFATA	Federal Funding Accountability and Transparency Act of 2006
GTAS	Governmentwide Treasury Account Symbol
NOA	Notice of Action
OMB	Office of Management and Budget
PIID	Procurement Instrument Identifier
SAM	System for Award Management
SAO	Senior Accountable Official
SOC	Service Organization Controls

APPENDIX H - MANAGEMENT RESPONSE

Thank you for the opportunity to review the draft Independent Auditor's Report on the National Endowment for the Arts (the Arts Endowment) Compliance with the Digital Accountability Transparency Act of 2014 for First Quarter Fiscal Year 2019. We are pleased that your audit found that the Arts Endowment's FY2019 Quarter 1 submission was substantially complete, accurate and timely and the data quality was considered higher quality based on the CIGIE DATA Act guidance. In response to your audit reports recommendations we provide:

- We will be reviewing the mapping of the Award Modification Amendment Number in File D2, and making appropriate adjustments to ensure that data reported meets the Treasury approved definition.
- We will be reviewing the internal controls over the entry of the Current Total Value of Awards and Potential Total Value of Awards data into FPDS-NG to assess controls to help ensure the accuracy of the amounts submitted.

I commend the Arts Endowment staff for their strong contributions and commitment to continuously improving internal controls and resulting DATA Act reporting for the Agency. I would like to thank your staff and Williams Adley and Company, for their professionalism during the audit.