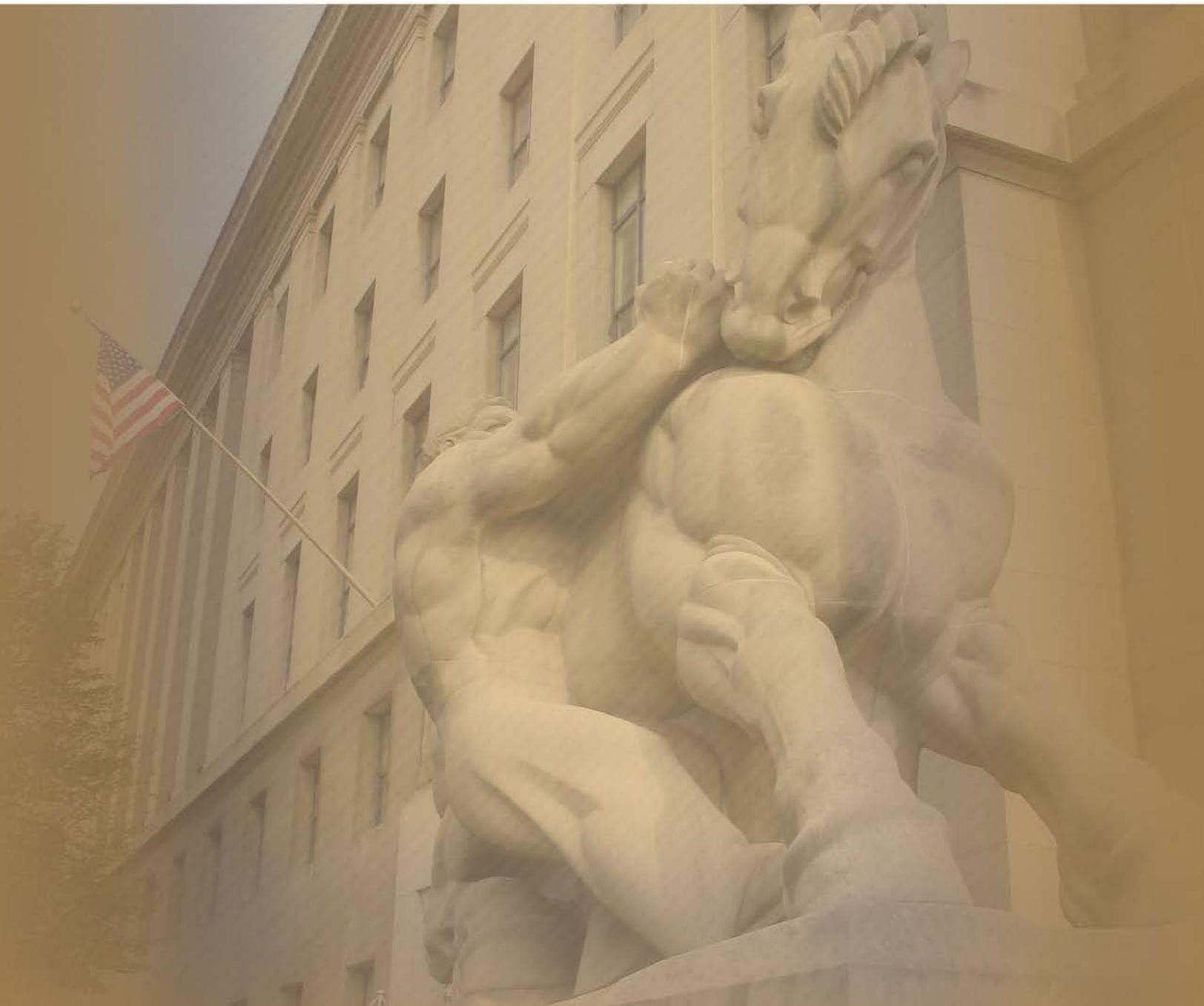


OIG Independent Evaluation **of the Federal Trade Commission's** **Compliance with Provisions of the** **Digital Accountability and Transparency Act Of 2014**

Report No. AR 18-01//November 2017





Office of Inspector General

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 8, 2017

MEMORANDUM

TO: Maureen K. Ohlhausen, Acting Chairman
Terrell McSweeney, Commissioner

FROM: Roslyn A. Mazer
Inspector General

A handwritten signature in black ink, appearing to read "Roslyn A. Mazer", with a long horizontal flourish extending to the right.

As required by the Digital Accountability and Transparency Act of 2014 (DATA Act) attached is our independent evaluation of the Federal Trade Commission's (FTC) compliance with the DATA Act.¹

We contracted with the independent certified public accounting firm of Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to perform an audit of the FTC's reporting and implementation of the DATA Act. The objectives of the audit were to assess the: (1) completeness, timeliness, quality, and accuracy of Fiscal Year (FY) 2017, second quarter financial and award data submitted for publication on USASpending.gov; and (2) the FTC's implementation and use of the Government-wide financial data standards established by the Office of Management and Budget (OMB) and the Department of the Treasury (Treasury). The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards,

In its audit of the FTC, Brown & Company found that the FTC's FY 2017 second quarter financial and award data for the quarter ended March 31, 2017, is presented in accordance with the OMB's and Treasury's published 57 data definition standards for DATA Act reporting in all material respects.

Brown & Company is responsible for the attached auditor's report dated November 8, 2017, and the conclusions expressed. We do not express an opinion on the FTC's FY 2017 second quarter financial and award data submitted by the FTC as of March 31, 2017.

¹ Public Law No. 113-101 (May 9, 2014). The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006, Public Law No. 109-282 (September 26, 2006).

In accordance with the Inspector General Act of 1978, as amended, we are providing copies of this report to congressional committees with oversight and appropriation responsibilities over the FTC. In addition, we will post the report on our public website.

We appreciate the cooperation afforded by management to Brown & Company and my office during the audit. Should you have any questions or would like to discuss the report, please contact me or OIG Audit Manager Mary Harmison at (202) 326-3527.

Enclosure

Report Distribution

Federal Trade Commission

Svetlana Gans, Chief of Staff
David B. Robbins, Executive Director
Patricia Bak, Deputy Executive Director
Monique Fortenberry, Deputy Executive Director
David Rebich, Chief Financial Officer
Joseph D. Oleska, Jr., Deputy Chief Financial Officer
Tonia Hill, Internal Control/Risk Management Program Lead

Congressional Committees and Subcommittees

United States Senate Committee on Homeland Security and Governmental Affairs
The Honorable Ron Johnson, Chairman
The Honorable Claire McCaskill, Ranking Member

United States House Committee on Oversight and Government Reform
The Honorable Trey Gowdy, Chairman
The Honorable Elijah E. Cummings, Ranking Member

United States Senate Committee on the Budget
The Honorable Mike Enzi, Chairman
The Honorable Bernie Sanders, Ranking Member

United States House Committee on the Budget
The Honorable Diane Black, Chairman
The Honorable John Yarmuth, Ranking Member

Non-FTC Organizations and Individuals

United States Government Accountability Office
DATAActImplementation@gao.gov

United States Department of the Treasury, Office of Inspector General
DATAAct@oig.treas.gov

FTC Appropriations and Authorizing Committees

United States House Judiciary Committee
The Honorable Bob Goodlatte, Chairman
The Honorable John Conyers, Ranking Member

United States House Energy and Commerce Committee
The Honorable Greg Walden, Chairman
The Honorable Frank Pallone, Jr., Ranking Member

United States House Appropriations Committee
The Honorable Rodney Frelinghuysen, Chairman
The Honorable Nita Lowey, Ranking Member

United States Senate Judiciary Committee
The Honorable Charles E. Grassley, Chairman
The Honorable Dianne Feinstein, Ranking Member

United States Senate Committee on Commerce, Science, & Transportation
The Honorable John Thune, Chairman
The Honorable Bill Nelson, Ranking Member

United States Senate Appropriations Committee
The Honorable Thad Cochran, Chairman
The Honorable Patrick Leahy, Vice Chairman

**Independent Evaluation of the
Federal Trade Commission's
Compliance with Provisions of the
Digital Accountability and Transparency Act of 2014
(DATA Act)
Second Quarter of FY 2017**



Office of Inspector General

November 8, 2017

Prepared by:

**Brown & Company
Certified Public Accountants and Management Consultants, PLLC
1101 Mercantile Lane, Suite 122
Largo, Maryland 20774
(240) 770-4903**



BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

Independent Auditor's Report

Federal Trade Commission
Joseph D. Oleska, Jr., Deputy Chief Financial Officer
Senior Accountable Official
Washington, DC

We have examined the second quarter financial and award data of the U.S. Federal Trade Commission (FTC) as of March 31, 2017, in accordance with the Digital Accountability and Transparency Act of 2014 (DATA Act). The FTC's management is responsible for reporting financial and award data in accordance with the Office of Management and Budget (OMB) and Treasury published 57 data definition standards, as applicable, for DATA Act reporting. Our responsibility is to express an opinion on the fiscal year (FY) 2017 second quarter financial and award data based on our examination.

Our examination was conducted in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the FY 2017 second quarter financial and award data was reported in accordance with the DATA Act reporting criteria, in all material respects. An examination involves performing procedures to obtain evidence about the FY 2017 second quarter financial and award data. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the FY 2017 second quarter financial and award data, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the FY 2017 second quarter financial and award data of FTC for the quarter ended March 31, 2017, is presented in accordance with OMB and Treasury published 57 data definition standards, as applicable, for DATA Act reporting in all material respects.

The purpose of this report is solely to describe the scope of our testing and the results of that testing, and not to provide an opinion on the effectiveness of FTC's internal control or on compliance. Accordingly, the report is not suitable for any other purpose.

This report is intended solely for the information and use of the management of FTC, OIG and U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.


Largo, Maryland
November 8, 2017

**Independent Evaluation of the
Federal Trade Commission’s
Compliance with Provisions of the
Digital Accountability and Transparency Act of 2014 (DATA Act)
Second Quarter of FY 2017**

Table of Contents

| | |
|---|----|
| 1. EXECUTIVE SUMMARY..... | 1 |
| 2. BACKGROUND | 1 |
| 3. OBJECTIVE | 2 |
| 4. SCOPE | 2 |
| 5. INTERNAL CONTROLS ASSESSMENT | 3 |
| 6. TESTING METHODOLOGY | 4 |
| 7. DATA ACT TEST RESULTS..... | 5 |
| 8. FINDING AND RECOMMENDATION | 6 |
| APPENDIX A – SUMMARY OF DATA ACT RESULTS TEMPLATE | 9 |
| APPENDIX B – TESTING LIMITATIONS | 11 |
| APPENDIX C – MANAGEMENT’S COMMENTS | 13 |

1. EXECUTIVE SUMMARY

For Fiscal Year (FY) 2017, the U.S. Federal Trade Commission (FTC), Office of Inspector General (OIG) contracted with Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to conduct an independent evaluation of the FTC's compliance with the provisions of the Digital Accountability and Transparency Act of 2014 (DATA Act). The DATA Act requires review of a statistically valid sample of the certified spending data submitted by the FTC 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 Federal agency.

This report contains one finding and the one corresponding recommendation. The FY 2017 finding is as follows:

The FTC Financial Management Office (FMO) did not enter the correct period of performance dates and action dates prior to finalizing awards in the agency's financial system.

2. BACKGROUND

Digital Accountability and Transparency Act of 2014 (DATA Act)

The DATA Act, in part, requires Federal agencies to report financial and award data in accordance with the established Government-wide financial data standards. In May 2015, the Office of Management and Budget (OMB) and 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. Once submitted, the data will be displayed on USASpending.gov for taxpayers and policy makers.

The DATA Act requires review of a statistically valid sample of the certified spending data submitted by its 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 Federal agency.

The Organization

The FTC has a long tradition of maintaining a competitive marketplace for both consumers and businesses. When the FTC was created in 1914, its purpose was to prevent unfair methods of competition in commerce as part of the battle to "bust the trusts." Over the years, the Congress passed additional laws giving the agency greater authority over anticompetitive practices.

Recognizing that unfair and deceptive practices can distort a competitive marketplace as much as unfair methods of competition, in 1938 the Congress passed a broad prohibition against "unfair or

deceptive acts or practices in or affecting commerce.” Since then, the FTC also has been given responsibility to enforce a wide variety of other consumer protection laws and regulations.¹

3. OBJECTIVE

The examination covers the FTC's FY 2017 second quarter financial and award data as of March 31, 2017, submitted in accordance with the DATA Act.

The objectives are to:

- assess the (1) completeness, timeliness, quality, and accuracy of fiscal year 2017, second quarter financial and award data submitted for publication on USASpending.gov and (2) Federal agency's implementation and use of the Government-wide financial data standards established by OMB and Treasury;
- obtain reasonable assurance about whether the FY 2017 second quarter financial and award data, as evaluated against the criteria, is free from material misstatement; and
- express an opinion about whether the FY 2017 second quarter financial and award data is in accordance with the DATA Act, in all material respects.

4. SCOPE

The scope of this engagement is the FTC's FY 2017 second quarter financial and award data submitted for publication on USASpending.gov. Work performed was in accordance with generally accepted government auditing standards (GAGAS), guidance and policy issued by the Government Accountability Office (GAO), OMB, and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) including the *Inspectors General Guide to Compliance under the DATA Act*, dated February 27, 2017.

The scope includes examining DATA Act information reported in the FTC's FY 2017 second quarter financial and award data files listed below, as applicable:

- File A: Appropriations Account;
- File B: Object Class and Program Activity;
- File C: Award Financial;
- File D1: Award and Awardee Attributes - Procurement Awards;
- File D2: Award and Awardee Attributes - Financial Assistance Awards;
- File E: Additional Awardee Attributes; and
- File F: Sub-Award Attributes.

¹ The FTC organization overview was obtained from the FTC Strategic Plan for Fiscal Years 2014 to 2018 report. <https://www.ftc.gov/system/files/documents/reports/2014-2018-strategic-plan/spfy14-fy18.pdf>.

5. INTERNAL CONTROLS ASSESSMENT

Management's Responsibility for Internal Control and Compliance

FTC's management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, and (3) ensuring compliance with other applicable laws and regulations.

Control Environment

The FTC FMO DATA Act Working Group, responsible for managing and reporting data, includes the following key personnel and responsibilities:

- Deputy Chief Financial Officer (CFO) is the designated Senior Accountable Official (SAO) for the DATA Act;
- Assistant CFO for Financial Systems and Reporting Division (FSR) is responsible for verifying the accuracy of data contained in the FTC's financial systems and reconciling the DATA Act files, submitting of the files, and certifying data within the DATA Act Broker (broker);
- Assistant CFO of Acquisitions Division is responsible for ensuring that award data is accurate and complete in the FTC's source systems such as Oracle Federal Financials Contract Lifecycle Management (CLM), and Federal Procurement Data System – Next Generation (FPDS-NG); and
- Assistant CFO - Budget Division is responsible for OMB A-11 Business Object Class recording in the FTC's financial system.²

Risk Assessment

The FTC FMO DATA Act Working Group performs risk assessments over the DATA Act process by preparing reconciliations of its DATA Act data and information. The FTC FMO DATA Act Working Group works closely with the procurement staff to share information and work to improve the DATA Act reporting process. The FTC FMO DATA Act Working Group reconciles the DATA Act financial information to the FTC financial system to identify errors. The working group has moved from quarterly reconciliation to weekly reconciliation to improve the quality of data and information for DATA Act reporting.

² OMB A-11, *Preparation, Submission, and Execution of the Budget* (July 1, 2016).

Control Activities

The OMB Memorandum M-17-04 for the DATA Act requires that FTC identify intragovernmental transfers and personally identifiable information (PII).³ The FTC FMO has processes in place to assist with protecting PII.

The FTC FMO DATA Act Working Group uses the Interior Business Center (IBC) Oracle Federal Financial system to process awards; thereby the FTC FMO relies on the IBC for implementing required internal controls over DATA Act processes and submissions. FTC relies on IBC to comply with DATA Act reporting requirements. The IBC Oracle Federal Financial system creates Files A, B, and C to be uploaded into the DATA Act Broker portal.

Information and Communication Efforts

The FTC has designated an SAO and established the FTC DATA Act Working Group composing of individuals from the Financial Systems and Reporting Division, Acquisitions Division and Budget Division. The FTC's SAO oversees the FTC DATA Act implementation for the agency. The FTC's SAO provides guidance and receives status updates from the FTC DATA Act Working Group about recent and upcoming DATA Act activities. In addition, members of the FTC DATA Act Working Group receive guidance from the Federal Audit Executive Council (FAEC) DATA Act Working Group.

Monitoring Activities

The FTC DATA Act Working Group monitors the DATA Act process by performing reconciliations of the data and meeting with appropriate groups to identify processing issues and correcting known errors in the data.

6. TESTING METHODOLOGY

Brown & Company examined a statistically valid sample of the spending data submitted by the FTC and assessed the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by the FTC.

To accomplish the audit objectives, we:

- assessed FTC's internal controls in place over the financial and payment data reported to USASpending.gov per OMB Circular A-123;⁴
- assessed FTC's internal controls in place over data management, collection, reporting, and processes used to report financial and data under the DATA Act;

³ M-17-04, *Additional Guidance for Data Act Implementation: Further Requirements For Reporting And Assuring Data Reliability* (Nov 4, 2016).

⁴ OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).

- reviewed a statistically valid sample from FY 2017 second quarter financial and payment data submitted by FTC for publication on USASpending.gov; and
- assessed the completeness, timeliness, quality, and accuracy of the financial and payment data sampled.

7. DATA ACT TEST RESULTS

The FTC’s FY 2017 second quarter financial and award data for the quarter ended March 31, 2017, was submitted for publication on USASpending.gov, in accordance with OMB and Treasury published 57 data definition standards, as applicable, for DATA Act reporting in all material respects.

We conclude that FTC’s FY 2017 second quarter financial and award data for the quarter ended March 31, 2017, is generally in compliance with the DATA Act. We determined that FTC’s FY 2017 second quarter financial and award data submission for publication on USASpending.gov was reasonable for completeness, timeliness, quality, and accuracy. We determined that FTC effectively implemented and used the Government-wide financial data standards established by OMB and Treasury, as applicable. See Appendix A - Summary of DATA Act Results Template for results of our testing.

Brown and Company selected a statistically valid sample of certified spending data from the Reportable Award-level transactions in the FTC’s certified data submission. The FTC’s population size was 161 records from File C. The sample size was determined using the formula provided in the *Inspectors General Guide to Compliance under the DATA Act*.⁵ The sample size was 115 based on a 95 percent confidence level, an initial-year expected error rate of 50 percent, and a desired sampling precision of 5 percent.

The statistical results of our testing yield the following error rates:

Figure 1 - Error Rates for Sample Transactions

| | Completeness | Timeliness | Accuracy |
|-----------------------------------|---------------------|-------------------|-----------------|
| Error Rates for the Sample | 0.00% | 3.12% | 0.73% |

The calculations for completeness, timeliness and accuracy yield the following:

Figure 2 - Completeness, Timeliness and Accuracy for the Sample Transactions

| Completeness | Timeliness | Accuracy |
|---------------------|-------------------|-----------------|
| 100% | 97.39% | 92.45% |

⁵ $385 / [1 + (385/N)]$, where “N” represents the population size.

Completeness is measured as the percentage of sample transactions containing all data elements required by the Federal Funding Accountability and Transparency Act (FFATA), as amended by the DATA Act.

Timeliness is measured as the percentage of sample transactions reported within 30 days of quarter end.

Accuracy is measured as the percentage of sample transactions that are complete and agree with the systems of record or other authoritative sources.

The FAEC DATA Act Working Group identified data errors due to broker issues that were not caused by the agency. These known Government-wide data elements with errors were not included in the calculation for completeness, timeliness, accuracy nor error rate. Appendix B provides information relating to the DATA Act Broker issues.

8. FINDING AND RECOMMENDATION

The results of our independent evaluation identified areas in FTC's DATA Act. The one finding and recommendation is discussed below.

Finding 1 – The FTC FMO did not enter the correct period of performance dates and action dates prior to finalizing awards in the agency's financial system.

Condition:

For the "Period of Performance Start Date," "Period of Performance Current End Date," "Period of Performance Potential End Date," and "Action Date" (non-financial data), we noted that the FTC did not enter the correct dates for these data elements prior to finalizing the award in the FTC financial system. The FTC FMO initiates an award as a draft in FPDS-NG using proposed dates for the "Period of Performance Start Date," "Period of Performance Current End Date," "Period of Performance Potential End Date," and "Action Date" data elements. Prior to finalizing the award in the financial system, a contract officer and team lead review awards for accuracy. Because the process for finalizing could be lengthy, the proposed dates did not always agree with the final award "Period of Performance Start Date," "Period of Performance Current End Date," "Period of Performance Potential End Date," and "Action Date."

We noted that 70 of the 115 (61%) sample transactions did not have the correct date for "Period of Performance Start Date," 31 of the 115 (27%) sample transactions did not have the correct date for "Period of Performance Current End Date," 52 of the 115 (45%) sample transactions did not have the correct date for "Period of Performance Potential End Date; and 45 of the 115 (39%) sample transactions did not have the correct date for "Action Date."

Criteria:

FPDS-Next Generation User's Manual, Version 1.4, February 2017, states:

Period of Performance Start Date

Effective date, this is the date that the Period of Performance starts. This can be the same date as the Date Signed or later. The effective date cannot be earlier than the date signed.

Period of Performance Current End Date

The completion date of the base contract plus options that have been exercised.

Period of Performance Potential End Date

The estimated or scheduled completion date including the base contract or order and all options (if any) whether the options have been exercised or not.

Action Date

The date that a mutually binding agreement was reached. The date signed by the Contracting Officer or the Contractor, whichever is later.

DATA Act Schema Data Dictionary states:

Period of Performance Start Date

The date on which, for the award referred to by the action being reported, awardee effort begins or the award is otherwise effective.

Period of Performance Current End Date

The Current End Date on which, for the award referred to by the action being reported, awardee effort completes or the award is otherwise ended. Administrative actions related to this award may continue to occur after this date. This date does not apply to procurement indefinite delivery vehicles under which definitive orders may be awarded.

Period of Performance Potential End Date

For procurement, the date on which, for the award referred to by the action being reported if all potential pre-determined or pre-negotiated options were exercised, awardee effort is completed or the award is otherwise ended. Administrative actions related to this award may continue to occur after this date. This date does not apply to procurement indefinite delivery vehicles under which definitive orders may be awarded.

Action Date

The date the action being reported was issued / signed by the Government or a binding agreement was reached.

Cause:

The FTC FMO did not effectively implement procedures to ensure that the FTC DATA Act Working Group evaluates "Period of Performance Start Date," "Period of Performance Current End Date," "Period of Performance Potential End Date," and "Action Date" data elements for accuracy, prior to finalizing the award in the agency's financial system.

Effect:

The data reported for “Period of Performance Start Date,” “Period of Performance Current End Date,” “Period of Performance Potential End Date,” and “Action Date” are not accurately reported in FPDS-NG and USAspending.gov website for FY 2017 second quarter data submission.

Recommendation 1:

We recommend that the Chief Financial Officer implement procedures to ensure that the Federal Trade Commission Financial Management Office evaluates “Period of Performance Start Date,” “Period of Performance Current End Date,” “Period of Performance Potential End Date,” and “Action Date” data elements for accuracy on a consistent basis.

APPENDIX A – SUMMARY OF DATA ACT RESULTS TEMPLATE

**Summary of DATA Act Results
 FTC 2nd Quarter, Fiscal Year 2017**

| Section 1: Results of Assessment of Internal Controls over Source Systems | | | |
|--|---|---|---|
| Control Objectives | Controls Properly <u>Designed</u> to Achieve Control Objective? (Yes/No) | Controls <u>Implemented</u> to Achieve Control Objective? (Yes/No) | Controls <u>Operating</u> Effectively to Achieve Control Objective? (Yes/No) |
| Overall Conclusion | Yes | Yes | Yes |
| Internal controls over data management to ensure the integrity and quality of the data. | Yes | Yes | Yes |
| Internal controls over data reporting to ensure that the data reported are complete, accurate, timely, and of quality. | Yes | Yes | Yes |
| *Auditors Note: If selected "No" in any columns above, include details in section 3. | | | |
| Section 2: Results of Assessment of Internal Controls over Data Management and Processes (DATA Act Submission) | | | |
| Control Objectives | Controls Properly <u>Designed</u> to Achieve Control Objective? (Yes/No) | Controls <u>Implemented</u> to Achieve Control Objective? (Yes/No) | Controls <u>Operating</u> Effectively to Achieve Control Objective? (Yes/No) |
| Overall Conclusion | Yes | Yes | Yes |
| Internal controls over data management to ensure the integrity and quality of the data. | Yes | Yes | Yes |
| Internal controls over data reporting to ensure that the data reported are complete, accurate, timely, and of quality. | Yes | Yes | Yes |
| *Auditors Note: If selected "No" in any columns above, include details in section 3. | | | |
| Section 3: Summary of Control Deficiencies and Impact on Completeness, Timeliness, and Accuracy | | | |
| | Impact of Control Deficiency | | |
| Description of Control Deficiency | Completeness ¹ | Timeliness ² | Accuracy ³ |
| The data entered into FPDS-NG for data element "Period of Performance Start Date" exceed the 50% error rate threshold. | No | No | Yes |

**Independent Evaluation of the
FTC's Compliance with the DATA Act
2nd Quarter of Fiscal Year 2017**

| Section 4: Results of Sample Tests Performed at the Award-Level Transactions | | | |
|---|----------------------------------|----------------------------------|----------------------------------|
| Description of Attribute Testing | Completeness¹ | Timeliness² | Accuracy³ |
| Error Rate ⁴ | 0.00% | 3.12% | 0.73% |
| Sampling Error (margin of error) | +/- 5% | +/- 5% | +/- 5% |
| Source of Sample (File C, D1, D2) | C & D1 | C & D1 | C & D1 |
| Population Size (# and \$ of each type of transactions for grants, loans, contracts, and others) | 161 Contracts \$ 12,245,432.6 | 161 Contracts \$ 12,245,432.6 | 161 Contracts \$ 12,245,432.6 |
| Type of Statistical Sampling Methodology Used ⁵ | Random | Random | Random |
| Confidence Level | 95% | 95% | 95% |
| Expected Error Rate | 50% | 50% | 50% |
| Sample Precision | +/- 5% | +/- 5% | +/- 5% |
| Sample Size | 115 | 115 | 115 |
| Section 5: Overall Assessment of Implementation and Use of Data Standards⁶ | | | |
| FTC did not have any differences in definitions for the data standards established by OMB and Treasury standards. | | | |
| [List specific data elements identified from the sample with a rate of errors above 50%.] #27 - Period of Performance Start Date | | | |

¹ Completeness is measured as the percentage of transactions containing all data elements required by the DATA Act.

² Timeliness is measured as the percentage of transactions reported within 30 days of quarter end.

³ Accuracy is measured as the percentage of transactions that are complete and agree with the systems of record or other authoritative sources.

⁴ Error Rate - Error rate is displayed as the percentage of transactions tested that were not in accordance with policy.

⁵ Type of statistical sampling methodology used could include dollar unit sampling, classical variables estimation, classical probability proportional to size, or random.

⁶ Agency's implementation and use of data standards is assessed as part of the tests for completeness of summary-level data and award-level transaction data.

APPENDIX B – TESTING LIMITATIONS

Testing Limitations for Data Reported from Files E and F

File E of the DATA Act Information Model Schema (DAIMS) contains additional awardee attribute information extracted from the System for Award Management (SAM) via the broker. File F contains sub-award attribute information extracted from the FFATA Subaward Reporting System (FSRS) via the 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 of Federal agencies. As such, we did not assess the completeness, accuracy, timeliness, and quality of the data extracted from SAM and FSRS via the broker.

Government-wide Data Reporting Issues:

- *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 FPDS-NG via the legacy USASpending.gov and provided to the DATA Act broker (broker).⁶ 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 agency records. 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.

⁶ 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.

However, as FTC does not have responsibility for how data is extracted by the 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. The FPDS-NG atom feed delivers the IDV Type and Contract Award Type in the same field.⁷ The broker did not break down the data for IDV Type, which resulted in inconsistencies with agency records. 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 FTC does not have responsibility for how data is extracted by the broker, we did not evaluate the reasonableness of Treasury's planned corrective action.

Data Quality Assessments

Until the weaknesses identified in this report are addressed, any efforts to assess the quality of FTC data submitted for publication on Beta.USAspending.gov will be limited.

⁷ 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.

APPENDIX C – MANAGEMENT'S COMMENTS

Management's Response:



Office of the Chief Financial Officer

United States of America
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 3, 2017

MEMORANDUM

TO: Roslyn A. Mazer
Inspector General

FROM: David Rebiich
Chief Financial Officer

SUBJECT: Management's Response to the FY 2017 Evaluation of Compliance with the DATA Act

Management has reviewed the Office of the Inspector General's (OIG's) Final Report, *Independent Evaluation of the Federal Trade Commission's Compliance with Provisions of the Digital Accountability and Transparency Act of 2014 (DATA Act) Second Quarter of FY 2017*. I want to express our appreciation to the OIG and the independent auditor for their professionalism and work ethic shown during this engagement. The Financial Management Office (FMO) concurs with the OIG's Final Report, and we are pleased that the FTC's FY 2017 second quarter financial and award data was presented in accordance with OMB and Treasury standards, in all material respects. The FMO has worked hard to implement and ensure compliance with the DATA Act, and we remain committed to ensure accuracy and transparency in our spending.

The Financial Management Office concurs with the one finding and the one corresponding recommendation contained in the OIG's Final Report. The following is Management's response to the finding and recommendation.

Finding 2017-01:

The FTC FMO did not enter the correct period of performance dates and action dates prior to finalizing awards in the agency's financial system.

Recommendation 2017-01:

We recommend that the Chief Financial Officer implement procedures to ensure that the Federal Trade Commission Financial Management Office evaluates "Period of Performance Start Date," "Period of Performance Current End Date," "Period of Performance Potential End Date," and "Action Date" data elements for accuracy on a consistent basis.

Responsible Management Officials:

Joseph O'Leska, Deputy Chief Financial Officer and DATA Act Senior Accountable Official
Nancy Moreno, Assistant Chief Financial Officer for Acquisitions

**Independent Evaluation of the
FTC's Compliance with the DATA Act
2nd Quarter of Fiscal Year 2017**

Corrective Action Plan:

Management Concur. High Level Action to be implemented includes FMO development and implementation of procedures to ensure the accurate reporting of the requisite DATA Act data elements on a consistent basis.

Expected Completion Dates:

Draft procedures to be developed by March 1, 2018. Final procedures to be implemented by May 1, 2018.

Auditor's Evaluation of Management's Response:

Management's response is appropriate to address the finding and recommendation. Developing procedures to ensure the DATA Act data elements are accurately recorded reduces the risk of data inaccuracy. Management's full response is provided in **Appendix C**.

Contact the OIG

Promote integrity, economy & efficiency.
Report suspected fraud, waste,
abuse or mismanagement.

(202) 326-2800

Fax (202) 326-2034

OIG@ftc.gov

600 Pennsylvania Avenue, NW, CC-5206
Washington, DC 20580

Complaints may be made anonymously.

Any information you provide will be held in confidence. However, providing your name and means of communicating with you may enhance our ability to investigate.