



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

Final Memorandum Report
Report No. 17-05

DATE: December 2, 2016

TO: Maria Contreras-Sweet
Administrator

Tim Gribben
Associate Administrator for Performance Management
and Chief Financial Officer

FROM: Hannibal M. Ware /s/
Deputy Inspector General

SUBJECT: *DATA Act Readiness*

This memorandum report presents the results of our evaluation of the Small Business Administration's (SBA) readiness to meet the requirements of the Digital Accountability and Transparency Act of 2014 (DATA Act or the Act). We previously furnished copies of the draft report and requested written comments on the recommendations. SBA management's comments were considered in finalizing the report. The report contains three recommendations that SBA agreed to address. Based on SBA's response, recommendations 1 and 2 are considered closed. Recommendation 3 will remain open until the Office of Inspector General (OIG) receives documentation demonstrating that this recommendation has been addressed. Within 90 days, please provide us your progress in addressing this recommendation.

Background

The DATA Act, among other things, expands the Federal Funding Accountability and Transparency Act of 2006 (FFATA) by disclosing direct Federal agency expenditures and linking Federal contract, loan, and grant spending information to programs of Federal agencies to enable taxpayers and policy makers to track Federal spending more effectively. It also establishes Government-wide data standards for financial data to provide consistent, reliable, and searchable Government-wide spending data that is displayed accurately for taxpayers and policy makers on USAspending.gov (or a successor system that displays the data).¹

The Act requires (1) the Office of Management and Budget (OMB) and Department of the Treasury (Treasury) to establish the Government-wide financial data standards for Federal funds made available to or expended by Federal agencies and entities receiving Federal funds by May 2015; (2) Treasury, in consultation with OMB, to ensure this financial data is accurately posted and displayed on USAspending.gov (or a successor system) by May 2017; and (3) OMB and Treasury to ensure the

¹ The Digital Accountability and Transparency Act of 2014 (Public Law 113-101, May 9, 2014).

data standards established are applied to the data made available on the website by May 2018. To achieve these requirements, OMB, in collaboration with Treasury, developed and concurrently issued implementing guidance to agencies. This guidance provides Federal agencies with current reporting requirements pursuant to FFATA as amended by the Act; describes eight key steps that, if followed together, should help agencies leverage existing capabilities to implement the Act; and requires agencies to develop implementation plans using the eight-step approach. (See Attachment II.)² To further assist agencies in their implementation efforts, Treasury and OMB issued final data standards for the 57 DATA Act elements requiring standardization in August 2015, and Treasury issued a blueprint/roadmap between data elements and the standard data exchange, called the DATA Act Information Model Schema (DAIMS or DATA Act schema).³ The value of the model schema is to provide clarity, guidance, and instruction on the need, submission, and use of the DATA Act elements.

In April 2015, Treasury deployed the DATA Act implementation pilot, which was a proof-of-concept effort designed to develop a data taxonomy necessary to map and reconcile agency management system data with agency financial system data.⁴ For this pilot, Treasury utilized SBA's fiscal year 2014 contracts and grants data. Since then, the pilot's iterative approach to the broker implementation has evolved to a revised concept of agencies submitting three standardized files to the broker: (1) File A, appropriations account information; (2) File B, Treasury account symbol program activity and object class; and (3) File C, award financial data.^{5, 6} In December 2015, Treasury began using a testing environment, called a "sandbox," for Federal agencies to voluntarily test their data files using the prototype broker. The purpose of sandbox testing is to help agencies further their implementation plans, gain an understanding regarding how the agency data submission process might work, and obtain early feedback from agencies. Treasury issued DAIMS version 1.0 along with the alpha version of the production broker in April 2016.

The Act further requires that Offices of Inspectors General (IG) and the Comptroller General of the United States provide a series of oversight reports to include, among other things, an assessment of the completeness, timeliness, quality, and accuracy of data submitted. The first set of IG reports is due to Congress in November 2016. However, agencies are not required to submit spending data in compliance with the Act until May 2017. As a result, IGs will not be able to report on the spending data submitted under the Act, as this data will not exist until the following year. In turn, the IG community was encouraged to undertake DATA Act "readiness reviews" at their respective agencies well in advance of the November 2017 report.

Objectives

Our objectives were to (1) gain an understanding of the processes, systems, and controls that SBA has implemented, or plans to implement, to report Federal agency expenditures and to link Federal contract, loan, and grant spending information in accordance with the requirements of the DATA Act; and (2) provide SBA recommendations on how to improve the Agency's likelihood of

² OMB Memorandum 15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable and Reliable* (OMB M-15-12), and the *DATA Act Implementation Playbook*, version 1.0 (June 2015).

³ The data exchange standard (DAIMS) 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.

⁴ Taxonomy is a systematic classification of data elements that allows it to be shared and reused in different systems.

⁵ A broker is an information system that collects, maps, takes in, transforms, validates, and submits agency data into a format consistent with the proposed taxonomy. The alpha release is a version of the production-ready broker that allows Treasury to test their product with a small group of actual users to, in part, (1) test the design approach, (2) test some technologies, and (3) allow users to gain some understanding of the service.

⁶ These three files comprise the DAIMS, version 1.0 and include reporting submission specifications (RSS) on how agencies should prepare their quarterly submissions in the broker-ready format.

compliance with the requirements of the DATA Act prior to full implementation. (Attachment I describes our scope and methodology.)

Results

Our evaluation of SBA’s readiness to meet the requirements of the DATA Act found that SBA developed a project plan prescribed by the eight key steps in Treasury’s Playbook. (See Attachment II.) We determined that the Agency has made significant progress implementing steps 1-4 of its project plan; however, to fully meet DATA Act requirements, several components remain to be completed. Table 1 shows the status, by percent completed, of the remaining four steps the Agency has planned as of our review (August 2016). The table also compares SBA’s planned completion date for each step to the timeline represented in Treasury’s Playbook.

Table 1: Status of Steps 5-8 of SBA’s Implementation Plan

Step	Task Name	Start Date	% Completed	SBA’s Planned Completion Date	Treasury’s Suggested Timeline
5	Execute Broker	07/2015	100%	08/2016	02/2016
6	Test Broker Implementation	08/2016	1%	01/2017	01/2017
	Submit Test Files to Treasury	08/2016	2%	09/2016	
	Identify, Resolve, Re-test Issues	10/2016	0%	11/2016	
	Submit Files to Production Release Broker	12/2016	0%	01/2017	
7	Update Systems	09/2016	0%	01/2017	02/2017
	Test Submission Process to Treasury	09/2016	0%	12/2016	
	Update Systems as needed and Retest	12/2016	0%	01/2017	
8	Data Submission	01/2017	0%	02/2017	05/2017
	Update and Refine Process	01/2017	0%	02/2017	

Source: SBA DATA Act Implementation Plan (August 12, 2016)

We also identified two risk areas that may affect the Agency’s ability to meet the DATA Act reporting requirements. Specifically, SBA (1) had not built RSS Files A, B, and C for grant and contract awards using DAIMS version 1.0 or validated those files using the alpha release broker, and (2) did not include contract awards executed on its behalf by its Federal Shared Services Provider (FSSP) when submitting files to the alpha release broker. We made three recommendations to mitigate the noted risks areas.

Inventory of SBA grant and contract awards

As previously noted, SBA participated with Treasury in a DATA Act implementation pilot that was a proof-of-concept effort designed to develop a data taxonomy necessary to map and reconcile Agency management system data with Agency financial system data. Our review of the documentation for SBA grants and contract awards showed that (1) these output files were generated during the pilot and had not been updated using DAIMS version 1.0, and (2) File A contained a data error that was not identified or detected during the pilot’s broker validation process or SBA’s quality review process. SBA officials told us that Files A and B can be generated, but File C may need to be modified. Consequently, SBA’s implementation plan stipulates that all files would be built using DAIMS version 1 by August 1, 2016; however, as of our review, these actions had not been completed.

Under OMB guidance, agency Senior Accountable Officials (SAO) must provide reasonable assurance that their internal controls support the reliability and validity of the data they submit to Treasury for publication. Because these files had not been updated as of August 2016 with the current version of the DATA Act schema, this step should not be designated in the implementation plan as completed, and SBA needs to take action to remediate this condition.

SBA's inclusion of contract awards executed by its Federal Shared Service Provider

Our review of SBA grant and contract awards documentation also showed that SBA had not included contract awards executed by its FSSP, Interior Business Center (IBC), when submitting Files A and B to the alpha release broker. During fiscal year 2014, IBC executed procurement actions totaling approximately \$13 million on behalf of SBA.

Section 3 of the DATA Act requires certain agency reporting at the appropriations account level of obligations, as well as outlays by program activity and by object class. SBA needs to include appropriations data related to contracts executed by IBC in its DATA Act reporting. Otherwise, the Agency may be at risk of its DATA Act reporting for contract awards not being complete, reliable, or accurate.

Recommendations

To address the issues indicated, we recommend that the Chief Financial Officer (SAO) and work group implement the following actions:

1. Map SBA grants and contracts data to DAIMS version 1.0 and submit test files to the alpha broker for validation.
2. Review all output files to ensure that data is submitted in accordance with DATA Act standards, and correct any anomalies.
3. Ensure the Agency includes appropriations data for procurement actions executed by its FSSP, IBC, in Files A and B for DATA Act reporting.

Analysis of Agency Response

SBA management provided comments and substantially agreed with our recommendations.

Summary of Actions Necessary to Close the Report

The following provides the status of each recommendation and the necessary action to close recommendation 3.

1. Closed. The Office of the Chief Financial Officer (OCFO) successfully mapped SBA grants and contracts data to DAIMS version 1.0 and submitted the files to the production broker using data as of September 2016.
2. Closed. The OCFO submitted updated files to the production broker that were validated without errors.
3. Resolved. The OCFO provided updated files; however, we were unable to discern that procurement actions executed by the Agency's FSSP, IBC, were included in Files A and B. The OCFO will provide us the methodology for this reconciliation by December 15, 2016.

We appreciate the cooperation that we received during this evaluation. Please contact me if you would like to discuss this report or any related issues.

cc: Nicolas Maduros, Chief of Staff
Melvin F. Williams, Jr., General Counsel
Martin Conrey, Attorney Advisor, Legislation and Appropriations
LaNae Twite, Director, Office of Internal Controls

Objectives, Scope, and Methodology

This report presents the results of our review of SBA's readiness to meet the requirements of the DATA Act. Our objectives for this evaluation were to (1) gain an understanding of the processes, systems, and controls that SBA has implemented, or plans to implement, to report Federal agency expenditures and to link Federal contract, loan, and grant spending information in accordance with the requirements of the DATA Act; and (2) provide SBA recommendations on how to improve the Agency's likelihood of compliance with the requirements of the DATA Act prior to full implementation. To answer the objectives, we obtained an understanding of the laws, legislation, directives, and any other regulatory criteria (and guidance) related to SBA's responsibilities to report financial and payment information under the DATA Act; obtained an understanding of SBA's governance structure, processes, and controls planned and/or established by conducting interviews with Agency officials who are responsible for implementing the DATA Act at the agency level, to include the SAO; obtained an understanding of SBA's FSSP; identified the major reporting components within the Agency responsible for implementation of the DATA Act; and assessed SBA's efforts and formal implementation plans to report financial and payment information under the DATA Act.

We conducted this evaluation between April and August 2016 in accordance with the Council of the Inspectors General on Integrity and Efficiency's quality standards for inspection and evaluation. These standards require that we adequately plan inspections; present all factual data accurately, fairly, and objectively; and that we present findings, conclusions, and recommendations in a persuasive manner. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives.

Use of Computer-Processed Data

We relied on information from FRIS (combined general ledger) and PRISM Contract Management System to evaluate reports generated by the OCFO. Previous OIG and independent public accountant engagements have verified that the information maintained in these systems is reasonably reliable. As a result, we believe the information is reliable for the purposes of this review.

Nature of Limited or Omitted Information

No information was omitted due to confidentiality or sensitivity, nor were there limitations to information on this evaluation.

SBA's Eight-Step Implementation Plan

Step No./Task Name	Duration	% Complete	Start	Finish
1. Organize Team	128 days	100%	9/04/14	3/02/15
2. Review Elements	30 days	100%	3/03/15	4/13/15
3. Inventory Data	218 days	100%	7/01/15	4/29/16
Contract Data	30 days	100%	7/01/15	8/11/15
Grant Data	0 days	100%	12/18/15	1/28/16
Loan Data	67 days	100%	1/28/16	4/29/16
4. Design and Strategize	190 days	100%	8/12/15	5/03/16
Perform Gap Analysis	190 days	100%	8/12/15	5/03/16
Create Crosswalk of data elements to financial systems	45 days	100%	8/12/15	10/13/15
Define Data Extraction Methodology	190 days	100%	8/12/15	5/03/16
5. Execute Broker	274 days	100%	7/15/15	8/01/16
Submit SBA Data Extract to Treasury Pilot Team	185 days	100%	7/15/15	3/29/16
Identify, Resolve, Re-test Issues	13 days	100%	3/30/16	4/15/16
Build Files A-C based on DAIMS v1.0	76 days	100%	4/18/16	8/01/16
6. Test Broker Implementation	117 days	1%	8/02/16	1/11/17
Submit Test Files to Treasury	44 days	2%	8/02/16	9/30/16
Identify, Resolve, Re-test Issues	43 days	0%	10/03/16	11/30/16
Submit Files to Production Release Broker	30 days	0%	12/1/16	1/11/17
7. Update Systems	74 days	0%	9/30/16	1/11/17
Test Submission Process to Treasury	56 days	0%	9/30/16	12/16/16
Update Systems as needed and Retest	17 days	0%	12/20/16	1/11/17
8. Data Submission	17 days	0%	1/12/17	2/03/17
Update and Refine Process	17 days	0%	1/12/17	2/03/17

Source: SBA DATA Act Implementation Plan (August 12, 2016)