

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Fiscal Year 2020 Digital Accountability and Transparency Act Reporting Compliance

October 29, 2021

Report Number: 2022-10-003

Why TIGTA Did This Audit

The Digital Accountability and Transparency Act of 2014 (DATA Act) requires TIGTA, in coordination with the Treasury Office of Inspector General, to review a statistically valid sample of financial and award data and assess 1) the completeness, accuracy, timeliness, and quality of those sample transactions and 2) the use of the Governmentwide financial data standards. This report is the result of TIGTA's review of the IRS's DATA Act submission of Fiscal Year 2020 third quarter spending data.

Impact on Taxpayers

The DATA Act requires Federal agencies, including the IRS, to disclose direct expenditures and link Federal contract, loan, and grant spending information to Federal agency programs. Effective implementation of the DATA Act is intended to provide consistent and reliable Governmentwide Federal agency spending data that are available to taxpayers at USAspending.gov.

What TIGTA Found

The IRS submitted its Fiscal Year 2020 third quarter spending data by July 2020, as required, for publication on USAspending.gov. In addition, based on the standardized assessment methodology used across Offices of Inspectors General, the IRS earned an overall rating of 'Excellent' for data quality, the highest of four possible ratings. Additionally, our analysis indicates that the IRS has made improvements in the overall completeness, accuracy, and timeliness of its data since our last review.



However, TIGTA's review of a statistical sample of 77 transactions found some individual data elements still had high error rates. The 77 sample transactions were comprised of 3,510 applicable data elements. TIGTA determined that 241 (7 percent) of the applicable data elements were inaccurate. These inaccuracies continue to occur because the IRS has yet to implement a quality review process. Also, controls over the accuracy of grant spending financial information could be enhanced.

In addition, the IRS was substantially compliant in implementing the Governmentwide financial data standards, and the IRS has taken a number of actions to improve internal controls related to DATA Act reporting since our previous review.

What TIGTA Recommended

TIGTA recommended that the Chief Financial Officer and the Chief Procurement Officer jointly continue with efforts to implement the automated quality review program and use the results of the quality reviews to guide training focused on high error elements. TIGTA also recommended that the Chief Financial Officer; the Taxpayer Advocate; and the Commissioner, Wage and Investment Division, jointly 1) develop a standardized template for documenting quality assurance reviews and use the results of these reviews to guide training focused on high error elements and 2) implement procedures requiring source documentation be provided to support the detailed grantee obligation information and the reconciliation of detailed grantee obligation information.

IRS management agreed with all of the report recommendations.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

October 29, 2021

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

A handwritten signature in blue ink, appearing to read "Michael E. McKenney".

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Fiscal Year 2020 Digital Accountability and
Transparency Act Reporting Compliance (Audit # 202010008)

This report presents the results of our review of Fiscal Year 2020 Digital Accountability and Transparency Act reporting compliance. To comply with the Digital Accountability and Transparency Act of 2014's (DATA Act)¹ requirements, the Office of Treasury Inspector General and the Treasury Inspector General for Tax Administration jointly selected a random, statistically valid sample of 265 transactions from the Department of the Treasury's DATA Act submission of Fiscal Year 2020 third quarter financial and award data. The Treasury Inspector General for Tax Administration assessed 1) the completeness, accuracy, timeliness, and quality of the Internal Revenue Service (IRS) sample transactions and 2) the IRS's implementation and use of the Governmentwide financial data standards established by the Office of Management and Budget and the Department of the Treasury. This review was included in our Fiscal Year 2021 Annual Audit Plan, is statutorily required, and addresses the major management and performance challenge of *Modernizing IRS Operations*.

Management's complete response to the draft report is included as Appendix VII.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. If you have any questions, please contact me or Bryce A. Kisler, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations).

¹ Pub. L. No. 113-101, 128 Stat. 1146 (2014).

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Background

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted on May 9, 2014,¹ and expands Section 3 of the Federal Funding Accountability and Transparency Act of 2006² to increase accountability and transparency in Federal spending. The DATA Act, in part, requires Federal agencies to report financial and award data in accordance with established Governmentwide financial data standards and link Federal contract, loan, and grant spending information to Federal agency programs.

In May 2015, the Office of Management and Budget (OMB) and the Department of the Treasury (hereafter referred to as the Treasury Department) published 57 data definition standards and required Federal agencies to convey financial data in accordance with these standards for DATA Act reporting, beginning January 2017.³ The data elements include, for example, contract award description and current total amount of the award. In April 2020, the OMB required agencies who received Coronavirus Disease 2019 (COVID-19) funding to report two additional data elements, the National Interest Action (NIA) code and the Disaster Emergency Fund Code (DEFC). These two elements provide transparency on supplemental funding provided in response to COVID-19.

The Internal Revenue Service (IRS) submits its information for DATA Act reporting to the Treasury Department through its Treasury Information Executive Repository.⁴ The Treasury Department then submits the consolidated information of all Treasury Department bureaus and offices, including the IRS, for publication on USA Spending.gov, where all taxpayers and Government policymakers can view the information. Agencies began reporting financial data on USA Spending.gov in accordance with OMB/Treasury Department established data standards in May 2017.⁵

Federal agency information submitted to USA Spending.gov in accordance with DATA Act reporting requirements is comprised of seven data files as shown in Figure 1.

¹ Pub. L. No. 113-101, 128 Stat. 1146 (2014).

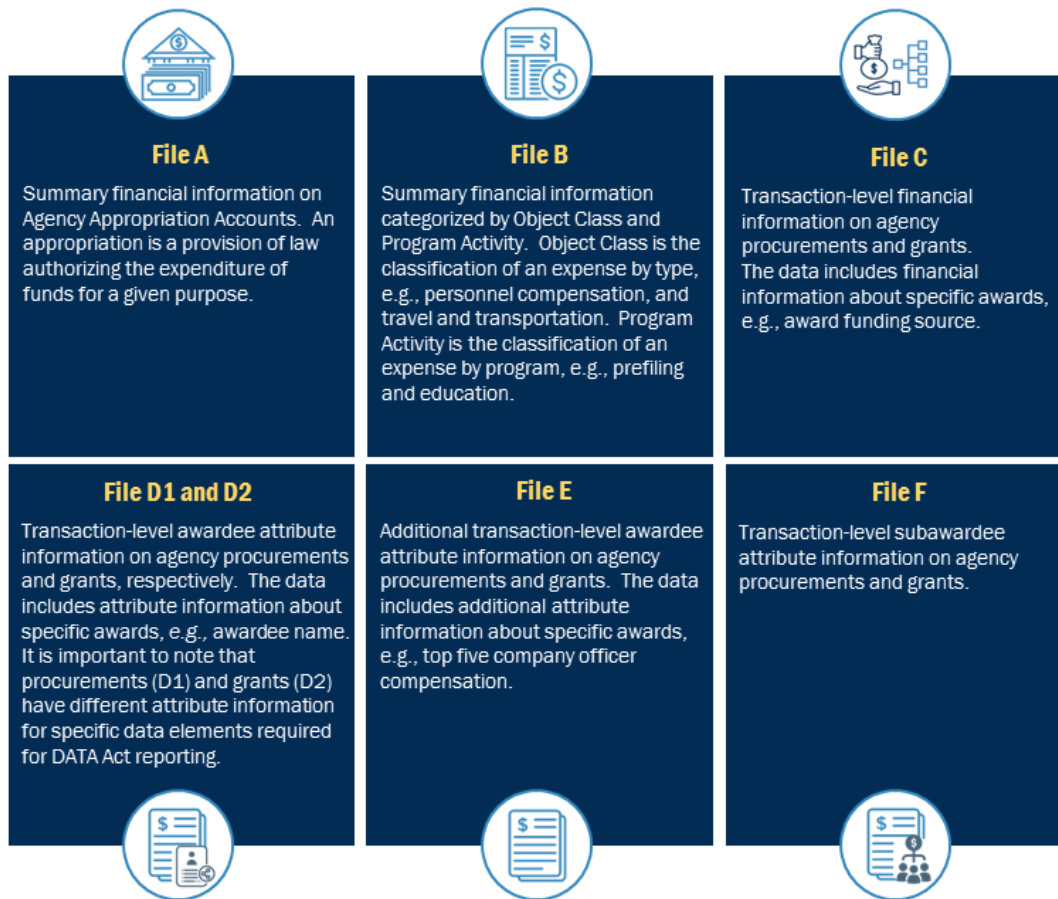
² Pub. L. 109-282, as amended by section 6202 of Public Law 110-252.

³ Although the OMB and the Treasury Department issued final data definition standards guidance on May 8, 2015, additional data definition standards related to Federal award reporting were finalized on August 31, 2015, to improve comparability of data reported in connection with the Federal Funding Accountability and Transparency Act's Fiscal Years 2006 and 2008 requirements. For example, Section 2(b) of the Federal Funding Accountability and Transparency Act requires reporting of Federal award-level data to include award title, award amount, recipient, and purpose of the award, among other data elements.

⁴ The Treasury Information Executive Repository is a database containing a record of all month-end standard general ledger account balances at the lowest level of attribute detail for each Treasury Account Symbol. The Treasury Account Symbol is an identification code assigned by the Treasury Department, in collaboration with the OMB, to an individual appropriation, receipt, or other fund account. The Treasury Information Executive Repository is owned, operated, and maintained by the Treasury Department.

⁵ Initial agency data report covered the period January 2017 to March 2017 and was required to be submitted and certified by May 2017.

Figure 1: DATA Act Files



Source: Treasury Inspector General for Tax Administration (TIGTA) analysis of DATA Act Information Model Schema.

DATA Act reporting is also accomplished through direct linkage with various Federal procurement and financial assistance systems. These systems include the System for Award Management, a platform through which entities applying to receive awards from the Federal Government must register, and the Federal Procurement Data System-Next Generation (FPDS-NG), a repository of data related to Government procurement and contracts. DATA Act information is also extracted from the Award Submission Portal, a platform that allows Federal agencies to submit assistance awards (grants) data.

To aid agency implementation of the DATA Act's requirements, the OMB provided guidance to agencies.⁶ OMB guidance required all Federal agencies to link agency financial systems with award systems by the use of unique Award Identification Numbers for financial assistance awards (grants) and procurements.⁷ Agencies were required to have the Award Identification Number linkage for all modifications (amendments) to awards made after January 1, 2017, for reporting to USAspending.gov. The Award Identification Number serves as the key to connect

⁶ OMB, M-15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable* (May 8, 2015).

⁷ The Award Identification Number is the unique identifier of the specific award reported. Financial Assistance Instrument Identifiers are the unique identifiers for grants, and Procurement Instrument Identifiers are the unique identifiers for procurements.

data across award systems and financial systems. The purpose of this linkage is to facilitate the timely reporting of award-level financial data and to reduce reporting errors.

Additionally, on June 6, 2018, the OMB released OMB Memorandum M-18-16,⁸ which requires agencies subject to DATA Act reporting to develop a Data Quality Plan (DQP) by Fiscal Year (FY) 2019. Agencies are required to consider incremental risks to data quality in Federal spending data and any controls that would manage such risks, in accordance with OMB Circular A-123.⁹ Each plan should focus on the agency's determination of the importance and materiality of the 57 data elements with respect to that agency. This plan must be reviewed and assessed annually by the agency for three years or until the agency determines sufficient controls are in place to achieve the reporting objectives.

Finally, on April 10, 2020, the OMB released OMB Memorandum M-20-21, which required agencies that received COVID-19 funding to report expenditures (outlays) upon initiation of an initial contract action. These outlays are required to be reported on a monthly basis, cumulatively by contract, regardless of transaction activity or inactivity.¹⁰ This memorandum also specifies the reporting of two additional DATA Act elements, the NIA code on File D1 and the DEFC on File C.

Audit requirements

The DATA Act requires a series of oversight reports by Federal Inspectors General in consultation with the Government Accountability Office (GAO). Specifically, the Inspectors General are required to review: 1) a statistically valid sample of the spending data submitted by the Federal agency and assess the completeness, accuracy, timeliness, and quality of the data sampled and 2) the implementation and use of the Governmentwide financial data standards. Under the DATA Act, the Inspectors General provided Congress with their first required reports in November 2017, a one-year delay from the statutory due date, with two subsequent reports, each following on a two-year cycle. This report is the final of the three mandatory Inspector General audits required by the DATA Act. The scope of this audit is the FY 2020 third quarter financial and award data (procurements and grants) for the IRS as part of the Treasury Department's publication on USAspending.gov.

The Council of Inspectors General on Integrity and Efficiency (CIGIE) developed a common methodological approach for the Inspector General community to use in performing its mandated work under the DATA Act.¹¹ Figure 2 outlines the CIGIE guidance criteria used to assess the completeness, accuracy, and timeliness of DATA Act transactions.

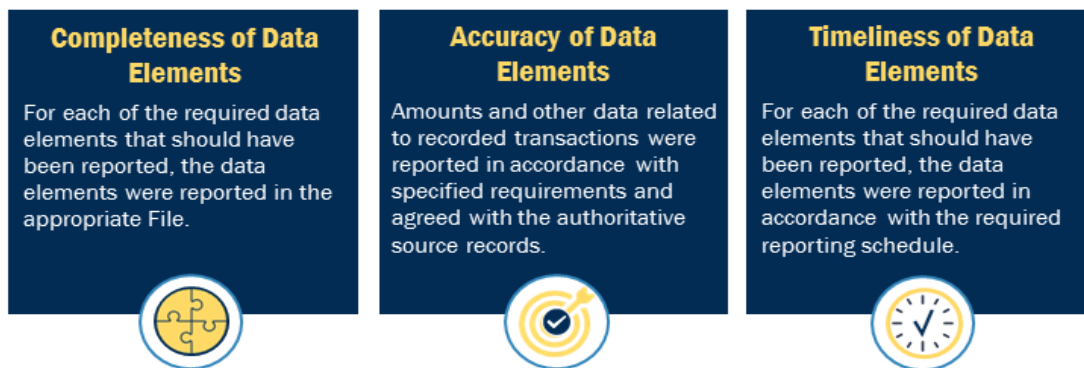
⁸ OMB, M-18-16, *Appendix A to OMB Circular No. A-123, Management of Reporting and Data Integrity Risk* (June 6, 2018).

⁹ OMB, M-16-17, *Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).

¹⁰ OMB, M-20-21, *Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19)* (April 10, 2020).

¹¹ CIGIE, *CIGIE FAEC [Federal Audit Executive Council] Inspectors General Guide to Compliance under the DATA Act* (Dec. 2020).

Figure 2: Criteria for Evaluation of DATA Act Transactions



Source: CIGIE FAEC [Federal Audit Executive Council] *Inspectors General Guide to Compliance under the DATA Act (Dec. 2020)*.

The overall quality of the data is determined using the CIGIE developed Quality Scorecard. The scorecard methodology, which was updated for the 2020 audit cycle, incorporates both statistical and non-statistical testing, such as timeliness of agency submission and completeness of summary-level data. In the previous audit cycles, quality was determined based solely on statistical sample testing results.

Additionally, the CIGIE common audit approach specifies that two additional DATA Act elements are to be tested this audit cycle, the NIA code and the DEFC. As such, there are 59 applicable data elements to be tested.

Prior TIGTA audits

We have published three prior audit reports on DATA Act reporting. The first was issued in March 2017, which evaluated the IRS's readiness to implement DATA Act reporting requirements.¹² The second, issued in November 2017, was the first required report to evaluate the IRS's compliance with DATA Act reporting.¹³ Our third report, issued in November 2019, was the second required report to evaluate the IRS's compliance with DATA Act reporting.¹⁴

In our first audit report on DATA Act implementation readiness, we identified areas that required additional attention. Specifically, the IRS had not clearly identified the source for 18 of the required 57 data elements and had not finalized the accounting procedures needed to support the posting of transaction-level grant program information in its financial system. In addition, we determined that the IRS manually entered data for 10 elements related to procurements required for DATA Act reporting.

TIGTA recommended that the Chief Financial Officer (CFO) update the data source inventory to include all required information and clearly document the data source of all required data elements. In addition, we recommended that the CFO finalize accounting procedures and associated controls to support the posting of transaction-level financial information for IRS

¹² TIGTA, Report No. 2017-10-018, *Status of Digital Accountability and Transparency Act Implementation Efforts* (Mar. 2017).

¹³ TIGTA, Report No. 2018-10-006, *Fiscal Year 2017 Digital Accountability and Transparency Act Reporting Compliance* (Nov. 2017).

¹⁴ TIGTA, Report No. 2020-10-003, *Fiscal Year 2019 Digital Accountability and Transparency Act Reporting Compliance* (Nov. 2019).

grant programs. Finally, we recommended that the Chief Procurement Officer should pursue methods of automating the capture of data for the 10 procurement-related elements required for DATA Act reporting. The IRS agreed with our recommendations.

In our November 2017 audit report on DATA Act Reporting compliance, we found that significant improvements were needed to ensure the completeness, accuracy, and overall quality of the procurement and grant information submitted. TIGTA recommended that the CFO, in coordination with the Chief Procurement Officer, and the National Taxpayer Advocate develop and implement policies and procedures that: 1) clarify the definition of DATA Act elements and associated fields, 2) specify documentation which should be maintained, and 3) provide mandatory training to all contracting officers and grants program staff. TIGTA also recommended quality assurance procedures be enhanced. The IRS agreed with our recommendations.

In our November 2019 report on DATA Act Reporting compliance, we found that the quality of spending data continued to need improvement. The data quality issues were generally attributable to inconsistencies in interpretation of DATA Act element definitions by contracting officers and a lack of comprehensive quality review processes designed to ensure that contract attribute information is accurately entered into internal and external systems for DATA Act reporting.

We previously recommended that the IRS enhance quality assurance procedures to improve the accuracy of DATA Act procurement attribute information. The IRS agreed and established a charter outlining responsibility for performance of quality assurance reviews of DATA Act procurement attribute information; however, the reviews themselves were not initiated at the time of our review. TIGTA recommended that the CFO and the Chief Procurement Officer jointly establish procedures to guide the performance of planned quality assurance reviews, such as how frequently the reviews will be performed and how the sample size will be determined, and initiate the reviews. In their response, IRS management agreed with our recommendation and planned to develop and initiate a quality assurance process.

Audit coordination

Because there is only one submission for publication on USAspending.gov for all Treasury Department bureaus and offices, including the IRS, TIGTA and the Treasury Office of Inspector General (OIG) agreed to perform a joint review of the Treasury Department's DATA Act submission of FY 2020 third quarter financial and award data. The Treasury Department's DATA Act submission population consisted of 7,723 transactions. These transactions were divided into two subpopulations: 1) the IRS and 2) all other Treasury Department bureaus and offices. The IRS subpopulation consisted of 2,218 transactions, and the subpopulation for all other Treasury bureaus and offices consisted of 5,505 transactions. TIGTA and the Treasury OIG jointly selected a random, statistically valid sample of 265 of the 7,723 transactions. TIGTA reviewed 77 IRS sample transactions, and the Treasury OIG reviewed the remaining 188 sample transactions for the other Treasury Department bureaus and offices. The Treasury OIG also assessed the overall completeness, accuracy, timeliness, and quality of summary financial data reported for all Treasury Department bureaus and offices in the third quarter of FY 2020 (Files A and B). Additionally, the Treasury OIG assessed the reconciliation process between the data in Files B and C for all Treasury Department bureaus and offices. Details on the results of this substantive testing will be reported separately by the Treasury OIG.

As part of our coordination with the Treasury OIG, we agreed to assist if any material differences were identified in the Treasury OIG's reconciliation and review of Treasury Department (including the IRS) files. The Treasury OIG did not identify any IRS differences and, as a result, did not contact us regarding the resolution of any differences of this type. Consequently, TIGTA's focus was on reviewing the financial (File C) and award (procurement (File D1) and grants (File D2)) information included in the IRS's submission to the Treasury Department and assessing it for completeness, accuracy, and timeliness. TIGTA and the Treasury OIG maintained close coordination during our separate DATA Act audits.

Results of Review

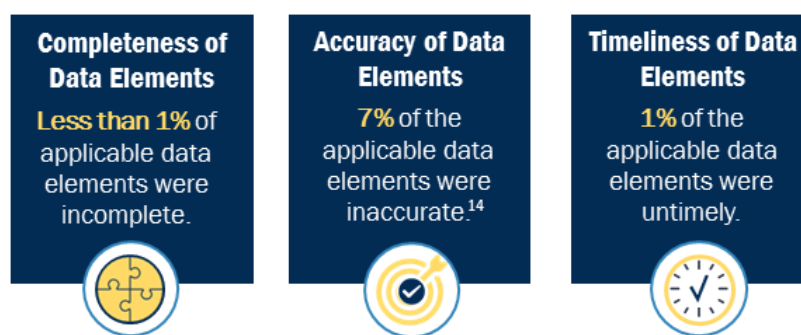
The IRS has made improvements in the overall completeness, accuracy, and timeliness of its submitted spending data since our last review; however, high error rates remain in individual data elements. Our review of the IRS's FY 2020 third quarter financial and award (procurements and grants) data found that the IRS submitted its spending data to the Treasury Department by July 2020, as required, for publication on USAspending.gov. In addition, based on the standardized assessment methodology developed by the CIGIE, the IRS earned 97.7 points out of 100 possible points, which resulted in an overall rating of 'Excellent' for data quality. See Appendix VI for additional information on the IRS's overall quality scoring.

However, TIGTA's review of a statistical sample of 77 transactions found some individual data elements still had high error rates. These inaccuracies continue to occur because the IRS has yet to implement a quality review process designed to identify areas for which additional training may be needed. Finally, we also determined that controls over the accuracy of grant spending financial information could be enhanced.

Overall Data Accuracy Has Improved; However, High Error Rates Remain in Some Data Elements

Our analysis indicates that the IRS has made improvements in the overall completeness, accuracy, and timeliness of its data since our last review. TIGTA reviewed a statistical sample of 77 transactions, including 73 procurement transactions and four grant transactions, comprised of 3,510 applicable data elements. We evaluated the 3,510 data elements in accordance with the 2020 CIGIE Guide requirements that include an assessment of data completeness, accuracy, and timeliness. Figure 3 provides the overall results of our assessment.

Figure 3: Evaluation of 3,510 Data Elements



Source: TIGTA analysis of IRS FY 2020, third quarter DATA Act transactions.

Figure 4 summarizes the results of our review of the 77 sampled transactions. Figure 5 shows the IRS’s improvement from our FY 2019 audit compared to the results of our current FY 2020 audit.

Figure 4: Evaluation of DATA Act Transactions

IRS Strata	Contracts	Grants	Total
Transactions			
Population	2,119	99	2,218
Sample	73	4	77
Data Elements			
Applicable ¹⁶	3,338	172	3,510
Element Exceptions			
Incomplete	1	0	1
Inaccurate	231	10	241
Untimely	38	0	38

Source: TIGTA analysis of IRS FY 2020, third quarter DATA Act transactions.

Figure 5: Comparison of FY 2020 and FY 2019 Evaluation of Transactions

Exception Type	FY 2020 Rates	FY 2019 Rates	Change
Incomplete	0%	4%	-4%
Inaccurate	7%	12%	-5%
Untimely	1%	8%	-7%

Source: TIGTA analysis of IRS FY 2020, third quarter DATA Act transactions.

¹⁵ Inaccuracies included elements such as vendor location and place of performance, along with their corresponding congressional district.

¹⁶ Certain data elements do not apply in some circumstances. For example, “Parent Award ID” is not applicable in cases in which the award is not based on a higher level parent contract. In such cases, these elements are not included in result calculations. However, if data are erroneously included, it is considered inaccurate and incorporated into the calculation of results.

High error rates remain in some individual data elements

Despite the improvements in the overall accuracy, high error rates remain in some individual data elements including several that are likely to be significant to stakeholders, such as vendor location and place of performance along with their corresponding congressional districts. The CIGIE guide outlines that the accuracy of data elements affects the overall quality of the data publicly reported by agencies. The data elements with accuracy errors in our statistical sample relate to both procurement and grant information. Figure 6 shows data elements with an exception rate of 20 percent or greater and a comparison to the results from our FY 2019 review. See Appendix V for the full list.

Figure 6: Comparison of FY 2020 and FY 2019 Statistical Sample Testing Results of Reported Data Elements With Error Rates Over 20 Percent

Data Element Name	FY 2020	FY 2019	Change
Primary Place of Performance Address	44%	52%	-8%
Potential Total Value of Award	29%	35%	-6%
Primary Place of Performance Congressional District	26%	21%	5%
Action Date	25%	28%	-3%
Legal Entity Address	23%	19%	4%
Current Total Value of Award	23%	35%	-12%
Period of Performance Current End Date	22%	24%	-2%
Period of Performance Potential End Date	21%	28%	-7%
Ultimate Parent Legal Entity Name	21%	52%	-31%
Ultimate Parent Unique Identifier	21%	23%	-2%

Source: TIGTA analysis of IRS DATA Act procurement and grant statistical sample transactions.

These inaccuracies continue to occur because the IRS has yet to implement its quality review process designed to assess the accuracy of DATA Act information in order to identify areas where additional training may be needed. We previously recommended that the IRS enhance quality assurance procedures to improve the accuracy of DATA Act information, and recommended that the IRS provide training to contracting officers to ensure an understanding of DATA Act element definitions. Although the IRS agreed with both recommendations, it has not fully implemented its quality assurance procedures, nor has it provided any training to contracting officers or grants staff on DATA Act elements since our last audit.

In our previous review, IRS management indicated that the IRS was developing an automated solution to perform DATA Act element quality assurance reviews using Robotic Process Automation (RPA) to be performed monthly to validate the accuracy of DATA Act elements. The RPA would extract contract documents from the Procurement for Public Sector system, read the contract document to extract a specific data element, and compare that data element to the data reported in an external system such as the FPDS-NG.

Our review found that while IRS Procurement has extensively tested the use of the RPA to identify potential errors related to DATA Act element information, it has yet to initiate a program of regular quality reviews of DATA Act procurement information as previously recommended. Regular quality reviews would assist the IRS in identifying and correcting the types of errors we observed. The IRS stated that it was unable to provide a definitive timeline for program

initiation due to delays in the granting of cybersecurity clearance needed to use the RPA within the Procurement for Public Sector system.

We similarly found no documented evidence of periodic quality reviews of DATA Act grant information during our audit review period. The Wage and Investment Division and the Taxpayer Advocate Service, which are responsible for the IRS's grant programs, both stated that they perform ongoing spot checks of data quality; however, neither office maintained any documentation supporting that these reviews were completed during our audit period. Further, the offices do not use a standardized template for documenting their quality assurance reviews.

Finally, the IRS did not provide any training to contracting officers or grants staff on DATA Act elements since our last audit in FY 2019. However, in June 2021 the IRS did provide training to procurement managers on common DATA Act element errors. The IRS also stated that once the RPA-based data analysis is operational, it plans to create and post instructional DATA Act-related videos based on DATA Act reporting. The training should improve contracting officers' understanding of DATA Act attribute element definitions.

Without effective internal controls over award attribute data quality, including the performance of regular quality assurance reviews of data accuracy, the IRS will be unable to ensure that spending data it reports on USAspending.gov are consistent and reliable. In addition, the lack of ongoing quality assurance reviews makes it difficult to identify which elements may require additional training or supplemental instructions.

Non-statistical sampling results

For this audit cycle, the CIGIE common methodology required a review of a non-statistical sample of COVID-19 coded outlay records, as applicable.¹⁷ This would include expenditures made using funds received for COVID-related activities.¹⁸ For our review period, the IRS had 28 COVID-19 outlay records, of which we reviewed all 28. The 28 outlay records were comprised of 195 applicable data elements. All 28 cases, including their related data elements, were timely and complete. However, five (3 percent) of the 195 applicable data elements were inaccurate. All five of the inaccuracies related to the data element "Parent Award ID."¹⁹

Recommendation 1: The Chief Financial Officer and the Chief Procurement Officer should jointly continue with efforts to implement the automated quality review program and use the results of the quality reviews to guide training focused on high error rate elements.

Management's Response: IRS management agreed with this recommendation. The Chief Procurement Officer, working with the Chief Financial Officer, will continue to develop and initiate an automated quality assurance review process and use that process to build targeted training opportunities for high error rate elements.

¹⁷ CIGIE Guidance allows agencies to determine the number of COVID-19 Outlay Records to evaluate for the non-statistical scorecard category. TIGTA elected to review all COVID-19 Outlay Records reported in our review period of FY 2020, third quarter.

¹⁸ Agencies that received COVID-19 relief funding must submit monthly transaction data on COVID-19-related outlays.

¹⁹ The element of "Parent Award ID" had an exception rate of 19 percent as there were five inaccuracies in 27 applicable cases out of the 28 cases reviewed.

Recommendation 2: The Chief Financial Officer; the Taxpayer Advocate; and the Commissioner, Wage and Investment Division, should jointly develop a standardized template for documenting quality assurance reviews and use the results of these reviews to guide training focused on high error elements.

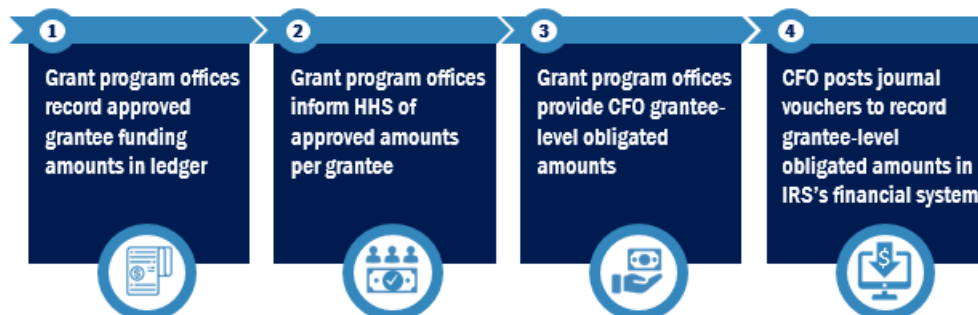
Management’s Response: IRS management agreed with this recommendation. The Taxpayer Advocate and the Commissioner, Wage and Investment Division, working with the Chief Financial Officer, will develop a standardized template to document the quality assurance reviews and use the reviews to hold targeted trainings on high error rate elements.

The IRS Data Reporting Overstated Funding Provided to Some Grantees by \$4.7 Million

The IRS overstated the amount of funding it obligated to 63 grantees by \$4.7 million on its general ledger and in the information it reported to USA Spending.gov in the second quarter of FY 2020. This information was subsequently corrected during our review period; third quarter of FY 2020.

The IRS has three grant programs, which are authorized by annual appropriations law: Low Income Tax Clinics, Tax Counseling for the Elderly, and Volunteer Income Tax Assistance. The Taxpayer Advocate is responsible for administration of the Low Income Tax Clinics grant program. The Tax Counseling for the Elderly and Volunteer Income Tax Assistance grant programs fall under the responsibility of the Wage and Investment Division. All three of the IRS’s grant programs use the Department of Health and Human Services (HHS) Payment Management System to make payments to individual grantees. As part of this process, the responsible IRS grant program offices issue a notice of award specifying the approved award amount to grantees. The responsible IRS grant program offices inform the HHS of the approved award amount for each grantee, record the amount in subsidiary records maintained by the respective program office, and advise the CFO of the grantee amount to record in the IRS’s financial system. The notice of award for each individual grantee is not provided to the CFO. Journal vouchers are then prepared by the CFO to manually enter obligations at the grantee level, based on information provided and entered in the IRS’s financial system. Figure 7 outlines the process to make payments to individual grantees and post the payments in the IRS’s financial system.

Figure 7: Posting of the IRS’s Grantee-Level Financial Data



Source: TIGTA analysis of IRS grant program office accounting procedures.

The IRS overstated the grantee funding reported to USASpending.gov due to a lack of sufficient internal controls over the accuracy of grantee information provided for posting to the IRS's financial system. Specifically, CFO procedures for posting grantee-level obligations did not require that grant program offices provide source documentation of the approved award amount prior to posting. The Internal Revenue Manual states that all manual obligations should be supported by source documentation. In addition, CFO procedures for posting grantee-level obligations do not require any ongoing reconciliation between the grantee-approved award amounts reported to the HHS and the grantee obligation (award amount) information provided by the IRS grant program offices for posting.

As a result, the CFO lacks sufficient assurance that the information it posts on grantee awards is complete and accurate. For example, if the IRS performed a reconciliation of this type prior to posting the information provided by the grant program office, the previously noted \$4.7 million overstatement would have been apparent. Without improved controls, the IRS may not identify future accounting errors. Such errors, when not corrected, reduce the reliability of the IRS's USASpending.gov data submission for end users.

Recommendation 3: The Chief Financial Officer; the Taxpayer Advocate; and the Commissioner, Wage and Investment Division, should jointly implement procedures requiring 1) source documentation be provided to support the detailed grantee obligation information and 2) the reconciliation between grantee award amounts reported to the HHS and the detailed grantee obligation information provided by the grant program offices for posting.

Management's Response: IRS management agreed with this recommendation. The CFO; the Taxpayer Advocate; and the Commissioner, Wage and Investment Division, will incorporate the source documentation into the grantee obligation information review and develop a reconciliation process of the grantee award amounts from source documentation to the detailed grantee obligation information from the grant program offices.

Government Financial Standards Have Been Implemented as Required

In May 2015, the OMB and the Treasury Department published 57 data definition standards and required Federal agencies to convey financial data in accordance with these standards for DATA Act reporting, beginning May 2017. In addition, the DATA Act technical schema, developed by the Treasury Department, details the specifications for the format, structure, and transmission of the required data.

We determined that the IRS was substantially compliant in implementing the Governmentwide financial data standards and uses data source inventory to track DATA Act data elements source system and reporting requirements. The IRS included the two new reporting elements, DEFC and NIA, in its third quarter FY 2020 reporting as required.

The IRS Continues to Improve Other Internal Controls Related to Digital Accountability and Transparency Act Reporting

We previously reported that the IRS has taken a number of actions to improve internal controls related to DATA Act reporting. For example, the IRS has provided input into the Treasury Department's development of a Department-wide DQP as required by OMB Memorandum M-18-16. Since our last review, the IRS has made additional improvement on the following key internal controls related to DATA Act reporting.

Auto-population of the FPDS-NG with DATA Act elements

We previously recommended that the Chief Procurement Officer should pursue methods of automating the capture of data for 10 procurement-related elements required for DATA Act reporting. Automated control activities tend to be more reliable because they are less susceptible to human error and are typically more efficient. In July 2019, the IRS reported that it implemented the auto-population of the FPDS-NG for seven of the 10 elements. We observed the auto-population of these seven elements to be working as described. The IRS stated that it elected not to auto-populate the FPDS-NG in the remaining three elements, all which relate to the place of performance address. The IRS determined that it was more efficient to first enter information related to place of performance in the FPDS-NG in order to leverage the embedded zip look up tool.

The DQP

We reviewed the September 2020 update to the Treasury Department's Department-wide DQP and noted that it a) included information on the status of the IRS's efforts to use the RPA to improve data quality and b) specified that this approach is being considered for implementation in other Treasury Department offices. The overall effectiveness of the DQP in improving data quality across the Treasury Department was reviewed by the Treasury OIG as part of its mandatory DATA Act audit.

FY 2020 A-123 testing – DATA Act compliance

OMB Circular A-123 requires agencies to provide annual assurance on internal control effectiveness to achieve specific internal control objectives including those related to external reporting requirements. In its August 2019 assessment of internal controls, the IRS made recommendations to implement focused reviews of select elements and an overall improvement in established monitoring and quality review practices. However, our review identified that the IRS has yet to implement a quality review process designed to assess the accuracy of DATA Act information.

In August 2020, the IRS completed another assessment of internal controls over compliance with the DATA Act. The assessment included a review of DATA Act reporting for a sample of 40 awards. Ten data elements per award were reviewed. The assessment results indicated a discrepancy in one of the data elements for five of the 40 awards reviewed. No further recommendations were made as a result of this review.

DATA Act Submission Assurance Statement

OMB Memorandum M-17-04²⁰ requires that agency DATA Act senior accountability officials or their designees must provide a quarterly assurance that their agency's internal controls support the reliability and validity of the agency account-level and award-level data reported for display on USAspending.gov. This includes controls over financial management systems. The IRS provided a DATA Act Submission Assurance Statement for the third quarter of FY 2020 as required. In this statement, the IRS addressed controls regarding its spending data, agency source systems, and DATA Act submission files (File A—Appropriation Account, File B—Object Class, File C—Award Financial, and File D2—Financial Assistance). The Treasury Department senior accountability official provided an assurance statement certifying the completeness, accuracy, and timeliness of agency data for all Treasury Department bureaus and offices (including the IRS) for File D1—Procurement.

Financial system information

Our analysis did not identify any differences between financial information reported for the 77 transactions we sampled and information contained in the IRS's Integrated Financial System.

Annual financial statement audit

Our review of the IRS financial statement audit results did not identify financial reporting control weaknesses that would materially affect the IRS's ability to timely and accurately report award and financial information. In the GAO's audits of the IRS's financial statements as of and for the fiscal years ended September 30, 2019, and 2020, the GAO rendered an unmodified opinion on the IRS's financial statements. The GAO also found no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements that it tested.

²⁰ OMB, M-17-04, *Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability* (November 4, 2016).

Appendix I

Detailed Objectives, Scope, and Methodology

The overall objectives of this review were to assess 1) the completeness, accuracy, timeliness, and quality of the IRS's Fiscal Year 2020 third quarter financial and award data submitted for publication on USASpending.gov and 2) the IRS's implementation and use of the Governmentwide financial data standards established by the OMB and the Treasury Department, as required by the DATA Act. To accomplish our objectives, we:

- Obtained an understanding of the applicable regulatory criteria, systems, processes, and controls the IRS relies on to facilitate the reporting of financial and award data under the DATA Act.
- Assessed internal and information system controls in place over data management and reporting under the DATA Act.
- Reviewed the IRS's implementation and use of data standards established by the OMB and the Treasury Department.
- Assessed the IRS's senior accountability official certification and warning resolution process.
- Evaluated the IRS's FY 2020 third quarter DATA Act submission for timeliness and completeness.
- Reviewed a statistical sample of the IRS's certified FY 2020 third quarter financial and award data submitted for publication on USASpending.gov and assessed the data for completeness, accuracy, and timeliness.
- Determined the overall quality of the IRS's FY 2020 third quarter DATA Act submissions.

Sampling Methodology

The DATA Act requires the Inspector General of each Federal agency to audit a statistically valid sample of the spending data submitted by its Federal agency. In performing our review, we relied on a statistically valid, random sample selected by the Treasury OIG, from certified spending submitted for publication on USASpending.gov, specifically from the reportable award-level transactions included in the Treasury Department's certified data submission for File C. The Treasury OIG's contracted statistician assisted with developing the sampling plan and projections. TIGTA reviewed those transactions applicable to the IRS; the Treasury OIG reviewed all other Treasury Department bureau transactions. Specifically, the number of transactions selected for this review was 265 transactions (77 IRS and 188 other Treasury Department bureau transactions). The sample size was based on a 95 percent confidence level, an expected error rate of 23 percent, and a desired sampling precision of ± 5 percent.

Performance of This Review

This review was performed with information obtained from the Headquarters offices of the Office of the Chief Financial Officer; Chief Procurement Officer; and Taxpayer Advocate located in Washington, D.C. This review was also performed at the field offices of the Office of the Chief

Procurement Officer, located in Atlanta, Georgia; Lanham, Maryland; New York, New York; and Dallas, Texas, and the Wage and Investment Division field office located in Atlanta, Georgia, during the period July 2020 through October 2021. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Major contributors to the report were Heather Hill, Assistant Inspector General for Audit (Management Services and Exempt Organizations); LaToya George, Director; Anthony Choma, Audit Manager; Morgan Little, Lead Auditor; Gary Pressley, Senior Auditor; and Carolyn deGuzman, Auditor.

Validity and Reliability of Data From Computer-Based Systems

We performed validation tests to ensure the reliability of the FY 2020 third quarter Treasury Submission File C (IRS transactions) data we extracted. These tests included evaluating whether all transactions reported contained all expected fields (including award identification number), had values within expected ranges, and had funding codes applicable to the IRS. Overall, we determined that the extracted data were reliable for the purposes of our substantive testing, which focused on an in-depth analysis of the accuracy of selected sample cases through the review of source documentation.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objectives: the IRS's procedures for creating, validating, and submitting the monthly Award Financial submission file; procedures for the reconciliation of award and financial information; and the process used for the quality review of award attribute information. We evaluated these controls by interviewing officials in the Offices of the Chief Financial Officer; Chief Procurement Officer; Taxpayer Advocate; and Wage and Investment Division, and reviewing the FY 2020 third quarter DATA Assurance Certification and associated corrective action report.

Appendix II

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Reliability of Information - Potential; 241 (7 percent) of the 3,510 applicable data elements we tested from our sample of 77 IRS transactions included in the Treasury Department's FY 2020 third quarter financial and award data submission were inaccurate (see Recommendation 1).

Methodology Used to Measure the Reported Benefit:

The Treasury Department's DATA Act spending data submitted in July 2020 consisted of 7,723 transactions. These transactions included the IRS and all other Treasury Department bureaus and offices. The IRS subpopulation consisted of 2,218 transactions, and all other Treasury Department bureaus and offices subpopulations consisted of 5,505 transactions. Based on the formula provided in DATA Act guidance, we selected a sample of 265 transactions and stratified the sample in two groups, one for the IRS and the other for all other Treasury Department bureaus. The IRS sample consisted of 77 transactions. The 77 sample transactions we reviewed were comprised of 3,510 applicable data elements. Out of those 3,510 applicable data elements, we found that 241 (7 percent) were inaccurate.

Appendix III

IRS Exceptions Based on Applicable Elements

Data Element Name	Incomplete	Inaccurate	Untimely
Primary Place of Performance Address	0%	44%	1%
Potential Total Value of Award	0%	29%	1%
Primary Place of Performance Congressional District	0%	26%	1%
Action Date	0%	25%	1%
Legal Entity Address	0%	23%	1%
Current Total Value of Award	0%	23%	1%
Period of Performance Current End Date	0%	22%	1%
Period of Performance Potential End Date	0%	21%	1%
Ultimate Parent Legal Entity Name	1%	21%	1%
Ultimate Parent Unique Identifier	0%	21%	1%
Period of Performance Start Date	0%	14%	1%
Parent Award Identification Number	0%	11%	0%
Award Description	0%	9%	1%
Legal Entity Congressional District	0%	9%	1%
Awardee/Recipient Legal Entity Name	0%	5%	1%
National Interest Action	0%	4%	1%
Awarding Office Code	0%	4%	1%
Awarding Office Name	0%	4%	1%
North American Industry Classification System Code	0%	3%	1%
Action Type	0%	2%	0%
North American Industry Classification System Description	0%	1%	1%
Amount of Award	0%	0%	0%
Appropriations Account	0%	0%	0%
Award Identification Number	0%	0%	1%
Award Modification/Amendment Number	0%	0%	1%
Award Type	0%	0%	1%
Awardee/Recipient Unique Identifier	0%	0%	1%
Awarding Agency Code	0%	0%	1%
Awarding Agency Name	0%	0%	1%
Awarding Sub Tier Agency Code	0%	0%	1%
Awarding Sub Tier Agency Name	0%	0%	1%
Business Types	0%	0%	0%
Catalog of Federal Domestic Assistance Number	0%	0%	0%
Catalog of Federal Domestic Assistance Title	0%	0%	0%
Disaster Emergency Fund Code	0%	0%	0%
Federal Action Obligation	0%	0%	1%
Funding Agency Code	0%	0%	1%
Funding Agency Name	0%	0%	1%
Funding Office Code	0%	0%	1%
Funding Office Name	0%	0%	1%
Funding Sub Tier Agency Code	0%	0%	1%
Funding Sub Tier Agency Name	0%	0%	1%
Legal Entity Country Code	0%	0%	1%
Legal Entity Country Name	0%	0%	1%
Non-Federal Funding Amount	0%	0%	0%
Object Class	0%	0%	0%
Obligation	0%	0%	0%
Ordering Period End Date	0%	0%	0%
Primary Place of Performance Country Code	0%	0%	1%
Primary Place of Performance Country Name	0%	0%	1%
Program Activity	0%	0%	0%
Record Type	0%	0%	0%

Source: TIGTA analysis of 3,510 applicable elements based on criteria established by 2020 CIGIE Guidance.

Appendix IV

IRS Exception Rates per Sample

Sample Record	Applicable Elements	Incomplete		Inaccurate		Untimely	
		Number	Percentage	Number	Percentage	Number	Percentage
1	45	0	0%	3	7%	0	0%
2	45	0	0%	1	2%	0	0%
3	45	0	0%	2	4%	0	0%
4	47	0	0%	3	6%	0	0%
5	45	0	0%	1	2%	0	0%
6	45	0	0%	2	4%	0	0%
7	45	0	0%	2	4%	0	0%
8	45	0	0%	2	4%	0	0%
9	45	0	0%	0	0%	0	0%
10	47	0	0%	2	4%	0	0%
11	45	0	0%	1	2%	0	0%
12	45	0	0%	4	9%	0	0%
13	45	0	0%	0	0%	0	0%
14	46	0	0%	2	4%	0	0%
15	45	0	0%	0	0%	0	0%
16	44	0	0%	0	0%	0	0%
17	47	0	0%	8	17%	0	0%
18	45	0	0%	6	13%	0	0%
19	47	0	0%	3	6%	0	0%
20	47	0	0%	5	11%	0	0%
21	47	0	0%	5	11%	0	0%
22	47	0	0%	5	11%	0	0%
23	47	0	0%	9	19%	0	0%
24	47	1	2%	5	11%	0	0%
25	47	0	0%	3	6%	0	0%
26	47	0	0%	6	13%	0	0%
27	46	0	0%	6	13%	0	0%
28	46	0	0%	3	7%	0	0%
29	46	0	0%	5	11%	0	0%
30	46	0	0%	4	9%	0	0%
31	46	0	0%	3	7%	0	0%
32	46	0	0%	2	4%	0	0%
33	47	0	0%	5	11%	0	0%
34	45	0	0%	3	7%	0	0%
35	44	0	0%	4	9%	0	0%
36	45	0	0%	5	11%	0	0%
37	47	0	0%	7	15%	0	0%
38	47	0	0%	4	9%	0	0%
39	47	0	0%	5	11%	0	0%
40	47	0	0%	5	11%	0	0%
41	47	0	0%	5	11%	0	0%
42	47	0	0%	8	17%	0	0%
43	47	0	0%	9	19%	0	0%
44	47	0	0%	5	11%	0	0%
45	45	0	0%	4	9%	0	0%
46	45	0	0%	0	0%	0	0%
47	47	0	0%	1	2%	0	0%
48	47	0	0%	1	2%	0	0%
49	47	0	0%	1	2%	0	0%
50	47	0	0%	1	2%	0	0%
51	45	0	0%	2	4%	0	0%
52	45	0	0%	1	2%	0	0%
53	45	0	0%	3	7%	0	0%

Fiscal Year 2020 Digital Accountability and Transparency Act Reporting Compliance

Sample Record	Applicable Elements	Incomplete		Inaccurate		Untimely	
		Number	Percentage	Number	Percentage	Number	Percentage
54	45	0	0%	2	4%	0	0%
55	44	0	0%	3	7%	0	0%
56	46	0	0%	1	2%	0	0%
57	45	0	0%	6	13%	0	0%
58	44	0	0%	2	5%	0	0%
59	44	0	0%	2	5%	38	86%
60	44	0	0%	3	7%	0	0%
61	44	0	0%	0	0%	0	0%
62	45	0	0%	0	0%	0	0%
63	45	0	0%	2	4%	0	0%
64	45	0	0%	0	0%	0	0%
65	45	0	0%	2	4%	0	0%
66	45	0	0%	1	2%	0	0%
67	46	0	0%	4	9%	0	0%
68	44	0	0%	3	7%	0	0%
69	45	0	0%	2	4%	0	0%
70	45	0	0%	5	11%	0	0%
71	45	0	0%	3	7%	0	0%
72	47	0	0%	6	13%	0	0%
73	47	0	0%	2	4%	0	0%
74	43	0	0%	3	7%	0	0%
75	43	0	0%	2	5%	0	0%
76	43	0	0%	5	12%	0	0%
77	43	0	0%	0	0%	0	0%
Total Count 3,510		1		241		38	
Average Error Rate¹			0%		7%		1%

Source: TIGTA analysis of sampled IRS FY 2020, third quarter DATA Act transactions.

¹ "Average Error Rate" was calculated by taking an average of the percentages for completeness, accuracy, and timeliness.

Appendix V

IRS Comparative Accuracy Error Rates

Data Element Name	2020	2019	Change
Primary Place of Performance Address	44%	52%	-8%
Potential Total Value of Award	29%	35%	-6%
Primary Place of Performance Congressional District	26%	21%	5%
Action Date	25%	28%	-3%
Legal Entity Address	23%	19%	4%
Current Total Value of Award	23%	35%	-12%
Period of Performance Current End Date	22%	24%	-2%
Period of Performance Potential End Date	21%	28%	-7%
Ultimate Parent Legal Entity Name	21%	52%	-31%
Ultimate Parent Unique Identifier	21%	23%	-2%
Period of Performance Start Date	14%	33%	-19%
Parent Award Identification Number	11%	13%	-2%
Award Description	9%	6%	3%
Legal Entity Congressional District	9%	15%	-6%
Awardee/Recipient Legal Entity Name	5%	8%	-3%
National Interest Action	4%	NA	NA
Awarding Office Code	4%	5%	-1%
Awarding Office Name	4%	5%	-1%
North American Industry Classification System Code	3%	17%	-14%
Action Type	2%	7%	-5%
North American Industry Classification System Description	1%	16%	-15%
Amount of Award	0%	NA	NA
Appropriations Account	0%	5%	-5%
Award Identification Number	0%	5%	-5%
Award Modification/Amendment Number	0%	7%	-7%
Award Type	0%	5%	-5%
Awardee/Recipient Unique Identifier	0%	5%	-5%
Awarding Agency Code	0%	5%	-5%
Awarding Agency Name	0%	5%	-5%
Awarding Sub Tier Agency Code	0%	5%	-5%
Awarding Sub Tier Agency Name	0%	5%	-5%
Business Types	0%	NA	NA
Catalog of Federal Domestic Assistance Number	0%	NA	NA
Catalog of Federal Domestic Assistance Title	0%	NA	NA
Disaster Emergency Fund Code	0%	NA	NA
Federal Action Obligation	0%	13%	-13%
Funding Agency Code	0%	5%	-5%
Funding Agency Name	0%	5%	-5%
Funding Office Code	0%	9%	-9%
Funding Office Name	0%	9%	-9%
Funding Sub Tier Agency Code	0%	5%	-5%
Funding Sub Tier Agency Name	0%	5%	-5%
Legal Entity Country Code	0%	5%	-5%
Legal Entity Country Name	0%	5%	-5%
Non-Federal Funding Amount	0%	NA	NA
Object Class	0%	5%	-5%
Obligation	0%	5%	-5%
Ordering Period End Date	0%	0%	0%
Primary Place of Performance Country Code	0%	7%	-7%
Primary Place of Performance Country Name	0%	7%	-7%
Program Activity	0%	5%	-5%
Record Type	0%	NA	NA

Source: TIGTA analysis of sample transactions in accordance with CIGIE Guidance. Note: We did not compare data elements that only apply to grants, as our FY 2019 sample did not include grants.

Appendix VI

IRS DATA Act Quality Scorecard

The Quality Scorecard is incorporated in the *CIGIE FAEC [Federal Audit Executive Council] Inspectors General Guide to Compliance under the DATA Act*. The Quality Scorecard provides Governmentwide consistency in the measurement of quality and assigns quantifiable values to non-statistical testing and weighing those results with statistical testing results. The IRS received a score of 97.7 based on our sample and therefore has an overall quality rating of “Excellent.” The following figure shows the quality score criteria and how the IRS scored in each.

Quality is based on the following ranges:

- Lower: 0 – 69.9
- Moderate: 70 – 84.9
- Higher: 85- 94.9
- Excellent: 95 - 100

IRS Fiscal Year 2020 DATA Act Quality Scorecard		
Criteria	Maximum Points (COVID-19 Funded)	Score
Non-Statistical Sample Type		
*Timeliness of Agency Submission	5	5
*Completeness of Summary-Level Data	10	10
*Suitability of File C for Sample Selection	10	10
Record-Level Linkages	7	7
COVID-19 Outlay Testing	8	7.9
Statistical Sample Type		
Completeness	15	15
Accuracy	30	27.9
Timeliness	15	14.8
Overall Quality Score		
	<i>100</i>	<i>97.7</i>
		<i>Excellent</i>

Source: CIGIE FAEC [Federal Audit Executive Council] Inspectors General Guide to Compliance under the DATA Act, Attachment 4, Quality Score Card results based on TIGTA analysis. The overall quality score differs slightly from the sum of the individual scores presented due to rounding.

**We relied on testing performed by the Treasury OIG in calculating these scores.*

Appendix VII

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

October 18, 2021

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: TERESA HUNTER, Teresa R. Hunter
CHIEF FINANCIAL OFFICER

Digitally signed by Teresa
R. Hunter
Date: 2021.10.18
16:41:32 -0400

SUBJECT: Discussion Draft Audit Report – Fiscal Year 2020 Digital
Accountability and Transparency Act Reporting Compliance
(Audit # 202010008)

Thank you for the opportunity to respond to the draft report from your review of the IRS's compliance with the Digital Accountability and Transparency Act (DATA Act) of 2014 (P.L. 113-101). We agree with the recommendations listed in the draft report and will implement the corrective actions detailed in the attachment.

Compliance with this Act focuses primarily on the completeness, accuracy, timeliness, quality and use of governmentwide financial data standards. The IRS has maintained a high degree of financial integrity and confidence in its publicly displayed financial information, evidenced by achieving consecutive unmodified audit opinions for the past 21 consecutive years.

Since your last audit, the IRS has continued to focus on compliance with DATA Act requirements by developing an automated quality assurance review process that will enable the IRS to better focus training on high-risk elements.

The IRS was pleased to receive the highest of four possible ratings that resulted in an overall data quality score of 97.7 points out of a possible 100. The IRS addresses compliance requirements with the commitment to ensure all DATA Act submissions are met. While developing the quality assurance review processes, we determined that the use of Robotic Process Automation technologies will enable us to review data on a timelier basis. Where cost effective and meaningful, the IRS intends to expand the use of automation technologies and other process improvements to perform quality assurance reviews and provide effective training to staff.

If you have any questions, please contact Anthony S. Chavez, Associate Chief Financial Officer for Financial Management, at 202-803-9730.

Attachment

ATTACHMENT

RECOMMENDATION 1

The Chief Financial Officer and the Chief Procurement Officer should jointly continue with efforts to implement the automated quality review program and use the results of the quality reviews to guide training focused on high error elements.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The Chief Procurement Officer, working with the Chief Financial Officer, will continue to develop and initiate an automated quality assurance review process and use that process to build targeted training opportunities for high error rate elements.

IMPLEMENTATION DATE

September 30, 2022

RESPONSIBLE OFFICIAL

Chief Procurement Officer

CORRECTIVE ACTION MONITORING PLAN

IRS will monitor the corrective action as part of our internal management system of controls.

RECOMMENDATION 2

The Chief Financial Officer, the Taxpayer Advocate and the Commissioner, Wage and Investment Division should jointly develop a standardized template for documenting quality assurance reviews and use the results of these reviews to guide focused training on high error elements.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The Taxpayer Advocate and the Commissioner, Wage & Investment Division, working with the Chief Financial Officer, will develop a standardized template to document the quality assurance reviews and use the reviews to hold targeted trainings on high error rate elements.

IMPLEMENTATION DATE

September 30, 2022

RESPONSIBLE OFFICIAL

Taxpayer Advocate and Commissioner, Wage & Investment

CORRECTIVE ACTION MONITORING PLAN

IRS will monitor the corrective action as part of our internal management system of controls.

RECOMMENDATION 3

The Chief Financial Officer, the Taxpayer Advocate and the Commissioner, Wage and Investment Division should jointly implement procedures requiring 1) source documentation be provided in support of detail grantee obligation information, and 2) the reconciliation between grantee award amounts reported to the HHS and the detail grantee obligation information provided by the grant program offices for posting.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The Chief Financial Officer, the Taxpayer Advocate, and the Commissioner, Wage & Investment Division will incorporate the source documentation into the grantee obligation information review and develop a reconciliation process of the grantee award amounts from source documentation to the detailed grantee obligation information from the grant program offices.

IMPLEMENTATION DATE

September 30, 2022

RESPONSIBLE OFFICIAL

Chief Financial Officer, Taxpayer Advocate, Commissioner, Wage & Investment

CORRECTIVE ACTION MONITORING PLAN

IRS will monitor the corrective action as part of our internal management system of controls.

Appendix VIII

Abbreviations

CFO	Chief Financial Officer
CIGIE	Council of Inspectors General on Integrity and Efficiency
COVID-19	Coronavirus Disease 2019
DATA Act	Digital Accountability and Transparency Act of 2014
DEFC	Disaster Emergency Fund Code
DQP	Data Quality Plan
FPDS-NG	Federal Procurement Data System-Next Generation
FY	Fiscal Year
GAO	Government Accountability Office
HHS	Department of Health and Human Services
IRS	Internal Revenue Service
NIA	National Interest Action
OIG	Office of Inspector General
OMB	Office of Management and Budget
RPA	Robotic Process Automation
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,
call our toll-free hotline at:**

(800) 366-4484

By Web:

www.treasury.gov/tigta/

Or Write:

Treasury Inspector General for Tax Administration

P.O. Box 589

Ben Franklin Station

Washington, D.C. 20044-0589

Information you provide is confidential, and you may remain anonymous.