



AUDIT OF  
THE NCUA'S COMPLIANCE UNDER  
THE DIGITAL ACCOUNTABILITY  
AND TRANSPARENCY ACT OF 2014

Report #OIG-17-09  
November 7, 2017



A handwritten signature in black ink, appearing to read "James W. Hagen".

*James W. Hagen*  
*Inspector General*

## TABLE OF CONTENTS

---

Section	Page
EXECUTIVE SUMMARY .....	1
BACKGROUND .....	3
RESULTS IN DETAIL.....	9
Assessment of Internal Controls .....	9
Test of the NCUA’s DATA Act Submission.....	11
APPENDICES:	
A. Objective, Scope, and Methodology .....	16
B. NCUA Management Response .....	18
C. CIGIE Letter to Congress .....	19
D. Acronyms and Abbreviations .....	21



## EXECUTIVE SUMMARY

---

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted this review in accordance with the Digital Accountability and Transparency Act of 2014<sup>1</sup> (DATA Act). Specifically, we conducted this review to assess the: (1) completeness,<sup>2</sup> timeliness,<sup>3</sup> quality,<sup>4</sup> and accuracy<sup>5</sup> of fiscal year 2017, second quarter financial and award data submitted for publication on USASpending.gov;<sup>6</sup> and (2) the NCUA'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). To accomplish our objectives, we utilized the "Inspectors General Guide to Compliance Under the DATA Act"<sup>7</sup> provided by the Federal Audit Executive Council (FAEC) DATA Act Working Group.<sup>8</sup> Consistent with this guidance, we also obtained and reviewed the laws, directives, and other regulatory criteria and guidance related to the NCUA's responsibilities to report financial and award data under the DATA Act. Additionally, we assessed internal controls over source systems; assessed internal controls over the NCUA's DATA Act submission; and conducted tests of the NCUA's financial and award data within its DATA Act submission.

The DATA Act requires federal agencies to disclose agency expenditures of appropriated funds, such as contract, loan, and grant spending information, over \$3,500 beginning 2017. We determined that the only annual appropriation the NCUA receives from Congress is for the Community Development Revolving Loan Fund (CDRLF). In addition, the NCUA's Office of General Counsel (OGC) determined that because the NCUA's operating funds derive from assessments on its insured entities and not from appropriations, the DATA Act reporting requirements apply only to the CDRLF.

The Federal Financial Managers' Integrity Act (FMFIA) requires federal executive branch entities to establish internal control in accordance with the Government Accountability Office's

---

<sup>1</sup> Pub. L. No. 113-101.

<sup>2</sup> Completeness is measured in two ways: (1) all transactions that should have been recorded are recorded in the proper reporting period, and (2) the percentage of transactions containing all applicable data elements required by the DATA Act.

<sup>3</sup> For financial and nonfinancial assistance award-level data transactions, transactions are reported within 30 days after the quarter in which they occurred.

<sup>4</sup> Quality focuses on the utility, objectivity, and integrity of disseminated information.

<sup>5</sup> Accuracy is the percentage of transactions that are complete and consistent with the system(s) of record or other authoritative sources.

<sup>6</sup> USASpending.gov is the publicly accessible, searchable website mandated by the Federal Funding Accountability and Transparency Act of 2006 to give the American public access to information on how their tax dollars are spent.

<sup>7</sup> This guide presents a common methodological and reporting approach for the IG community to use in performing its mandated work. It does not restrict an auditor from pursuing issues or concerns related to his or her agency's implementation of the DATA Act.

<sup>8</sup> The Working Group's mission is to assist the IG community in understanding and meeting its DATA Act oversight requirements by: (1) serving as a working level liaison with the Department of the Treasury (Treasury), (2) consulting with the GAO, (3) developing a common approach and methodology, and (4) coordinating key communications with other stakeholders.



(GAO) Standards of Internal Control (Green Book). We determined the NCUA's internal controls over DATA Act reporting followed the Green Book standards. Specifically, we determined internal controls over the NCUA's source systems and the DATA Act submission effectively managed and reported financial and award data in accordance with the DATA Act. We did not identify any control deficiencies that may adversely impact the completeness, timeliness, quality, or accuracy of the data submitted.

The DATA Act required OMB and Treasury to establish government-wide financial data standards. For agencies to comply with these standards, the DATA Act required agencies to report spending information in accordance with these standards on USASpending.gov by May 2017. Specifically, we determined that the NCUA's Senior Accountable Official (SAO),<sup>9</sup> certified and provided assurance for the second quarter, fiscal year 2017 DATA Act submission on April 25, 2017. We determined that the NCUA implemented and utilized these government-wide financial data standards by the reporting deadline with no reported errors in the submission. Through our testing efforts, we also determined that the NCUA's fiscal year 2017, second quarter financial and award data submitted for publication on USASpending.gov was complete, timely, accurate, and quality data. The only issues noted in our testing related to minor inconsistencies in the award-level transaction data, which should not exist in future DATA Act submissions due to the linkage of the award system to the System for Award Management (SAM).<sup>10</sup>

We appreciate the cooperation and courtesies the NCUA management and staff provided to us during this review.

---

<sup>9</sup> The NCUA's SAO is the Chief Financial Officer. SAOs are high-level senior officials who are accountable for the quality and objectivity of Federal spending information. These senior leaders should ensure that the information conforms to OMB guidance on information quality and adequate systems and processes are in place within the agencies to promote such conformity.

<sup>10</sup> SAM is an official website of the U.S. government operated by the General Services Administration (GSA) where entities can register to do business with the U.S. Government, update or renew entity registration, search for entity registration and exclusion records, and much more.



## BACKGROUND

---

### Digital Accountability and Transparency Act of 2014

The DATA Act, enacted on May 9, 2014, expands on the Federal Funding Accountability and Transparency Act of 2006<sup>11</sup> (FFATA) by requiring agencies to disclose direct agency expenditures. As a result, agency programs will link to contract, loan, and grant spending information, thereby enabling taxpayers and policy makers to more effectively track Federal spending. The DATA Act also requires that OMB and Treasury establish government-wide data standards for financial data as well as ensure they accurately post and display such financial data on USASpending.gov.<sup>12</sup>

On May 8, 2015, OMB issued Memorandum M-15-12 (OMB M-15-12), "Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable." This memorandum provided guidance to Federal agencies on FFATA reporting requirements as well as new requirements under the DATA Act. To publish Federal spending data on USASpending.gov (or its successor site), agencies are required to provide data to Treasury, to the extent practicable, using a standard data exchange (DATA Act Schema). This DATA Act Schema includes a standard classification and a standard format, or "language," for exchanging data and provides a comprehensive view of the data definition standards and their relationships to one another. OMB and Treasury finalized the data definition standards<sup>13</sup> and Treasury used the data definition standards to develop the initial draft of the DATA Act Schema in May 2015. The DATA Act Schema provides an overall view of the hundreds of distinct data elements used to tell the story of how federal dollars are spent. It includes artifacts that provide technical guidance for federal agencies about what data to report to Treasury including the authoritative sources of the data elements and the submission format. The DATA Act Schema also provides clarity on how the public can better understand the inherent complexity of the data. Treasury collected public input and feedback from federal agencies on the DATA Act Schema and implemented a methodology to create the DATA Act Information Model Schema (DAIMS) v 1.0.<sup>14</sup>

---

<sup>11</sup> Pub. L. No. 109-282, enacted on September 26, 2006.

<sup>12</sup> Mandated under the FFATA, USASpending.gov is a searchable website where the public can access information on entities and organizations receiving federal funds.

<sup>13</sup> Under FFATA, Federal agencies report 259 data elements to USASpending.gov. However, Treasury and OMB identified 57 data elements that agencies must report. The data elements, for example, include awardee and recipient information, award amount, award characteristics, funding and awarding entities, and account funding information. The 57 data elements including definitions can be found at: <https://fedspendingtransparency.github.io/data-elements/>

<sup>14</sup> The DAIMS v 1.0 depicts how Federal dollars are spent. It includes, in part, technical guidance describing the submission file formats Federal agencies are required to follow. The DAIMS v 1.1 was a minor update to transition financial assistance reporting to the DATA Broker, to better align with another federal government source system, and to provide clarifications for improved usability. The DAIMS v 2.0 is a major update of the schema and will be finalized in December 2017 for implementation in Q3 fiscal year 2018.



Federal agencies are required to assign a unique Federal Award Identification Number (FAIN) to each financial assistance award. OMB M-15-12 continued this requirement and included a new requirement to link information in their financial systems to their award management systems using an award ID. The award ID serves as the key to associate data across award systems and financial systems. This linkage facilitates the timely reporting of award level financial data, reduces reporting errors, and serves as the primary mechanism moving forward for associating expenditures with individual awards as required by FFATA and the DATA Act. OMB M-15-12 also required federal agencies to have award ID linkage for all modifications/amendments to awards made after January 1, 2017, to ensure data from the second quarter of 2017 could be reported to USASpending.gov by May 2017.

On November 4, 2016, OMB issued OMB Memorandum M-17-04 (OMB-17-04), “Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability,” which includes additional guidance on reporting requirements for agency SAOs. This guidance expanded on the SAO requirements to attest to the validity and reliability of the complete DATA Act submission, including the linkages between financial and award data.

To help agency Inspectors General (IGs) fulfill aspects of the DATA Act requirements, the FAEC DATA Act Working Group issued guidance titled: “Inspectors General Guide to Compliance Under the DATA Act”<sup>15</sup> to provide a common methodological and reporting approach for the IG community to use in performing its mandated work. The Guide contained a baseline framework to include an overall methodology, objectives, and review procedures. In addition, the IG community could design and perform procedures to pursue issues or concerns related to their agency’s implementation of the Act.

### **Inspectors General Reports**

The DATA Act requires agency IGs to submit a series of oversight reports beginning in November 2016.<sup>16</sup> Specifically, the DATA Act requires IGs to review statistical samples of the data submitted by their respective agencies and report on the completeness, timeliness, quality, and accuracy of the data sampled, as well as the data standards used by the agency. However, under the DATA Act, the first IG oversight report was due six months *prior* to the May 2017 agency compliance date.

To address this reporting date anomaly, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) informed Congress of the situation and developed an agreeable approach. In a letter to Congress dated December 22, 2015,<sup>17</sup> the CIGIE chair stated that to help ensure the success of the DATA Act implementation, IGs would conduct DATA Act Readiness Reviews at their respective agencies for submission to Congress in November 2016.<sup>18</sup> Subsequently, the

<sup>15</sup> Report Number – Treasury OIG: OIG-CA-17-012 issued on February 27, 2017 (revised)

<sup>16</sup> The DATA Act requires IGs to submit oversight reports to Congress in November 2016, 2018, and 2020.

<sup>17</sup> For CIGIE letter to Congress see Appendix C.

<sup>18</sup> See Page 17 of this report for additional details regarding the NCUA OIG’s Readiness Review report.



IGs would provide Congress with their first required oversight reports in November 2017, a one-year delay from the due date in the statute, with the additional required reports following on a two-year cycle, in November 2019 and November 2021.

### **The NCUA Community Development Revolving Loan Fund**

The NCUA is an independent federal agency that regulates, charters, and supervises federal credit unions. The NCUA's operating fund contains the attributes of a revolving fund,<sup>19</sup> which is a permanent appropriation. The NCUA is authorized to collect annual operating fees from sources outside of congressional appropriations, define the purpose for which these collections may be used, and use the collections without fiscal year limitation. On November 20, 1979, Congress established the CDRLF<sup>20</sup> for credit unions to stimulate economic development in low-income communities. Specifically, the CDRLF's purpose is to promote economic activities, which could lead to increased income, ownership, and employment opportunities for low-income residents as well as other economic growth. Federally chartered and state-chartered credit unions with a low-income designation are eligible to participate in the CDRLF's loan and technical assistance grant program.

The NCUA receives a limited annual appropriation<sup>21</sup> from Congress to administer the CDRLF,<sup>22</sup> and the NCUA's Office of Small Credit Union Initiatives (OSCU) manages the CDRLF. Since establishing the CDRLF, Congress has appropriated approximately \$13.4 million for revolving loans. During 2016, the NCUA disbursed approximately \$1.4 million in loans. As of the end of 2016, the CDRLF had a total of \$10.2 million in outstanding loans. Since 2001, Congress has appropriated more than \$16.8 million in technical assistance grants. Annually, beginning in 2015, the CDRLF appropriation has been \$2 million. During both 2015 and 2016,<sup>23</sup> the NCUA awarded approximately \$2.5 million in technical assistance grants to low-income designated credit unions. The additional \$500,000 is from previous years unused technical assistance grant funds.

Under the FFATA, the threshold for reporting federal spending is \$25,000 or greater. However, for appropriated funds, the DATA Act requires agencies to report all financial assistance awards above the micro-purchase level.<sup>24</sup> During the second quarter of fiscal year 2017, the scope period of our review, the NCUA did not award any technical assistance grants. However, the CDRLF canceled \$31,537 in technical assistance, which resulted in 12 deobligations<sup>25</sup> of expired funds.

---

<sup>19</sup> A revolving fund amounts to "a permanent authorization for a program to be financed, in whole or in part, through the use of its collections to carry out future operations." GAO/PAD-77-25 at 47.

<sup>20</sup> Pub. L. No. 96-123.

<sup>21</sup> Assistance to credit unions is limited to the amount appropriated by Congress, to date.

<sup>22</sup> The only appropriation the NCUA receives from Congress is for the CDRLF.

<sup>23</sup> As of July 26, 2016.

<sup>24</sup> Federal Acquisition Regulation subpart 2.11 sets the micro-purchase level at \$3,500.

<sup>25</sup> Deobligations are the cancellation or downward adjustment of previously incurred obligations.



In regards to reporting spending data, the NCUA's Office of the Chief Financial Officer (OCFO) requested that OGC provide an opinion on the NCUA's reporting requirements for the DATA Act. In January 2016, OGC determined that FFATA financial reporting requirements apply only to appropriated funds for the CDRLF. This opinion was consistent with its May 2013 opinion regarding FFATA. The OGC determined that because the NCUA's operating funds, including the National Credit Union Share Insurance Fund, derive from assessments on its insured entities and not from appropriations, the DATA Act reporting requirements only apply to the CDRLF.

### **The NCUA's DATA Act Reporting Process**

The NCUA uses two systems to manage CDRLF's grant and loan process – DELPHI and CyberGrants. DELPHI, the Enterprise Services Center's (ESC)<sup>26</sup> financial management system, manages the CDRLF's accounting transactions. CyberGrants, an external web-based system, manages the NCUA's grant applications. Credit unions apply for grants and loans through an online CyberGrants application. Credit unions must have an active account with the federal government's SAM in order to apply for grants. The NCUA contracted with CyberGrants to develop an automated process that verifies whether a credit union has an active registration in SAM when the credit union is applying for a grant. If the credit union does not have an active SAM account, it must create one in order to complete the grant application process. This feature, however, was not available for data entered into CyberGrants prior to the second quarter of fiscal year 2017 DATA Act submission.

After a preliminary review of the application, the grant administrator or designee manually creates a purchase order (PO) in DELPHI to obtain a PO number for the tentative award. For DATA Act reporting, this PO number equates to the FAIN. After the OSCUI Director or designee approves the award in CyberGrants, the Comptroller/Manager Grants and Loans approves the PO in DELPHI and then the grant administrator or financial analyst enters the PO number into the CyberGrants application to track and notify the awardee. Award disbursements are paid against the DELPHI PO and any modification to the award amount also requires a modification to the PO.

After each grant round, various reconciliations are performed. In addition to reconciling CyberGrants with DELPHI, the CDRLF financial analyst performs reconciliations for Accounts Payable, Income/Expense, Equity, Cash and Loans. The OSCUI Director or designee reviews and approves the quarterly reconciliations. DATA Act reporting reconciliations incorporate with the CDRLF quarterly reconciliations, Governmentwide Treasury Account System (GTAS)

---

<sup>26</sup> ESC is a federal shared service provider, which operates as a division of the Department of Transportation.



reporting, and to the Report on Budget Execution and Budgetary Resources (SF 133).<sup>27</sup> Various DELPHI and CyberGrants reports are utilized for reconciliation purposes.

To identify and package the data for submission, the CDRLF utilizes DAIMS. DAIMS is comprised of the Reporting Submission Specifications (RSS), Interface Definition Document (IDD), and the Practices and Procedures. The RSS contains information and instructions about the file format, content scope, and file organization agencies should use to extract information from their financial and award systems. The RSS features elements related to the following:

- File A – Appropriations Account Detail;
- File B – Object Class and Program Activity Detail; and
- File C – Award and Financial Detail.

The IDD provides information about what the DATA Broker<sup>28</sup> will pull from government-wide feeder systems for procurement and financial assistance like the Federal Procurement Data System – Next Generation (FPDS-NG),<sup>29</sup> SAM, FFATA Sub-award Reporting System (FSRS),<sup>30</sup> and the Award Submission Portal (ASP).<sup>31</sup> The IDD features elements related to:

- File D1 – Award and Awardee Attributes (Procurement);
- File D2 – Award and Awardee Attributes (Financial Assistance);
- File E – Additional Awardee Attributes; and
- File F – Sub-award Attributes.

As previously mentioned, FFATA financial reporting requirements apply only to *appropriated* funds for the CDRLF; therefore, the NCUA is not required to report procurement transactions in

---

<sup>27</sup> The SF 133 is a quarterly report that contains information on the sources of budget authority and the status of budgetary resources by individual fund or appropriation. The DATA Act submission excludes Loan Financing Accounts on this report.

<sup>28</sup> The DATA Act Broker is a tool that Treasury developed to allow agencies to submit the required data in a standardized format. The Broker will accept data submitted directly from agencies and it will also pull data from existing data sources when needed. The Broker will validate agency data, allow agencies to certify the data, and complete the data submission and uploads to the DATA Act operating infrastructure.

<sup>29</sup> Agencies may submit prime contract transaction data through its contract financial system to FPDS-NG to be published on USASpending.gov. FPDS-NG is operated by GSA.

<sup>30</sup> Prime recipients are required to report awards to first-tier sub-recipients to FSRS for display on USASpending.gov. FSRS is operated and maintained by GSA.

<sup>31</sup> Financial assistance transactions on awards of more than \$25,000 are reported to the ASP by the agencies via file upload. The files are often created from the agencies grant systems. Data is then uploaded to



File D1. In addition, for the second quarter of fiscal year 2017 DATA Act reporting, Files E and F did not apply,<sup>32</sup> because credit unions were not required to report executive compensation or sub-awards.<sup>33</sup>

Quarterly, the NCUA's CDRLF financial analyst submits Files A, B, and C through the DATA Act Broker using the RSS. Data and data elements for these files are derived from the DELPHI system. For each reporting, the financial analyst reconciles the total obligations, total disbursements, and total deobligations for the reporting period and provides these reconciliations and supporting documentation to the agency's SAO, the CFO. The financial analyst schedules a briefing with the SAO within 30 calendar days after each quarter end to provide assurance to the SAO that the alignment of Files A through F<sup>34</sup> and the data in each DATA Act file submitted for display on USASpending.gov<sup>35</sup> are valid and reliable.<sup>36</sup> The SAO certifies the quarterly report after GTAS certification within seven to sixty days after quarter end. The financial analyst maintains approved reconciliation reports and supporting documentation.

Using the DATA Act submission format specified for the D2 file for financial assistance awards of the IDD, the financial analyst submits new awards, deobligations, and reallocations within 15 days. The financial analyst uses DATAWatch Monarch<sup>37</sup> to prepare the D2 file for submission. To complement Files A, B, and C, the DATA Broker generates Files D1, D2, E, and F for a specified date range at the agency's request. The DATA Broker validates Files A, B, and C at the field level and cross validates all files (A to F). The NCUA relies on these validations implemented by Treasury in the Treasury DATA Broker. The DATA Broker generates error or warning reports as appropriate. After the agency addresses any reported errors, if applicable, the data can be certified and resubmitted. After the submission satisfies all Broker validations, the DATA Act reporting process is complete for the quarter.

---

USASpending.gov. The ASP is operated and managed by the Department of the Treasury's Bureau of the Fiscal Service.

<sup>32</sup> Grants subject to the FFATA sub-award and executive compensation reporting requirements include: (1) new grants \$25,000 and over and (2) reporting of sub-grants of Federal grants where these sub-grants are \$25,000 and over.

<sup>33</sup> A sub-award generally refers to a monetary award made as a result of a federal award to a grant recipient or contractor to a sub-recipient or sub-contractor respectively.

<sup>34</sup> Interconnectivity and linkages of award ID across all data files and explanations for any misalignment.

<sup>35</sup> USASpending.gov is the publicly accessible, searchable website mandated by the Federal Funding Accountability and Transparency Act of 2006 to give the American public access to information on how their tax dollars are spent.

<sup>36</sup> Files A and B reconcile to the SF 133, File C reconciles to the financial statements, and file D2 reconciles to the award management system.

<sup>37</sup> DATAWatch Monarch is a data mining software that the NCUA uses to pull data elements from both CyberGrants and DELPHI reports and then formats the data for the File D2 submission.



## RESULTS IN DETAIL

---

We determined that for fiscal year 2017, second quarter, the NCUA submitted quality financial and award data for publication on USASpending.gov that was complete, timely, and accurate. Specifically, we determined internal controls over the NCUA's source systems, as well as its DATA Act submission, effectively managed and reported financial and award data in accordance with the DATA Act. We also determined that the NCUA implemented and utilized the government-wide financial data standards established by OMB and Treasury. However, we identified minor inconsistencies related to data elements in the award-level transaction data, which should not exist in future DATA Act submissions due to the linkage of the award system to SAM.

### Assessment of Internal Controls

We determined the NCUA's internal controls over DATA Act reporting followed GAO's Green Book standards. Specifically, we assessed internal controls over the NCUA's systems and processes used to report financial and award data to USASpending.gov. We determined the NCUA designed and implemented internal controls to meet the objectives of the DATA Act, and these controls operated effectively during the scope period of our audit. The Green Book defines the standards for internal control in the federal government. The FMFIA requires federal executive branch entities to establish internal control in accordance with these standards. These standards provide criteria for assessing the design, implementation, and operating effectiveness of internal control in federal government entities to determine if an internal control system is effective. We did not identify internal control deficiencies that may adversely impact the completeness, timeliness, quality, and accuracy of the data submitted.

We performed an assessment of internal controls relevant to our audit objectives to determine the nature, timing, and extent of testing. As such, we assessed internal controls over the systems and processes used to submit data for publication on USASpending.gov as necessary in accordance with GAGAS. We identified control objectives and potential risks that could threaten the achievement of the control objectives. We also determined the level of systems testing based on our assessment of perceived risks, manual control testing, and the agency's control environment. Due to the small number of transactions in the second quarter of fiscal year 2017, we assessed the risk as low.

**Internal Controls Over  
DELPHI Were Effective**

We determined that controls over DELPHI were properly designed, implemented, and operating effectively. Specifically, we reviewed the Department of Transportation's (DOT) "Quality Control Review of the Controls over DOT's Enterprise Services Center" report<sup>38</sup> for the period of

<sup>38</sup> DOT contracted with an external auditor to examine ESC's controls system, focusing on the controls' design suitability and operating effectiveness. The external auditor conducted its attestation engagement in accordance with *Generally Accepted Government Auditing Standards* (GAGAS).



October 1, 2016, through June 30, 2017. The external auditor opined in all material respects on the following:

- ESC's description of its controls fairly presented the system that was designed and implemented;
- The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively and user entities applied the complementary controls assumed in the design of ESC's controls; and
- The controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved.<sup>39</sup>

### *Details*

For the second quarter of fiscal year 2017, the NCUA utilized DELPHI as the source system to report financial and award data for publication on USASpending.gov. The DOT's quality control review report presented the results of its external auditor's report on the ESC description of its system and the suitability of the controls' design and operating effectiveness. We reviewed this report for internal control weaknesses or deficiencies within the DELPHI system and noted the external auditor found no exceptions that would impact DATA Act reporting.

In addition to the DOT's report, we reviewed the NCUA's documentation to support their financial systems review in connection with the FMFIA statement of assurance. The NCUA's FMFIA documentation also did not identify any internal control weaknesses or deficiencies that would impact the NCUA's DATA Act reporting.

**Internal Controls over the  
DATA Act Submission  
were Effective**

Based on our review of the internal controls over the DATA Act submission, we determined that we could rely on the internal controls over data management and the reporting processes as properly designed, implemented, and operating effectively. Specifically, we determined that internal controls identified during our walkthroughs adequately addressed identified risks. In addition, the NCUA adequately documented internal controls over both the grants and loans process and maintained clear documentation of steps performed to report under the DATA Act.

<sup>39</sup> If complementary user entity controls, assumed in the design of ESC's controls, operated effectively throughout the period.



## *Details*

To assess internal controls over data management and processes used to report financial and award data to USASpending.gov, we performed walkthroughs to identify and evaluate internal controls. We consulted the Green Book<sup>40</sup> and determined the NCUA's DATA Act reporting process included principles from all five components of internal control: Control Environment,<sup>41</sup> Risk Assessment,<sup>42</sup> Control Activities,<sup>43</sup> Information and Communication,<sup>44</sup> and Monitoring.<sup>45</sup> In addition to our walkthroughs, we evaluated the NCUA's reviews of internal controls and its risk assessments, and the SAO's assurance over internal controls for the DATA Act submission. Internal controls included segregation of duties throughout the grant award and DATA Act reporting processes; various reconciliations performed between various data sources; and reviews performed by senior management. We obtained and reviewed the SAO's quarterly assurance statement, certification, validation, and reconciliation reports used in providing assurance over its quarterly data submission. Although the SAO Assurance statement provided disclaimers for potential issues that could occur with DATA Act reporting, NCUA management did not express concerns with completeness, timeliness, quality, or accuracy of the data for the second quarter of fiscal year 2017. However, we considered the SAO disclaimers during our testing efforts. We also confirmed that, prior to the final DATA Act submission, the NCUA tested the submission files with the Treasury DATA Broker and all three files passed the DATA Broker validation checks with no reported errors.

## **Test of the NCUA's DATA Act Submission**

The DATA Act seeks to improve the quality of data submitted to USASpending.gov by holding federal agencies accountable for the completeness and accuracy of the data submitted. The Act also requires federal agencies to report financial and payment information data in accordance with the data standards established by Treasury and OMB. For timely grant reporting, FFATA requires federal agencies to report accurate information to USASpending.gov no later than 30 days following the award or modification of a grant. Management Procedures Memorandum

---

<sup>40</sup> The Green Book approaches internal control through a hierarchical structure of five components and 17 principles. The five components represent the highest level of the hierarchy of standards for internal control in the federal government. The five components of internal control must be effectively designed, implemented, and operating, and operating together in an integrated manner, for an internal control system to be effective. The 17 principles support the effective design, implementation, and operation of the associated components, and represent requirements necessary to establish an effective internal control system.

<sup>41</sup> The Control Environment component is the foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

<sup>42</sup> The Risk Assessment component assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

<sup>43</sup> The Control Activities component comprises the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

<sup>44</sup> The Information and Communication component is the quality information management and personnel communicate and use to support the internal control system.

<sup>45</sup> The Monitoring component involves the activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.



2016-03 (MPM 2016-03) also requires agency DATA Act SAOs or their designees to provide 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. We determined that the NCUA's second quarter fiscal year 2017 DATA Act submission provided complete, timely, accurate, and quality data; the NCUA had implemented and used the government-wide financial data standards; and the SAO provided assurance and certified the second quarter fiscal year 2017 DATA Act submission timely with no reported errors.

**Summary-Level Data Contained Complete, Accurate, Timely, and Quality Data**

Based on our review of Files A and B, we determined that: (1) all summary-level financial data that should have been reported was reported for the proper reporting period; and (2) all transactions contained all applicable data elements required by the DATA Act.

### *Details*

To determine the completeness and accuracy of File A, we compared File A to the OMB SF 133 and determined that this file contained all appropriations for the reporting period. In addition, we reviewed and determined that all data elements matched the SF 133 and the SF 133 did not include any additional appropriations that were not included in File A. File A also included all Treasury Account Symbols from which funds were obligated. We learned that the NCUA relied upon Treasury's DATA Broker validation rules to reconcile the SF 133 to the Statement of Budgetary Resources (SBR)<sup>46</sup> and validated the data against the President's budget. If activity codes or names did not match, a fatal error would occur and the NCUA could not submit the file. We noted no variances for File A.

To determine the completeness and accuracy of File B, we also compared File B to File A to determine whether all appropriation accounts listed in File A were accounted for in File B, and whether all Treasury Account Symbol values and appropriation totals matched. We determined that all object class codes from File B matched the codes defined by OMB, and all program activity names and codes matched the names and codes defined in the Program and Financing Schedule in the President's Budget.

Finally, we reviewed the DATA Broker website for reported errors related to this submission and did not identify any errors for these files in the final submission. For timeliness of File A and B reporting, we confirmed on the DATA Broker website that the SAO certified and provided assurance over the DATA Act submission on April 25, 2017, within 30 days of the quarter

<sup>46</sup> The SBR and related disclosures provide useful information on the budgetary resources provided to a Federal agency as well as the status of those resources at the end of a fiscal year.



ending on March 31, 2017.<sup>47</sup> Based on these results, as well as the results of our internal control assessments, we determined Files A and B contained quality data.

**Award-Level Spending  
Data Contained  
Complete, Accurate,  
Timely, and Quality Data**

We determined that the NCUA reconciled File C to File B with no reportable concerns. In addition, we assessed the completeness of File C and determined that it contained all the required data elements as established by Treasury and OMB; all elements were determined to be in conformance with the established government-wide financial data standard

for that element; and all transactions that should have been recorded were recorded within the proper reporting period.

### *Details*

The DATA Act required the IGs for each federal agency to review a statistically valid sample of the spending data submitted and to assess the completeness, timeliness, quality, and accuracy of the data sampled and the federal agency's implementation and use of the government-wide financial data standards established by OMB and Treasury. We sampled File C and determined it contained complete, accurate, timely, and quality data. As previously mentioned, the NCUA did not award grants in the second quarter of fiscal year 2017. Therefore, the NCUA's File C submitted on USASpending.gov contained only 12 reportable award-level deobligations related to expired awards.

During our review, we learned that File C should only report new obligations incurred, upward modifications to obligations, and downward modifications/deobligations. However, the NCUA's File C contained 12 deobligations and 114 disbursements.<sup>48</sup> Management informed us that the NCUA received guidance related to File C contents after it had already prepared its File C for submission. Because the NCUA did not timely receive this guidance, the NCUA determined it could not confidently make changes to its File C in order to meet the reporting deadline without issues. We learned agencies could include disbursement data within their File C submission without resulting in errors because the disbursements would not update the original award data. Essentially, Treasury and OMB were only concerned with obligations and deobligations within File C. Although the NCUA's File C contained the 114 disbursements, based on information we obtained from the DATA Act Broker website, we did not view this as an issue. We also determined that the NCUA will not report disbursements in File C going forward.

To ensure completeness of File C, we assessed the agency's methodology for ensuring that File C contained all the transactions and links that it should, and that it did not contain any award-level transactions that should not be included. This methodology included various reconciliations and reliance on DATA Act Broker validations. In addition, we learned that the

<sup>47</sup> MPM 2016-03 requires agency DATA Act SAOs or their designees to provide 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.

<sup>48</sup> Disbursements are monies paid out from a fund.



NCUA reconciled File C to the calendar year-end financial statements audited by an independent external auditor. Therefore, we determined File C to be complete and suitable for our sample.<sup>49</sup>

To assess the accuracy of File C, we compared the transactions to the system of record, DELPHI, and determined the information to be accurate. To assess the timeliness of File C, we evaluated whether the transactions were reported within 30 days after the quarter end in which they occurred. We confirmed that all 12 deobligations included in File C occurred in March 2017 and the NCUA reported these transactions within 30 days of the quarter end. Based on these results, as well as the results of our internal control assessments, we determined File C contained quality data.

**Award-Level Files Link,  
However, Minor  
Inconsistencies Identified**

We determined that the NCUA's File C contained award-level linkages to File D2. However, some nonfinancial elements in File D2 contained minor inconsistencies with SAM. According to MPM 2016-03, "by March 31, 2017, for all new or modified financial assistance awards, Federal agencies must ensure that the official entity information, specifically the legal business name and physical address, are identical to SAM at the time of the award and award's modification. Federal agencies shall ensure the proper internal controls are in place to assure alignment of SAM data with information in their internal management systems. Agencies are not permitted to change this information either in SAM or in their systems at any point in the awarding process." These inconsistencies occurred because prior to the second quarter of fiscal year 2017, the NCUA did not require credit unions to register with SAM during the application process. We believe these inconsistencies will not occur in future DATA Act submissions because the NCUA now requires all credit unions to register with SAM.

### *Details*

To determine whether our File C sample included applicable Treasury Account Symbols, we matched the main account codes, sub account codes, and object class codes to those found in File B. To test the linkages between Files C and D2, we confirmed that all financial assistance deobligations from the File C sample matched the FAINs and the amounts of the deobligations contained in File D2. We determined that all deobligations included in File C were in D2, and all transactions in D2 were included in File C. We then verified the validity of the financial

---

<sup>49</sup> We utilized the statistical sampling calculation for a smaller population provided in the FAEC DATA Act Working Group Inspectors General Guide to Compliance Under the DATA Act. Based on this calculation, we tested 100% of the deobligations contained in File C or 12 transactions. We did not include File C disbursements in our sampling calculation.



information reported in File D2 by using these FAINs to match the deobligations from the D2 file to DELPHI.

We also matched nonfinancial elements<sup>50</sup> to the agency's system of record and SAM. During our review of SAM, we determined that out of our sample of 12 deobligations, three grant awardees had not registered in SAM, six had restricted data in SAM, and three contained minor inconsistencies in the nonfinancial data element(s) that did not match SAM. For the three awardees not registered in SAM, we determined this was not an issue because the NCUA awarded the grants related to these deobligations prior to March 31, 2017. For the six awardees with restricted data in SAM, we could not verify whether the nonfinancial data elements contained inconsistencies. For the three awardees with nonfinancial inconsistencies, we determined all three differed in their "legal entity name" and one of these three contained an inconsistent address when compared to SAM. As previously mentioned, this occurred because neither CyberGrants nor DELPHI pulled these data elements from SAM, and the NCUA did not require credit unions to register with SAM during the application process prior to the second quarter of fiscal year 2017. As a result, DELPHI's vendor table<sup>51</sup> provided the legal entity name in the D2 file, which could cause an error if not consistent with SAM.

The NCUA employees cannot enter or edit vendor information in DELPHI. To avoid errors in the quarterly submission, CDRLF management removed portions of the legal entity name that differed from other sources such as SAM. For example, the DELPHI vendor table may include "FCU" at the end of an entity's name, indicating it is a federal credit union; however, CDRLF management removed this information from the D2 file to prevent an error in its submission.

We believe the nonfinancial inconsistencies we identified should not occur in future NCUA DATA Act submissions because CyberGrants now integrates with SAM and extracts the legal entity name and address during the grant application process.

---

<sup>50</sup> Nonfinancial elements included the awardee/recipient legal entity name; primary place of performance; and congressional district and address.

<sup>51</sup> ESC enters vendor information into DELPHI upon vendor creation.



## **Appendix A: Objective, Scope, and Methodology**

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

To accomplish this audit, we conducted this audit at the NCUA's headquarters in Alexandria, Virginia from May 2017 to November 2017. To achieve our objectives, we utilized the "Inspectors General Guide to Compliance Under the DATA Act" provided by the FAEC DATA Act Working Group. Based on this guidance, we:

- obtained an understanding of any regulatory criteria related to its agency's responsibilities to report financial and award data under the DATA Act;
- assessed the agency's systems, processes, and internal controls in place over data management under the DATA Act;
- assessed the general and application controls pertaining to the financial management systems (e.g. grants and loans) from which the data elements were derived and linked;
- assessed the agency's internal controls in place over the financial and award data reported to USASpending.gov per OMB Circular A-123;
- reviewed all transactions and data elements in File C from fiscal year 2017, second quarter financial and award data submitted by the agency for publication on USASpending.gov;
- assessed the completeness, timeliness, quality, and accuracy of the financial and award data in File C; and
- assessed the agency's implementation and use of the 57 data definition standards established by OMB and Treasury.

We conducted this audit in accordance with performance audit standards contained in GAGAS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Furthermore, we provided NCUA management officials a discussion draft of this report and included their comments where appropriate.



## Prior Audit Coverage

On November 16, 2016, the NCUA OIG issued the report OIG-16-09<sup>52</sup> titled the “Review of NCUA’s Digital Accountability and Transparency Act of 2014 Readiness.” We conducted this review to gain an understanding of the NCUA’s readiness over the processes, systems, and controls that the NCUA had implemented or planned to implement to report financial and payment data in accordance with the requirements of the DATA Act. To comply with the DATA Act, agencies were required to report spending information in accordance with data standards established by the OMB and the Treasury by May 2017. We determined that the NCUA had taken the necessary steps to meet the DATA Act’s reporting deadline. Specifically, we determined the NCUA’s DATA Act implementation plan was consistent with OMB requirements. We also determined the NCUA’s implementation plan and actions taken to date were consistent with Treasury’s DATA Act guidance.

---

<sup>52</sup> <https://www.ncua.gov/About/Pages/inspector-general/audit-reports/Documents/review-ncua-data-act-readiness-2016.pdf>



## Appendix B: NCUA Management Response

---



National Credit Union Administration  
Office of the Executive Director

OCFO/MJM/JMK  
SSIC 1920

**SENT BY E-MAIL**

**TO:** Inspector General James W. Hagen  
**FROM:** Executive Director Mark A. Treichel   
**SUBJ:** Response to OIG's Draft Report on The NCUA's Compliance Under the Digital Accountability and Transparency Act  
**DATE:** November 2, 2017

Thank you for the opportunity to review and comment on the OIG draft report, "The NCUA's Compliance Under the Digital Accountability and Transparency Act." The outcome of this report is the result of positive collaboration between the Office of Small Credit Union Initiatives and the Office of the Chief Financial Officer, to ensure the NCUA meets the requirements of the DATA Act. We concur with the report and note there are no formal recommendations.

---

1775 Duke Street - Alexandria, VA 22314-3428 - 703-518-6320



## Appendix C: CIGIE Letter to Congress



December 22, 2015

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

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

Dear Mr. Chairmen and Ranking Members:

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

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

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

1717 H Street, NW, Suite 825, Washington, DC 20006



Page 2

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

Although we think the best course of action is to delay the Inspector General reports, CIGIE is encouraging the Federal Inspector General Community to undertake DATA Act “readiness reviews” at their respective agencies well in advance of the first November 2017 report. Through a working group, CIGIE has developed guidance for these reviews. I am pleased to report that several Inspectors General have already begun reviews at their respective agencies, and many Inspectors General are planning to begin reviews in the near future. We believe that these reviews, which are in addition to the specific oversight requirements of the Act, will assist all parties in helping to ensure the success of the DATA Act implementation. We have kept GAO officials informed about our plan to delay the first Inspector General reports for one year, which they are comfortable with, and our ongoing efforts to help ensure early engagement through Inspector General readiness reviews.

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

Sincerely,

A handwritten signature in blue ink, reading "Michael E. Horowitz", is positioned below the word "Sincerely,".

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

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



## Appendix D: Acronyms and Abbreviations

---

<b>ASP</b>	Award Submission Portal
<b>CDRLF</b>	Community Development Revolving Loan Fund
<b>CFO</b>	Chief Financial Officer
<b>CIGIE</b>	Council of the Inspectors General on Integrity and Efficiency
<b>DAIMS</b>	DATA Act Information Model Schema
<b>DATA Act</b>	Digital Accountability and Transparency Act of 2014
<b>DOT</b>	Department of Transportation
<b>ESC</b>	Enterprise Services Center
<b>FAEC</b>	Federal Audit Executive Council
<b>FAIN</b>	Federal Award Identification Number
<b>FFATA</b>	Federal Funding Accountability and Transparency Act of 2006
<b>FMFIA</b>	Federal Managers' Financial Integrity Act
<b>FPDS-NG</b>	Federal Procurement Data System – Next Generation
<b>FSRS</b>	FFATA Sub-award Reporting System
<b>GAGAS</b>	Generally Accepted Auditing Standards
<b>GAO</b>	Government Accountability Office
<b>GSA</b>	General Services Administration
<b>GTAS</b>	Governmentwide Treasury Account Symbol
<b>IDD</b>	Interface Definition Document
<b>IG</b>	Inspectors General
<b>NCUA</b>	National Credit Union Administration
<b>OCFO</b>	Office of the Chief Financial Officer
<b>OGC</b>	Office of General Counsel
<b>OIG</b>	Office of Inspector General



### Acronyms and Abbreviations (Continued)

<b>OMB</b>	Office of Management and Budget
<b>OSCUI</b>	Office of Small Credit Union Initiatives
<b>PO</b>	Purchase Order
<b>RSS</b>	Reporting Submission Specifications
<b>SAM</b>	System for Award Management
<b>SAO</b>	Senior Accountable Officer
<b>SBR</b>	Statement of Budgetary Resources
<b>SF 133</b>	Report on Budget Execution and Budgetary Resources
<b>Treasury</b>	Department of the Treasury