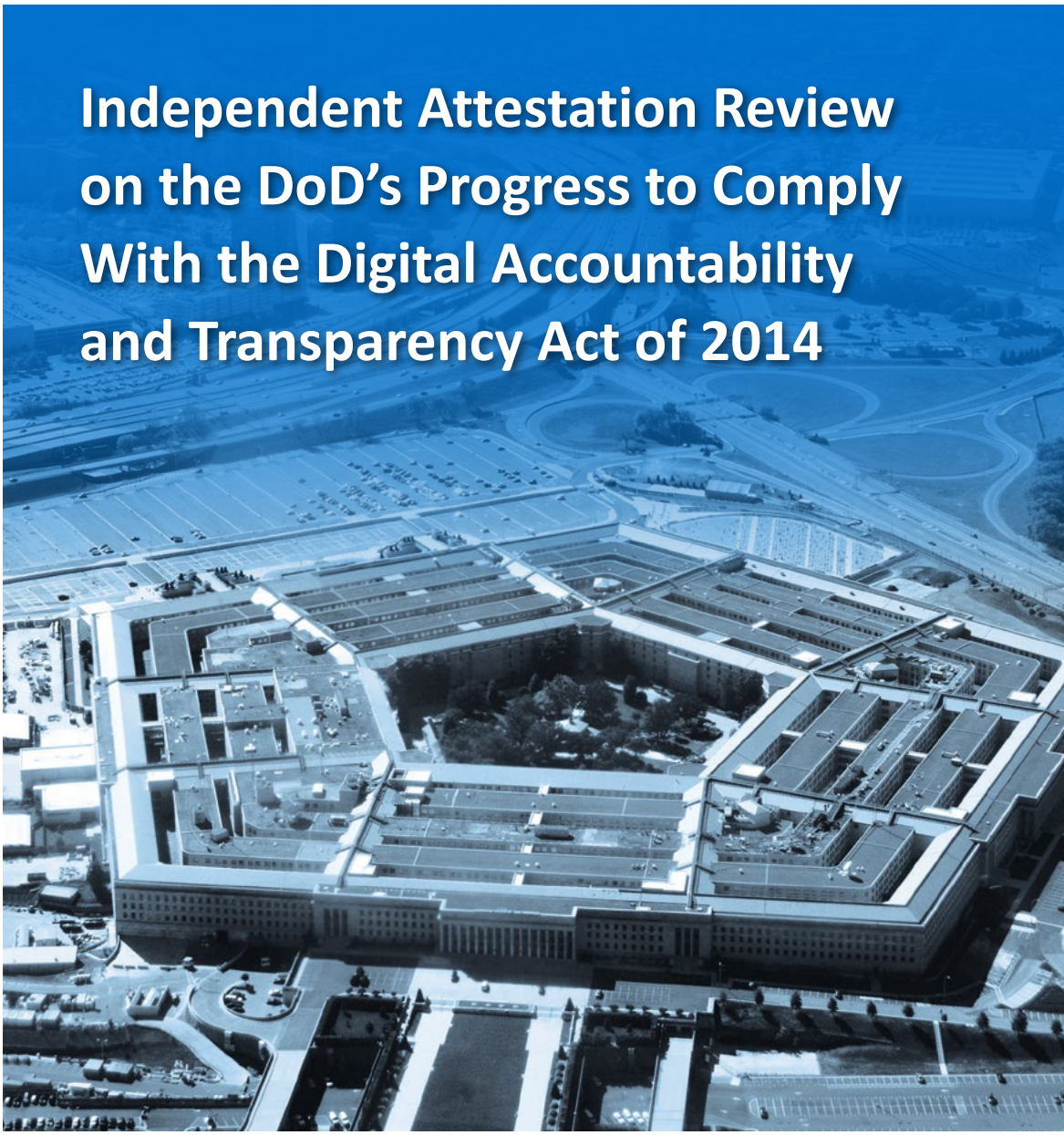
Report No. DODIG-2017-022

Inspector General

U.S. Department of Defense

NOVEMBER 17, 2016

Independent Attestation Review on the DoD's Progress to Comply With the Digital Accountability and Transparency Act of 2014



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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

November 17, 2016

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD

SUBJECT: Independent Attestation Review on the DoD's Progress to Comply With the Digital Accountability and Transparency Act of 2014
(Project No. D2016-D000FE-0106.000, Report No. DODIG-2017-022)

This report presents the results of our review of the U.S. Department of Defense's (DoD) Digital Accountability and Transparency Act of 2014 (the DATA Act) implementation readiness. The objective of our review was to gain an understanding of the processes, systems, and controls the DoD had implemented, or planned to implement, to report financial and payment data in accordance with the requirements of the DATA Act. We coordinated a discussion draft of this report with officials from the Under Secretary of Defense (Comptroller)/Chief Financial Officer and considered their comments in preparing the final report.

Background

The DATA Act, enacted on May 9, 2014, requires Federal agencies to report financial and payment data according to data standards established by the Department of the Treasury (the Treasury) and Office of Management and Budget (OMB). Specifically, agencies are required to report summary-level congressional funding data[1] and detail-level financial data.[2] In addition, the DATA Act requires Inspectors General (IGs) to review statistical samples of the data their agencies submitted under the DATA Act and report on the completeness, timeliness, quality, and accuracy of the data submitted.

To assist agencies in complying with the DATA Act, the Treasury and OMB issued the *Data Act Implementation Playbook* (Playbook). The Playbook primarily focuses on information to assist agencies in implementing the Data Act, and provides an 8-step agency implementation plan:

1. Organize team
2. Review elements
3. Inventory data

[1] Summary-level congressional funding data include appropriation account, object class, and program activity data. Appropriation account data include data categorized by activities and projects and placed in an account for a specific purpose. Object Class data include data categorized by the items or services purchased by the Federal Government. Program Activity data include data categorized by the specific activities or projects listed in the Federal budget.

[2] Detail-level financial data include detailed financial data specific to an award (contract or grant).

4. Design and strategize
5. Execute broker
6. Test broker implementation
7. Update systems
8. Submit data

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) noted that the first IG reports are due to Congress in November 2016, but Federal agencies are not required to report spending data until May 2017. Because of these conflicting dates, CIGIE proposed delaying the first IG report until November 2017, 1 year later than the statutory due date, with subsequent reports following on a 2-year cycle. Although CIGIE determined the best course of action was to delay the IG reports, CIGIE encouraged IGs to undertake DATA Act readiness reviews based on the first four steps of the Agency 8-Step Plan in advance of the first November 2017 report. On December 22, 2015, CIGIE's chair issued a letter announcing this strategy for meeting the intent of the DATA Act in spite of the conflicting reporting dates. CIGIE communicated this strategy to the Senate Committee on Homeland Security and Government Affairs and the House Committee on Oversight and Government Reform. The Department of Defense Office of Inspector General adopted CIGIE's strategy, and on February 23, 2016, announced a review-level attestation (review). See the Appendix for a copy of the CIGIE letter.

Scope and Methodology

We conducted this review in accordance with attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. A review is designed to provide a moderate level of assurance and is substantially less in scope than an examination done to express an opinion on the subject matter. Accordingly, we do not express such an opinion.

Our review focused on the DoD's efforts to comply with steps 1 through 4 of the Playbook. We reviewed the processes, systems, and controls that the DoD implemented, or planned to implement, to report financial and payment data in accordance with the DATA Act. We performed procedures generally limited to inquiries and evaluation of supporting documentation. Specifically, we interviewed personnel from the Under Secretary of Defense Comptroller's Office, the Defense Finance and Accounting Service, and the United States Army Corps of Engineers–Civil Works. We also requested and reviewed the DoD's:

- Data Act Implementation Plan
- Data Act Work Group Governance Structure Diagram

- Resumes and certificates of personnel in the DATA Act Work Group
- Listing of the DATA Act elements
- Data Act Implementation Work Breakdown Schedule
- Data Act Budget
- Data Act Project Plan
- Pilot Program Plan

Status of DoD Implementation Progress

The DoD incorporated the Playbook's 8-steps into its DATA Act Implementation Plan. We determined that the DoD completed steps 1, 2, and 4 of the 8-step agency implementation plan. Specifically, DoD personnel established an agency DATA Act Work Group, that includes a senior accountable official and subject-matter experts. DoD personnel also reviewed data elements, and provided feedback to the Treasury and OMB on data definition standards. Furthermore, the DoD established leads and integrated project teams, developed a plan to capture all DATA Act elements and a plan to link core financial and nonfinancial systems by Award ID, and submitted an agency implementation plan to the OMB. Moreover, the DoD submitted the original required implementation plan to the OMB on September 16, 2015, and the updated implementation plan on August 12, 2016.

Although the DoD completed most of step 3 of the 8-step agency implementation plan, as of September 15, 2016, DoD personnel did not provide documentation of the DoD's systems, processes, and policies for each data element. Therefore, the DoD partially complied with the standards established by the Treasury and OMB for step 3. Because this review focused on processes, systems, and controls that the DoD implemented, or planned to implement, to report financial and payment data, we do not report on the status of steps 5 through 8, which relate to executing the broker, testing broker implementation, updating systems, and submitting data. The following table summarizes the DoD's DATA Act implementation status for steps 1 through 4.

Table. Implementation of DoD DATA Steps 1 through 4

Step	Milestone	Status
1. Organize team	Designate senior accountable official	Complete
	Form work group with subject-matter experts	Complete
	Review 8-Step Plan and develop agency roadmap/ project plan	Complete
2. Review elements	Read May OMB policy guidance*	Complete
	Review DATA Act Definition Standards for data elements	Complete
	Communicate feedback and questions to the OMB and the Treasury	Complete
3. Inventory data	Locate DATA Act elements	Complete
	Document systems, processes, and policies for each element	In progress
	Identify gaps in agency systems and processes	Complete
	Brainstorm potential improvements to agency systems, processes, and policies	Complete
4. Design and strategize	Establish leads and/or integrated project teams	Complete
	Plan to capture all DATA Act elements	Complete
	Plan linkage of core financial and nonfinancial systems by Award ID	Complete
	Submit implementation plans to the OMB	Complete

* Office of Management and Budget Memorandum No. M-15-12, "Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable," May 2015.

Source: Department of the Treasury (steps and milestones) and Department of Defense Office of Inspector General review of DoD milestones.

Planned Use of Waivers

The DATA Act permits the DoD to request a maximum of three waivers to extend its reporting deadline; each waiver extends the DoD's DATA Act reporting deadline by 6 months. Thus, the DoD can use the waivers to extend its May 2017 reporting deadline for a maximum of 18 months, or until November 2018. On August 12, 2016, the DoD notified the Treasury and OMB that it plans to use two of the three waivers to extend the reporting deadline for the transaction-level financial data by 1 year, or until second quarter 2018. The DoD does not have a system that consolidates its transaction level financial data. Therefore, the DoD is developing a data platform to serve as a central repository for transaction-level financial data. This platform will support the DoD's audit readiness and DATA Act implementation efforts by consolidating and reporting transaction-level financial data. However, the development of the platform focuses on audit readiness first and the DoD will not begin developing Data Act specific requirements until November 2017.

Conclusion

Based on our review, except for the DoD's lack of documentation to confirm that step 3 of the 8-step agency implementation plan was completed, and the DoD's planned waivers for financial data, nothing came to our attention to indicate that the DoD did not make efforts to comply with the DATA Act.

This report is intended solely for the information and use of the Under Secretary of Defense (Comptroller)/Chief Financial Officer and is not intended to be and should not be used by anyone else. However, this report is a matter of public record, and its distribution is not limited.

We appreciate the courtesies extended to the staff. If you wish to discuss the final report, please contact me at (703) 601-5945 (DSN 329-5945).

Lorin T. Venable

Lorin T. Venable, CPA
Assistant Inspector General
Financial Management and Reporting

Attachment:
As stated

Attachment

Council of the Inspectors General on Integrity and Efficiency (CIGIE) DATA Act Anomaly Letter

Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

December 22, 2015

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

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

Dear Mr. Chairmen and Ranking Members:

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

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

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

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Council of the Inspectors General on Integrity and Efficiency (CIGIE) DATA Act Anomaly Letter (cont'd)

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

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

Should you or your staffs have any questions about our approach or other aspects of our collective DATA Act oversight activities, please do not hesitate to contact me at [redacted].

Sincerely,

[redacted]

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

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For more information about DoD IG reports or activities, please contact us:

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