

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Department of Veterans Affairs

*Review of  
VA's Readiness To  
Implement the Digital  
Accountability and  
Transparency Act*

August 8, 2017  
16-02454-250

# ACRONYMS

CIGIE	Council of the Inspectors General on Integrity and Efficiency
CLA	CliftonLarsonAllen
DATA Act	Digital Accountability and Transparency Act of 2014
FFATA	Federal Funding Accountability and Transparency Act of 2006
FMS	Financial Management System
FPDS-NG	Federal Procurement Data System - Next Generation
GAO	Government Accountability Office
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
ID	Identification Code
IDD	Interface Definition Document
JV	Journal Voucher
MinX	Management Information Exchange
OIG	Office of Inspector General
OMB	Office of Management and Budget
PMO	Project Management Office
POC	Point of Contact
RSS	Reporting Submission Specification
SAM	System for Award Management
TAS	Treasury Account Symbol
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration

**To report suspected wrongdoing in VA programs and operations,  
contact the VA OIG Hotline:**

**Website:** [www.va.gov/oig](http://www.va.gov/oig)

**Email:** [vaighotline@va.gov](mailto:vaighotline@va.gov)

**Telephone:** 1-800-488-8244

## Department of Veterans Affairs

# Memorandum

**Date:** August 8, 2017  
**From:** Assistant Inspector General for Audits and Evaluations (52)  
**Subj:** Review of VA's Readiness To Implement the Digital Accountability and Transparency Act  
**To:** Acting Assistant Secretary for Management and Acting Chief Financial Officer (004)

1. We contracted with the independent public accounting firm CliftonLarsonAllen LLP (CLA) to perform a review of VA's readiness to implement the Digital Accountability and Transparency Act of 2014 (DATA Act). The contract required the review to be done in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Inspection and Evaluation*. The results of CLA's review are presented in the attached report.
2. The DATA Act directs the Inspector General of each Federal agency to perform three biennial reviews of spending data submitted by their respective agencies for publication on the website USAspending.gov. Due to an anomaly in the DATA Act, the first report was due in November 2016 before agencies were required to make their DATA Act compliant submissions in May 2017. In lieu of the required 2016 report, CIGIE recommended that Offices of Inspector General conduct "readiness reviews" with respect to the implementation of the DATA Act by their respective agencies.
3. Implementing guidance for the DATA Act requires that agencies submit three different data files in May 2017 that will be linked with four other data files from Government-wide systems for publication on USAspending.gov. At the time of CLA's review, VA reported that of the three files, it would be able to submit one, would be challenged by some aspects of the second, and would not be able to submit the third, with one possible exception. As such, VA would not be able to fully comply with the DATA Act and implementing guidance by May 2017. CLA reported that VA's outdated systems and their limitations would prevent VA's full compliance.
4. CLA recommended you continue VA's system modernization efforts and coordinate with VA's shared service provider to ensure DATA Act requirements will be met. Overall, CLA made 17 recommendations for improving VA's implementation of the DATA Act. Your response to CLA's draft report indicated concurrence with all recommendations, and planned corrective actions are acceptable.
5. CLA is responsible for the attached report dated November 15, 2016, and the conclusions and recommendations expressed in it.



LARRY M. REINKEMEYER  
Assistant Inspector General  
for Audits and Evaluations

Attachment

**Readiness Review of  
the Department of Veterans Affairs' Implementation  
of the  
Digital Accountability  
and Transparency Act of 2014**

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November 15, 2016

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## I. OBJECTIVE

The objective of this review was to assess the Department of Veterans Affairs' (VA's) readiness to implement the Digital Accountability and Transparency Act of 2014 (DATA Act), including:

- A. The challenges VA faces in complying with the DATA Act and how VA is addressing those issues
- B. VA's ability to meet timelines for partial and complete compliance with the DATA Act
- C. Recommendations to improve VA's implementation of the DATA Act

The VA Office of Inspector General (OIG) contracted with CliftonLarsonAllen LLP (CLA), an independent certified public accounting firm, to perform this review of VA's readiness to implement the DATA Act.

### WHY THE OIG REQUESTED THIS REVIEW

The DATA Act directs the Inspector General of each Federal agency to perform three reviews of spending data submitted by their respective agencies for publication on the website USAspending.gov. The first report was due November 2016. However, due to an anomaly in the DATA Act, this report was due before agencies were required to make their DATA Act compliant submissions in May 2017.

To address this reporting date anomaly, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) recommended that agency OIGs provide the United States Congress with the first required report in November 2017, a 1-year delay from the due date in statute, with subsequent reports following in November 2019 and November 2021. CIGIE also recommended that OIGs conduct "readiness reviews" in lieu of the required 2016 report and well in advance of the first November 2017 report in order to provide early oversight of DATA Act implementation. CIGIE's strategy for dealing with the OIG reporting date anomaly was communicated to the Senate Committee on Homeland Security and Government Affairs and the House Committee on Oversight and Government Reform in a letter dated December 22, 2015. See Appendix VI.

## II. BACKGROUND

The DATA Act is intended to make Federal spending data more accessible, searchable, and reliable by expanding the requirements of the Federal Funding Accountability and Transparency Act of 2006 (FFATA). The following sections briefly describe the data submission requirements as set forth by FFATA, the DATA Act, and implementing guidance from the U.S. Department of the Treasury (Treasury) and the Office of Management and Budget (OMB).

### TYPES OF DATA TO BE REPORTED

Under FFATA, Federal agencies already report information about Federal contract, grant, loan, and other financial assistance awards of more than \$25,000 on USAspending.gov — a searchable, publicly accessible website supported by Treasury. Specific information that agencies already report include the name of the entity receiving an award, the amount of the award, the recipient's location, and the place of performance location. The law, as amended, and OMB implementing guidance require additional information to be reported regarding executive compensation of awardees and sub-awards for Federal contracts and grants. Under the DATA Act, agencies are to report appropriations account summary-level data, including obligations and outlays by appropriations account, object class, and program

activity, to [USAspending.gov](http://USAspending.gov) and link them to award-level data for publication. Please see Appendix IV for definitions of financial terms.

OMB Memorandum 15-12 (M-15-12), *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable*, further requires agencies to report obligation and outlay data for individual awards that is sourced from agency financial systems. To do this, OMB will require agencies to carry standard award identification codes (ID) in their financial and award systems that allow accounting transactions to be linked with award information in management systems. This action was to be completed no later than January 1, 2017. The standard award ID for contracts is the Procurement Instrument Identifier and for grants is the Federal Award Identification Number. Until this time, there has been no requirement for financial systems to record and maintain, by each award ID, financial obligation amounts.

#### DATA STANDARDS, SCHEMA, AND SUBMISSION

The DATA Act requires Treasury and OMB to:

- Establish Government-wide financial data standards for any Federal funds made available to or expended by Federal agencies and entities receiving Federal funds
- Include common data elements for financial and payment information to be reported

On August 31, 2015, OMB and Treasury finalized 57 data definition standards, and Treasury used them to develop an initial data exchange standard – also referred to as a “schema.” Such a schema guides agencies in the production and submission of the required data. Of note, the data elements did not require new definitions, but were already in use by agencies for other Federal reporting purposes.

After receiving comments from the public and Federal agencies, Treasury issued several versions of the schema, called the DATA Act Information Model Schema v1.0 (DATA Act Schema), and the final version on April 29, 2016. The DATA Act Schema now includes hundreds of data elements with definitions that cover the original FFATA and the new DATA Act reporting requirements. Diagrams published with the DATA Act Schema categorize the data elements as attribute, identifying element, data point, or data point with context. In summary, the DATA Act schema provides technical guidance about the data to be reported to Treasury and the submission format.

Agencies are required to submit their financial data to Treasury through software called the DATA Act broker (broker). The broker will also pull procurement and financial assistance award and sub-award information from government-wide systems, as agencies are already required to submit such data. Those systems are:

- *Federal Procurement Data System - Next Generation (FPDS-NG)* – Repository for Federal procurement award data operated by the General Services Administration
- *Award Submission Portal* – Repository for financial assistance transactions on awards of more than \$25,000 operated by Treasury
- *Federal Funding Accountability and Transparency Act Sub-award Reporting System* – Reporting tool prime awardees use to capture and report sub-award and executive compensation data operated by the General Services Administration
- *System for Award Management (SAM)* – System that collects registration information from entities doing business with the Federal government.

REPORTING SUBMISSION SPECIFICATION AND THE INTERFACE DEFINITION DOCUMENT

The DATA Act schema includes two documents that contain specifications for reporting required data — the Reporting Submission Specification (RSS) and the Interface Definition Document (IDD).

The RSS provides details on data to be submitted to the broker from an agency's financial system as required by the DATA Act and OMB M-15-12. This includes appropriations account, object class, program activity, and award financial data. Federal agencies must generate and submit three files by May 2017:

- *File A – “Appropriations Account Detail”* – Contains appropriation summary level data that are aligned with OMB Standard Form 133, “Report on Budget Execution and Budgetary Resources” reporting
- *File B – “Object Class and Program Activity Detail”* – Includes obligation and outlay information at the program activity and object class level
- *File C – “Award Financial Detail”* – Reports the obligation and outlay information at the award level

The IDD provides detail on data that will be extracted by the broker from other government-wide systems pertaining to procurement and financial assistance data, recipient attributes, and sub-award information. Four files will be produced:

- *File D1 – Award and Awardee Attributes for Procurement (from FPDS-NG)* – Award and awardee details are to be linked to File C
- *File D2 – Award and Awardee Attributes for Financial Assistance (i.e., direct loans, loan guarantees, grants, etc.) (from Award Submission Portal)* – Award and awardee details are to be linked to File C
- *File E – Additional Awardee Attributes (from SAM)* – Includes additional prime awardee attributes
- *File F – Sub-award Attributes (from Federal Funding Accountability and Transparency Act Sub-award Reporting System)* – Includes sub-award information

Please see Appendix V for graphical representations of the RSS and IDD data flows from agency financial and government-wide systems, and information about Files A through F and their data elements.



### III. REVIEW FINDINGS

VA's outdated systems and their limitations will prevent VA from fully complying with the DATA Act by the required May 2017 reporting date. VA projects that its compliance will be as follows:

- It will be able to submit File A, "Appropriations Account Detail," without difficulty
- It will attempt to submit File B, "Object Class and Program Activity Detail," but is challenged by some aspects
- It will not be able to submit File C, "Award Financial Detail," with one possible exception

The VA Project Management Office (PMO), within VA's Office of Management, stated that it informed OMB about its projected compliance status and will comply with the DATA Act requirements to the extent possible. Our assessment was as of August 31, 2016, when our fieldwork concluded.

#### 1. VA'S COMPLIANCE WITH THE DATA ACT IS CHALLENGED BY SYSTEM LIMITATIONS

##### A. VA'S FINANCIAL SYSTEM IS OUTDATED AND CANNOT PRODUCE FILE C WITH REQUIRED LINKAGES

VA's Financial Management System (FMS) is VA's core financial accounting system. It was implemented in 1992, and its technology has become obsolete over the decades, while at the same time Federal financial reporting requirements have become more demanding and complex. Because of their age, legacy systems such as FMS are more cumbersome to operate and difficult to adapt to meet operational requirements. For example, FMS requires extensive manipulations, journal entries, manual processes, and reconciliations in order for VA to produce a set of auditable financial statements.

With respect to the DATA Act, the VA PMO stated that VA will not be able to produce File C due to system limitations, with one possible exception. File C is to be produced by an agency's financial system, report obligation and outlay information at the award level, and use a standard award ID. The standard award ID allows financial data in File C to be linked with other award information in Files D1 and D2. Per the DATA Act schema, the standard award ID is the Procurement Instrument Identifier for contracts and the Federal Award Identification Number for grants. According to VA, unique award identifiers are only stored in various management systems in the form of a Contract Award Identification Number, Benefit Policy Number, and Loan Identification Number. As discussed later, VA does not have an automated grants management system. As such, the Procurement Instrument Identifier and the Federal Award Identification Number are not stored in FMS, according to VA, and VA's financial system cannot produce File C with financial information reported at the award level by standard award ID.

A draft document provided by the PMO stated the challenge as follows: "there is no unique identifier that links events in disparate systems. Spending information, which is contained in the financial system, cannot always be linked to the originating system for full reporting." It further stated, "procurement events cannot be linked to spending events in the financial system because Award ID is not carried in the financial system. When spending information can be linked, it may take a largely manual process to extract sufficient data to fully report on the event."

Regarding data linkage requirements, OMB requires agencies to carry standard award IDs in their financial and award systems that allow accounting transactions to be linked with award information in award systems. This linkage was to be in place by January 2017 to meet May 2017 reporting requirements, as directed by OMB M-15-12 and OMB Management Memorandum No. 2016-03 (MPM 2016-03), *“Additional Guidance for DATA Act Implementation: Implementing Data-Centric Approach for Reporting Federal Spending Information.”*

Further, OMB Memorandum (M-17-04), *Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability*, requires that agency Senior Accountable Officials “attest to the validity and reliability of the complete DATA Act submission, including the interconnectivity/linkages (e.g., award ID linkage) across all the data files A, B, C, D, E, and F. Where there are legitimate differences between files, the Senior Accountable Official should have categorical explanations for misalignments.” VA will not be able to fully meet this requirement without the required linkage between financial and management systems, and as a result, between Files C and D1 and D2.

Subsequent to our last day of fieldwork, August 31, 2016, the PMO stated that Treasury requested and the PMO agreed to submit File C for one Treasury Account Symbol (TAS). TAS is an identification code assigned by Treasury, in collaboration with OMB and the owner agency, to an individual appropriation, receipt, or other fund account. All financial transactions of the Federal government are classified by TAS for reporting to OMB and Treasury. In December 2016, the PMO stated they were looking at reporting on a TAS associated with a grant program within VA's National Cemetery Administration.

#### B. VA IS FOCUSING ON SYSTEM MODERNIZATION TO ADDRESS LINKAGE PROBLEM

OMB recognized that some agencies might need to implement an interim solution to accomplish the award ID linkage; however, the PMO reported that this functionality will not be available in an automated fashion for VA until a modernized financial system is procured and implemented. VA is focusing its efforts on modernizing its financial system by transitioning to a shared service provider. At the time of our fieldwork, VA was undertaking serious efforts to explore and assess the capabilities of potential shared service providers. In October 2016, VA announced the selection of the U.S. Department of Agriculture to provide VA a financial management solution to replace the existing system.

#### C. PRODUCTION OF FILE B IS COMPLEX, DECENTRALIZED, AND AT INCREASED RISK OF ERROR

The PMO is responsible for submitting Files A through C to Treasury's data broker. The PMO uses a contractor to prepare File B for submission. For File B, the DATA Act Schema requires VA to submit obligation and expenditure data by program activity and object class. Programs to be reported are those listed in the program and financing schedules of the Federal government's annual budget. Object class is a category of items or services purchased by the Federal government and the various categories can be found in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*.

**Program activity:** At the time of our fieldwork, we noted that the production of File B was complex and decentralized. In particular, the knowledge and methodology for producing program activity data generally resided with VA's components. As such, the PMO could not produce File B centrally and was dependent upon VA's administrations and offices to provide File B submissions in a broker-ready format.

The PMO said that POCs were supposed to provide detailed crosswalks that identified how they used accounting elements in FMS — such as fund, station, budget, and cost center

codes — to extract data for File B. However, the PMO had not received complete information from the POCs about their methodologies or how they would validate the accuracy of their data. Therefore, the PMO did not have the knowledge needed to validate the accuracy or completeness of the data.

In April 2016, OMB required a submission of some File B elements as a test. The PMO was unable to obtain all the mapping or submissions from the various key POCs, and as a result, the requested program activity information was not submitted for some of VA's key funds, including:

- 0142 – General Administration
- 0160 – Medical Services
- 0161 – Medical and Prosthetics Research

**Overall Data Extraction Challenges:** During our fieldwork, the PMO's contractor provided us a walkthrough and briefing on procedures used to generate the April 2016 submission to OMB. We noted that the contractor created a crosswalk to judgmentally infer the 3-digit OMB object class from VA's 4-digit budget object code. For program activity, the contractor had to rely on information provided by the POCs, as already described.

We also met with the Veterans Benefits Administration (VBA) POC for a walkthrough of the File B submission process used for the April 2016 submission. Although VBA provided data in April 2016 for the OMB submission, it did not have a documented process. The POC said that VBA was developing a "proof of concept" methodology to meet the 2017 reporting requirements, and expected to have procedures in place by January 2017 and was therefore unable to provide a walkthrough of the process used to gather information for the April submission.

Overall, the PMO had not received the needed level of cooperation from POCs with respect to documenting the processes or systems to be used in preparing data for the File B submission. Without this cooperation and information, the PMO cannot ensure an accurate and complete File B submission.

**Limited quality control:** The PMO's process to validate information for the April 2016 submission was limited to a high level comparison of the responses received from the POCs to another quarterly submission that VA already makes to Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS). The PMO was not able to assess the accuracy of the information submitted from the various POCs. Furthermore, a validation process was not documented in the form of a Standard Operating Procedure or a cycle memo. In summary, internal controls were not present to ensure independent validation of the accuracy, completeness, and consistency of the File B submission.

#### D. USE OF MINX JOURNAL VOUCHERS DISTORTS DATA IN FILE B

Due to FMS' limited functionality to meet current financial management and reporting needs, VA utilizes another application, the Management Information Exchange (MinX) system, to consolidate general ledger activities from FMS and create financial statements for external reporting. However, this process still requires significant manual intervention and workarounds to ensure accurate financial reporting. In particular, VA typically records a large number of journal vouchers (JVs), or adjustments, to its MinX accounts in order to produce reliable financial reports. These JVs are not linked to obligation and expenditure data by object class or program activity, and therefore, those adjustments cannot be properly reflected in the respective object class or program activity data for File B.

E. LIMITATIONS AFFECTING FILE D1 (PROCUREMENT AWARD DATA)

Treasury's data broker will generate VA's File D1 by pulling award data from the government-wide Federal Procurement Data System-Next Generation (FPDS-NG) system. VA submits procurement data to FPDS-NG from its Electronic Contract Management System. Therefore, any limitations from the Electronic Contract Management System will carry-through to FPDS-NG and File D1. As discussed later, our audit of VA's financial statements identified pervasive and long standing procurement related issues.

F. LIMITATIONS AFFECTING FILE D2 (GRANT AWARD DATA)

Treasury's data broker will generate VA's File D2 by pulling award data from the government-wide Award Submission Portal system. However, VA's submission of grant data to the Award Submission Portal is manually intensive as VA has no centralized grants management system. According to Office of Finance officials, grant data is gathered through spreadsheets from program offices for submission to the Award Submission Portal, and program offices do not have consistent methods for maintaining the underlying data. No automated subsidiary system exists to support and link to VA's financial system. Without an automated grants management system that properly interfaces with the financial system, VA will have an inherently more difficult time ensuring the reliability and accuracy of data submitted to the Award Submission Portal, and thus included in File D2.

G. OVERALL RELIABILITY OF DATA AFFECTED BY LACK OF RECONCILIATIONS

During our audit of VA's FY 2016 financial statements<sup>1</sup>, we identified a material weakness in financial reporting, in part because some VA subsidiary systems were not adequately interfaced with FMS and complete and consolidated reconciliations between FMS and these subsidiary systems were not performed, or were partially performed, performed de-centrally, or performed manually. This interface and reconciliation issue affected VA's procurement management systems that fed data into FMS or the government-wide FPDS-NG, which will be used to produce File D1. Also, as noted above, VA does not have a grants management system. As a result, VA's accounting and financial reporting is severely hindered by system and business process limitations, which increase the risk that errors will not be detected timely. This risk encompasses data that will be posted at USAspending.gov as required by FFATA and the DATA Act.

H. VA DOES NOT HAVE A CENTRAL REPOSITORY FOR DATA SUBMISSIONS

Various and numerous amounts of data received from component POCs in response to PMO data calls are not stored in a central location such as a shared drive or "Cloud" location where they can be readily accessed upon request, or reviewed, validated, and referenced as needed for submission requirements and for audit. Also, during our fieldwork, data was being stored on backup tapes, limiting the ability to access and audit the data.

I. VA HAS ALLOCATED LIMITED RESOURCES TO DATA ACT COMPLIANCE

VA has allocated limited resources to DATA Act compliance as it is focusing its efforts on modernizing its financial system by transitioning to a shared service provider. The PMO stated that it will work with its provider on VA's DATA Act reporting needs. As a result, VA is not seeking other solutions or modifications to outdated systems in order to fully comply with the DATA Act. The PMO further stated that it currently does not have sufficient staffing to validate the completeness and accuracy of crosswalks and other documentation received from administration and office POCs and that support File B submissions.

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<sup>1</sup> Our independent auditor's report was published by the OIG as *Audit of VA's Financial Statements for Fiscal Years 2016 and 2015*, Report No. 16-01484-82, November 15, 2016.

## **CORRECTIVE ACTIONS RECOMMENDED**

We recommend that the Acting Assistant Secretary for Management and Acting Chief Financial Officer:

1. Establish milestones to monitor VA's system modernization efforts. Coordination with the shared service provider should continue to incorporate current and upcoming DATA Act requirements to ensure that they will be met going forward.
2. Obtain procurement and grants management system capability that is integrated with the financial system as part of VA's transition to a shared service provider to the extent feasible.
3. Improve communication with, and accountability of, administrations and offices and their points of contact who are responsible for providing data and documentation. Accountability should include timely, complete, and accurate submissions to the Project Management Office.
4. Continue working with the points of contact to ensure program information for all funds is submitted as required.
5. Identify internal controls and develop standard operating procedures for the processes used to obtain, extract, classify, and summarize data from VA's financial and management systems to comply with the DATA Act schema.
6. In conjunction with VA's component organizations, perform an assessment of how business, accounting, and payment processes interact with one another for the purpose of establishing relevant policies and procedures to improve VA's data quality. This assessment should include VA's subsidiary systems and their interface status with the general ledger system, that is Financial Management System.
7. Ensure complete reconciliations are performed between the subsidiary and general ledger systems. Differences should be researched and resolved to improve data quality.
8. Continue to work on minimizing the use of the Management Information Exchange to record journal vouchers that are not linked to obligation and expenditure data by object class or program activity, or devise a mechanism to track such information when recording Management Information Exchange journal vouchers.
9. Perform reconciliations between VA's procurement systems (Electronic Contract Management System and Integrated Funds Distribution, Control Point Activity, Accounting and Procurement system) and Financial Management System to ensure consistency, accuracy, and completeness of financial and procurement data.
10. Provide resources for data storage capabilities to improve auditability of data. Specifically, VA should establish a data storage mechanism such as a shared drive to store data received from points of contact or developed internally by the Project Management Office. Such information should be secured, readily available for analysis and requests, validated, and auditable.
11. Ensure proper segregation of duties between staff responsible for processing data for submission to the data broker and staff responsible for validating the accuracy and completeness of data prior to submission to the data broker.

## 2. VA HAS NOT COMPLETED A DATA INVENTORY

To assist agencies in implementing the DATA Act, Treasury issued the DATA Act Implementation Playbook, Version 2.0 in June 2016. One of the Playbook's key steps is for agencies to perform an inventory of agency data and associated business processes and systems. The purpose is to identify the appropriate source systems to extract the needed data and understand gaps, or problem areas, in producing the required data. As of the end of our fieldwork, August 31, 2016, the PMO stated that a complete data inventory had not been completed since responses to data inventory calls had not been received from all of the administrations.

To prepare for DATA Act requirements, in July 2015, the PMO requested that VBA, the Veterans Health Administration, the National Cemetery Administration and VA Administrative Offices complete a data inventory template for programs listed in the Catalog of Federal Domestic Assistance. Based on our review of the initial data call responses, we noted they were incomplete. Responses were received for all programs except for two grant programs from VA Administrative Offices and four grant or financial assistance programs from the Veterans Health Administration.

On April 29, 2016, Treasury revised and finalized the DATA Act Schema that contained additional information, beyond the 57 initial data elements, so the PMO made a second data inventory call. The PMO explicitly requested object class and program activity information for File B, and for File D2, award and awardee attribute information. The request was made at the end of June 2016, with responses due on July 15, 2016, for File B and July 29, 2016, for file D2. As of August 31, 2016, the PMO had received responses from some POCs for this second data inventory call; however, they had not determined whether all responses were received and if the responses received were complete.

Based on our review and discussions with management, we identified the following data elements that were either not retained in FMS or required additional mapping or analysis in order to be reported or ensure they aligned with the financial information reported in FMS.

- Program activity code – The program activity code is used by VA in the Federal budget. At the time of our fieldwork, the PMO needed more information to tie it to accounting codes in FMS. For example, the FMS activity classification code allows VA to categorize financial information by program, project, and activities. It generally represents the lowest level of budget distribution. However, this code does not necessarily represent the same data as the program activity code in the program and financing schedules of the Federal budget.
- Object class – Reporting the object class within the program activity code was dependent upon the PMO's completion of the program activity mapping.

As discussed earlier, POCs were supposed to provide detailed crosswalks that identified how these data elements would be produced for File B. The lack of such crosswalks meant that VA's data inventory was incomplete.

### CORRECTIVE ACTIONS RECOMMENDED

We recommend that the Acting Assistant Secretary for Management and Acting Chief Financial Officer:

12. Provide necessary resources to the VA DATA Act Project Management Office to ensure that the office can coordinate the data inventory, mapping, and validation for the required DATA Act Schema data elements.

13. Require administration points of contact to respond timely to Project Management Office data requests to ensure that the data elements can be inventoried, mapped, and validated and that gap analyses are performed thoroughly.
14. Use the data inventory and mapping to support VA's move to a shared service provider and ensure full compliance with the DATA Act.

**3. ASSURANCE OF DATA QUALITY**

**A. EXCEPTIONS FOR APRIL 2016 DATA SUBMISSION**

We reviewed the results of VA's April 2016 data submission to OMB and noted OMB reported various exceptions with the submission that are summarized in the following table:

**Table 1: Exceptions from April 2016 Submission to OMB**

Description	Count	Cause
Number of rows in RSS File Submitted	2,361 rows	N/A
Number of TASes Submitted	73 TAS	N/A
TASes with No Errors	27 TAS	N/A
TASes with Errors	46 TAS	See Below
TASes with Validation Errors	34 TAS	JVs from MinX do not contain budget object class
TASes with GTAS Comparison Errors	21 TAS	Related to the differences between GTAS and object class information submitted for direct or reimbursable TASes
TASes with Program Activity Errors	12 TAS	Crosswalk methodology not received from POC

Additionally, we reviewed the error report and noted the following OMB-identified transaction-level errors:

1. 140 out of 2,361 rows had invalid object class codes
2. 283 out of 2,361 rows had no program account codes or program account names
3. Certain key accounts required for "Schedule X" under OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," were not included in the submission.

The PMO does not have standardized procedures for validating data submissions, and as already mentioned, it does not perform a centralized review of the data being submitted by VA's components. Without a quality assurance process, VA will not be able to provide adequate assurance as to the reliability and completeness of the data it submits.

**B. WEAKNESSES IN INTERNAL CONTROL AFFECT DATA ACCURACY AND COMPLETENESS**

Our audit of VA's financial statements identified several internal control weaknesses that affect VA's financial data and thus VA's ability to produce accurate and complete data for the DATA Act. In addition to the extensive use of JV's, system interface deficiencies, and lack of

certain important reconciliations, as already discussed, we noted the following issues relevant to VA's DATA Act compliance:

- *Pervasive and long standing procurement related issues:* We noted instances of untimely liquidation of inactive undelivered orders, untimely recording of contracts or modifications into FMS, recording of obligations prior to contract execution, over-obligation of funds, and obligations that were recorded months or years after receiving goods or services.
- *Lack of controls surrounding the extensive use of 1358s:* VA utilizes VA Form 1358, "Obligation or Change in Obligation," for the procurement of goods and services extensively. As of September 30, 2016, VA's undelivered orders based on 1358s approximated \$5.6 billion. VA allows the use of 1358s for 23 different purposes, and their use is integral to the operation of some large VA programs. In most cases, 1358s bypass conventional contracting controls by design in order to support program circumstances or needs. However, we noted several weaknesses in the extensive use of 1358s. Frequently, these obligations in VA's general ledger were based on estimates that were difficult or not possible to trace to the underlying transactions or were not based on a consistent estimation process. They were used when contracts and inter-agency agreements would have provided stronger internal control through the oversight of contracting officers. Further, 1358 transactions were not closely monitored and validated by management to ensure obligations incurred and accrued expenses were not overstated.

#### **CORRECTIVE ACTIONS RECOMMENDED**

In addition to recommendations made in Findings Number 1 and Number 2, we recommend that the Acting Assistant Secretary for Management and Acting Chief Financial Officer:

15. Establish procedures for data edits and validations to ensure that DATA Act submissions are accurate and complete. At a minimum, management should selectively test internal controls related to the preparation of data submissions.
16. Assess the impact of the internal control weaknesses, as reported by VA's financial statement audit, on DATA Act data, and develop alternative processes to address data quality issues.
17. Continue to maintain communication with the Office of Management and Budget and Treasury regarding VA's data reporting limitations and progress, and document such communication.

*CliftonLarsonAllen LLP*



## **APPENDIX I – SCOPE, METHODOLOGY, AND MANAGEMENT'S RESPONSE TO FINDINGS**

### **Scope**

The VA OIG contracted with CLA to perform a review of VA's readiness to implement the DATA Act. The implementation of the DATA Act is an ongoing process that continues to evolve as OMB and Treasury provide additional guidance and the VAPMO and POCs move forward with the implementation process.

CLA's last day of fieldwork for the review was August 31, 2016. We conducted our review work at the VA Central Office located in Washington, D.C.; and the CLA offices located in Calverton, MD and Arlington, VA. Our review was conducted in accordance with the Quality Standards for Inspections and Evaluations issued by CIGIE.

The objective of this review was to assess VA's readiness to implement the DATA Act, including:

- The challenges VA faces in complying with the DATA Act and how VA is addressing those issues
- VA's ability to meet timelines for partial and complete compliance with the DATA Act
- Recommendations to improve VA's implementation of the DATA Act

VA management is responsible for the implementation of the DATA Act. The results of our procedures are described in the Findings section of this report.

### **Methodology**

We conducted interviews with VA officials representing the DATA Act PMO workgroup, the Senior Accountable Officer, subject matter experts and VA administrations. In addition, we reviewed documentation covering areas such as 1) VA's implementation plan, 2) DATA Act governance activities, 3) data inventory of data elements, 4) mapping to the DATA Act schema, and 5) review of VA's communications with the OMB and Treasury. It was not within the scope of our review to conduct gap analyses or system evaluations to measure and verify VA's ability to comply with the DATA Act. Such activities are management's responsibility. Our scope was limited to making inquiries of management concerning those activities and reviewing documentation as provided by management.

### **Management's Response to Findings**

Management has presented a response to the findings identified in our report. See Appendix II. Management concurred with all recommendations. We reviewed management's technical comments and revised or incorporated their comments into our report, as appropriate.

## APPENDIX II - MANAGEMENT COMMENTS

**Department of  
Veterans Affairs**

# Memorandum

Date: **MAY 19 2017**

From: Acting Assistant Secretary for Management and Acting Chief Financial Officer (004)

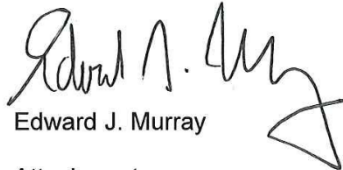
Subj: Office of Inspector General (OIG) Draft Report, Review of VA's Readiness to Implement the Digital Accountability and Transparency Act of 2014 (DATA Act)

To: Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for the opportunity to participate in the review of VA's readiness to implement the Digital Accountability and Transparency Act of 2014 (DATA Act). We appreciate the work your staff has conducted to help us strengthen our compliance with the DATA Act.

2. Attached is the requested response for each recommendation. An appropriate implementation plan with a target completion date or an alternative corrective action has been included for each recommendation.

3. If you have any questions, please call me, or have a member of your staff contact Avie Snow, Associate Deputy Assistant Secretary for Financial Solutions, at (202) 461-6239.

  
Edward J. Murray

Attachments

Attachment 1

**Department of Veterans Affairs  
Action Plan**

**OIG Draft Report: Review of VA's Readiness to Implement the DATA Act**

**Date of Draft Report: November 15, 2016**

Recommendations/ Actions	Status	Completion Date
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**OIG Recommendations**

**Recommendation 1.** Establish milestones to monitor VA's system modernization efforts. Coordination with the shared service provider should continue to incorporate current and upcoming DATA Act requirements to ensure that they will be met going forward.

DATA Act PMO Comments: Concur

The DATA Act Project Management Office (PMO) is working with the shared service provider to establish milestones to incorporate current and future DATA Act requirements.

Status: In Process

Target Completion Date: September 2017

**Recommendation 2.** Obtain procurement and grants management system capability that is integrated with the financial system as part of VA's transition to a shared service provider to the extent feasible.

DATA Act PMO Comments: Concur

The DATA Act PMO will research options as part of the financial management system modernization implementation initiative.

Status: In Process

Target Completion Date: Initial Operating Capability Q1 FY20

**Recommendation 3.** Improve communication with, and accountability of, administrations and offices and their points of contact who are responsible for providing data and documentation. Accountability should include timely, complete, and accurate submissions to the Project Management Office.

DATA Act PMO Comments: Concur

The DATA Act PMO established the DATA Act Working Group (DAWG) to improve communication and accountability of administrations and offices responsible for providing data and documentation. DAWG meetings provide a forum for discussion of potential challenges, status of deliverables, upcoming deadlines, and sharing of information. Additionally, the PMO required certifications from the administrations and offices on the timeliness, accuracy, completeness and quality of data inventory and program activity crosswalk.

Status: Complete

Completion Date: March 2017

**Recommendation 4.** Continue working with the points of contact to ensure program information for all funds is submitted as required.

DATA Act PMO Comments: Concur

The DATA Act PMO established the DAWG to improve communication and accountability of administrations and offices responsible for providing data and documentation. DAWG meetings provide a forum for discussion of potential challenges, status of deliverables, upcoming deadlines, and sharing of information. Since changes to program activities are possible during the fiscal year, administrations and offices are required to notify the DATA Act PMO when this occurs. Additionally, the PMO requires quarterly certifications from the administrations and offices on the timeliness, accuracy, completeness and quality of program activity crosswalks and data inventory.

Status: In Process

Target Completion Date: January 2018

**Recommendation 5.** Identify internal controls and develop standard operating procedures for the processes used to obtain, extract, classify, and summarize data from VA's financial and management systems to comply with the DATA Act schema.

DATA Act PMO Comments: Concur

For Files A, B, and C, the DATA Act PMO is developing standard operating procedures and process narratives for processes used to obtain, extract, classify and summarize data for DATA Act reporting in compliance with the DATA Act schema. The process narratives identify and describe internal controls implemented over the data extraction and file creation processes.

Status: In Process

Target Completion Date: January 2018

**Recommendation 6.** In conjunction with VA's component organizations, perform an assessment of how business, accounting, and payment processes interact with one another for the purpose of establishing relevant policies and procedures to improve VA's data quality. This assessment should include VA's subsidiary systems and their interface status with the general ledger system, that is FMS.

DATA Act PMO Comments: Concur

The DATA Act PMO agrees with this recommendation and will work in conjunction with the Financial Management Business Transformation (FMBT) to communicate this business need. We anticipate that this recommendation will be addressed as an outcome of our Business Process Re-engineering (BPR) activities occurring March 2017 – September 2018.

Status: In Process

Target Completion Date: September 2018

**Recommendation 7.** Ensure complete reconciliations are performed between the subsidiary and general ledger systems. Differences should be researched and resolved to improve data quality.

DATA Act PMO Comments: Concur

The DATA Act PMO anticipates that this recommendation will be addressed as part of the financial management system modernization initiative.

Status: In Process

Target Completion Date: Initial Operating Capability Q1 FY20

**Recommendation 8.** Continue to work on minimizing the use of the Management Information Exchange to record journal vouchers that are not linked to obligation and expenditure data by object class or program activity, or devise a mechanism to track such information when recording Management Information Exchange journal vouchers.

DATA Act PMO Comments: Concur

The DATA Act PMO agrees with this recommendation. The Management Information Exchange system allows for the inclusion of budget object code (BOC) on journal vouchers. Using the BOC, the PMO can determine the object class. We anticipate continued reductions will be realized as VA implements additional controls around the use of journal voucher's, and as a result of VA's efforts to move to a Shared Service Provider.

Status: In Process

Target Completion Date: Initial FMBT Operating Capability Q1 FY20

**Recommendation 9.** Perform reconciliations between VA's procurement systems (Electronic Contract Management System [eCMS] and Integrated Funds Distribution, Control Point Activity, Accounting and Procurement [IFCAP] system) and Financial Management System [FMS] to ensure consistency, accuracy, and completeness of financial and procurement data.

DATA Act PMO Comments: Concur

The DATA Act PMO agrees with this recommendation. We anticipate that this recommendation will be addressed as part of the financial management system modernization initiative.

VA's current procurement systems (eCMS and IFCAP) are not subsidiary systems to FMS but rather ancillary systems. The current inter-system reconciliation processes are almost exclusively dependent on manual monitoring and intervention by users. Due to the limitations and age of the technical infrastructure the systems currently do not have integrated components that ensure complete synchronization. The current reconciliation process in most cases requires the generation and use of transaction processing status reports and status of fund balances reports to ensure consistency across systems. There is no reconciliation between FMS and eCMS as the systems do not interface. There are a variety of processes used throughout VHA to reconcile elements of FMS and IFCAP, however, there currently is no centralized policy-mandated reconciliation requirement. Currently, contract numbers are not transferred from eCMS to IFCAP in an automated fashion.

Status: In Process

Target Completion Date: Initial Operating Capability Q1 FY20

**Recommendation 10.** Provide resources for data storage capabilities to improve auditability of data. Specifically, VA should establish a data storage mechanism such as a shared drive to store data received from points of contact or developed internally by the Project Management Office. Such information should be secured, readily available for analysis and requests, validated, and auditable.

DATA Act PMO Comments: Concur

The DATA Act PMO is evaluating data storage options. The raw data comes from the FMS journals which are too large to save anywhere but on the mainframe. Data sourced from FMS is extracted and saved in an excel format on the shared network drive. Submission files are saved on the SharePoint site. Access to the SharePoint site is restricted via permissions and is managed by the PMO. Creation and storage procedures are documented in the process narratives.

Status: In Process

Target Completion Date: January 2018

**Recommendation 11.** Ensure proper segregation of duties between staff responsible for processing data for submission to the data broker and staff responsible for validating the accuracy and completeness of data prior to submission to the data broker.

DATA Act PMO Comments: Concur

The DATA Act PMO is developing and documenting data extraction, transformation, and validation processes and procedures. Validation procedures have been built into automated solutions to validate the accuracy and completeness of data prior to submission to the data broker. The PMO has also implemented review and validation procedures, to assess completeness and accuracy, which are performed by a person independent of the staff responsible for processing data for submission.

Status: In Process

Target Completion Date: January 2018

**Recommendation 12.** Provide necessary resources to the VA DATA Act Project Management Office to ensure that the office can coordinate the data inventory, mapping, and validation for the required DATA Act Schema data elements.

DATA Act PMO Comments: Concur

The DATA Act PMO leverages contract support to coordinate the data inventory, mapping and validation activities. The PMO is restarting the hiring process as we were previously on a hiring freeze.

Status: In Process

Target Completion Date: October 2017

**Recommendation 13.** Require administration points of contact to respond timely to Project Management Office data requests to ensure that the data elements can be inventoried, mapped, and validated and that gap analyses are performed thoroughly.

DATA Act PMO Comments: Concur

The DAWG was established to improve communication and timeliness of responses to data requests. Additionally, the PMO meets with stakeholders to assess progress and provide assistance in compliance with DATA Act requirements. The PMO conducted site visits to work with stakeholders on data mapping and gap analysis. We will continue to perform site visits to understand and document issues at the program level.

Status: In Process

Target Completion Date: January 2018

**Recommendation 14.** Use the data inventory and mapping to support VA's move to a shared service provider and ensure full compliance with the DATA Act.

DATA Act PMO Comments: Concur

The DATA Act PMO anticipates that this recommendation will be addressed as part of the financial management system modernization initiative.

Status: In Process                      Target Completion Date: Initial Operating Capability Q1 FY20

**Recommendation 15.** Establish procedures for data edits and validations to ensure that DATA Act submissions are accurate and complete. At a minimum, management should selectively test internal controls related to the preparation of data submissions.

DATA Act PMO Comments: Concur

The DATA Act PMO established procedures for data edits and validations as part of the submission process. The PMO is developing standard operating procedures and process narratives for reporting in compliance with the DATA Act. The DATA Act reporting process will be included in the OMB Circular A-123 testing cycle by the Office of Internal Controls (OIC). OIC will test key controls in compliance with the Circular.

Status: In Process                      Target Completion Date: January 2019

**Recommendation 16.** Assess the impact of the internal control weaknesses, as reported by VA's financial statement audit, on DATA Act data, and develop alternative processes to address data quality issues.

DATA Act PMO Comments: Concur

The DATA Act PMO monitors financial statement audit findings to assess the impact to data quality related to DATA Act reporting. Alternative processes will be developed to address internal control weaknesses which impact DATA Act reporting.

Status: In Process                      Target Completion Date: January 2018

**Recommendation 17.** Continue to maintain communication with the Office of Management and Budget and Treasury regarding VA's data reporting limitations and progress, and document such communication.

DATA Act PMO Comments: Concur

The DATA Act PMO provides a monthly progress report to the Office of Management and Budget. The monthly report provides an assessment of progress, challenges and mitigation strategy, and an updated timeline for implementing mitigation strategies. In addition, the DATA Act PMO provides a monthly dashboard to both OMB and Treasury documenting the progress VA has made.

Status: In Process                      Target Completion Date: Initial FMBT Operating Capability Q1 FY20

DEPARTMENT OF VETERANS AFFAIRS

Statements of Fact

OIG Draft Report: Review of VA's Readiness to Implement the DATA Act

Date of Draft Report: November 15, 2016

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Statement/Response

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Item/Page Number

Item 1 – Page 6

**Readiness Review Statement:** “We noted that the production of File B is complex and decentralized. In particular, the knowledge and methodology for producing program activity data generally resides with VA's components. As such, the PMO cannot produce File B centrally and must rely on VA's administrations and offices to provide File B submissions in a broker-ready format.”

**Response:** We recommend the statement be changed to “The production of File B for non-VBA data is centralized. While the knowledge for mapping program activity data resides with VA's components, the components provided data inventory crosswalks. The crosswalks allow for the development of a methodology to extract, transform and produce File B. The DATA Act PMO relies on VA's administrations and offices to provide data inventory crosswalks. VBA generates File B for their data which is then consolidated into a single File B submission in a broker ready format.”

Item 2 – Page 10

**Readiness Review Statement:** “The PMO's contractor said that although the [program activity] name is not stored in FMS, it can be inferred using accounting elements that FMS does retain. However, inference requires subjective judgment, which can lead to inconsistencies in reporting the associated data.”

**Response:** We recommend the sentence be updated to reflect that it is the program activity code (not name) that can be inferred using accounting elements that FMS does retain. Program activity names are assigned to program activity codes as shown on the President's Budget and are therefore not inferred separately.

Item 3 – Page 10

**Readiness Review Statement:** “Object class – The PMO needs more information in order to tie object class to program activities.”

**Response:** We recommend this sentence be removed as it is misleading and appears to indicate that the PMO intends to link object classes to program activity codes. These two data elements are mutually exclusive and independent of each other. There is no link between object class and program activity codes. Per A-11, program activity codes in the P&F Schedule are unique to each account and have no relationship to the Object Classification codes.



## APPENDIX III – ADDITIONAL BACKGROUND

The DATA Act has several purposes:

- (1) Expand the FFATA by disclosing direct Federal agency expenditures and linking Federal contract, loan, and grant spending information to programs of Federal agencies to enable taxpayers and policymakers to track Federal spending more effectively.
- (2) Establish Government-wide data standards for financial data and provide consistent, reliable, and searchable Government-wide spending data that is displayed accurately for taxpayers and policymakers on USAspending.gov (or a successor system that displays the data).
- (3) Simplify reporting for entities receiving Federal funds by streamlining reporting requirements and reducing compliance costs while improving transparency.
- (4) Improve the quality of data submitted to USAspending.gov by holding Federal agencies accountable for the completeness and accuracy of the data submitted.
- (5) Apply approaches developed by the Recovery Accountability and Transparency Board (Recovery Board)<sup>2</sup> to spending across the Federal government.

OMB has provided guidance to agencies through the following policy documents:

- May 8, 2015: Memorandum (M-15-12), "Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable"
- December 4, 2015: Controller Alert, "DATA Act Implementation and Offices for Financial Assistance Awards"
- May 3, 2016: Management Procedures Memorandum (MPM 2016-03), "Additional Guidance for DATA Act Implementation: Implementing a Data-Centric Approach for Reporting Federal Spending Information"
- November 4, 2016: Memorandum (M-17-04), Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability

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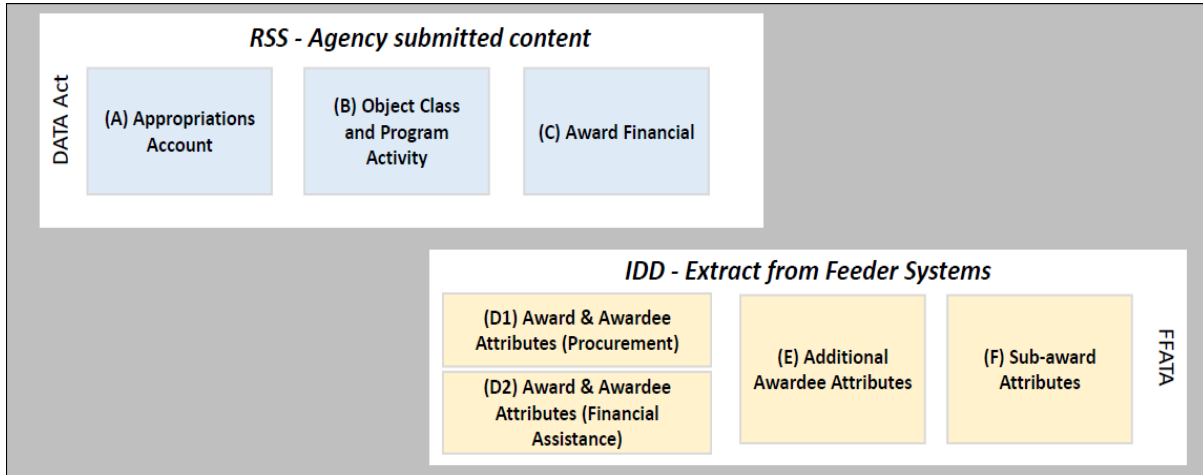
<sup>2</sup>The Recovery Board was a Federal agency that oversaw spending under the American Recovery and Reinvestment Act of 2009 (Recovery Act) and managed Recovery.gov. Recovery.gov displayed Recovery Act spending information reported by recipient agencies. Pursuant to law, the Recovery Board ceased operations in September 2015.

## **APPENDIX IV – DEFINITIONS**

- Awards include grants, subgrants, loans, awards, cooperative agreements, and other forms of financial assistance; and contracts, subcontracts, purchase orders, task orders, and delivery orders.
- An appropriation is a provision of law authorizing the expenditure of funds for a given purpose.
- Obligations represent a legal liability of the Federal government such as a contract or grant award.
- Object class is a means of identifying obligations by types of goods or services purchased (such as personnel compensation, supplies and materials, and equipment).
- Outlays include the issuance of checks, disbursements of cash, or electronic transfers of funds made to liquidate a federal obligation.
- Program activity is a specific activity or project as listed in the program and financing schedules of the annual budget of the US Government. The Program Activity section of the President's Budget shows the new obligations incurred for each of the principle program activities or projects financed.
- The Treasury Account Symbol is an identification code assigned by Treasury, in collaboration with OMB and the owner agency, to an individual appropriation, receipt, or other fund account. All financial transactions of the Federal government are classified by TAS for reporting to OMB and Treasury.

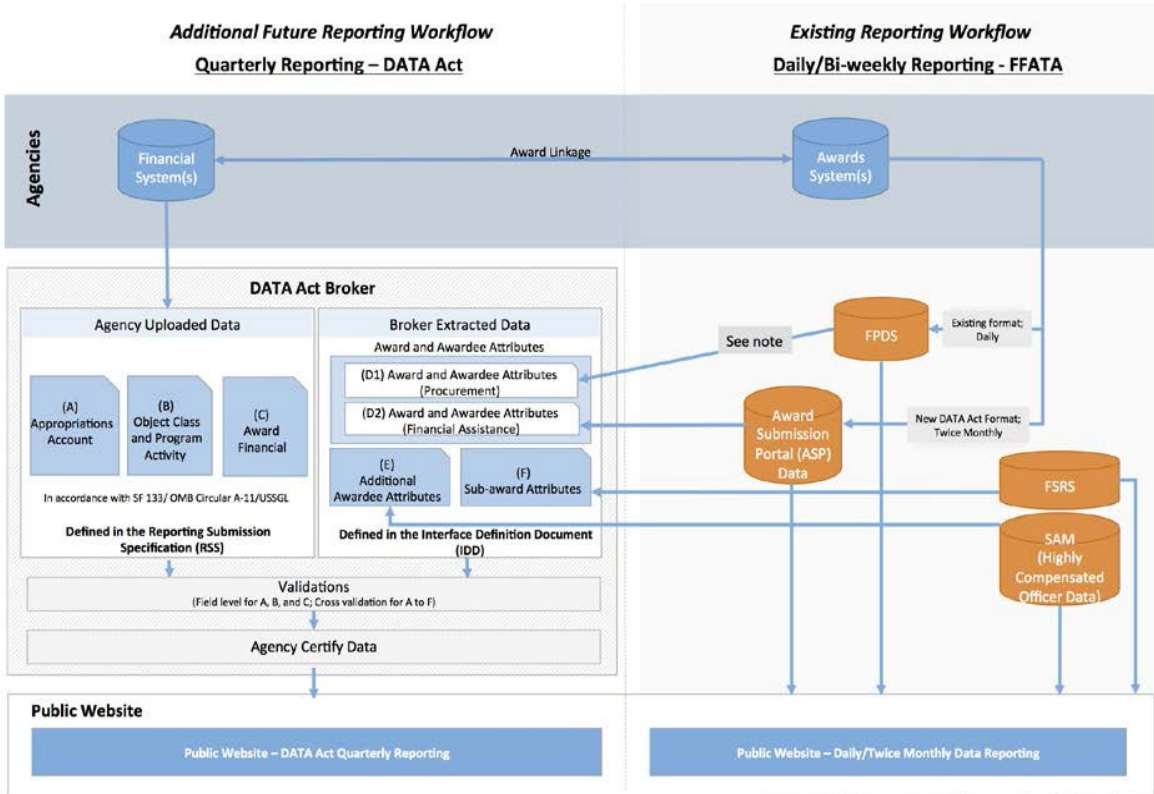
## APPENDIX V – GRAPHICAL REPRESENTATIONS

**Graphic 1** – Shows files to be submitted by agencies and files that will be extracted from government-wide systems.



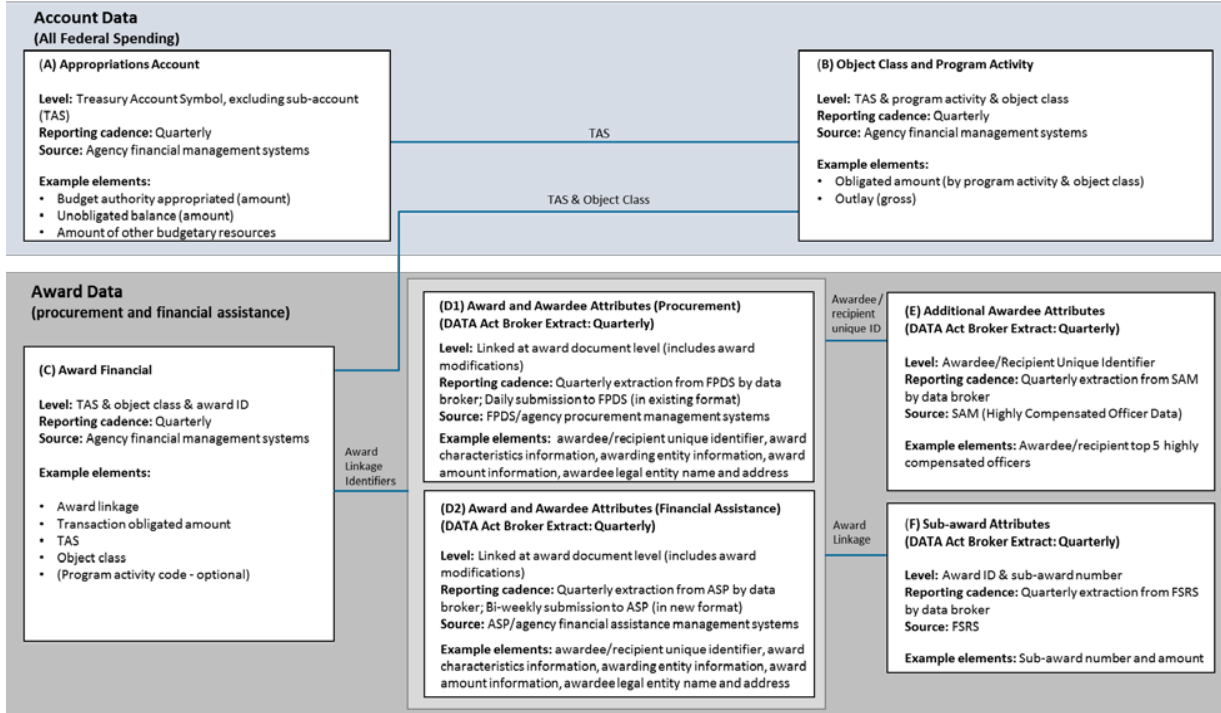
Source: Federal Spending Transparency: DATA Act Collaboration Space at, [https://community.max.gov/download/attachments/903971114/DataSubmission\\_page.pdf](https://community.max.gov/download/attachments/903971114/DataSubmission_page.pdf)

**Graphic 2** – This model from Treasury shows how the data flows from agency financial and government-wide systems to reach the public website, which is to be USA Spending.gov.



Source: Federal Spending Transparency: DATA Act Collaboration Space at <http://fedspendingtransparency.github.io/data-model/>

**Graphic 3** – The following model from Treasury shows the information about the seven files (A through F) and selected data elements.



Source: Federal Spending Transparency: DATA Act Collaboration Space at <http://fedspendingtransparency.github.io/data-model/>

## **APPENDIX VI – CIGIE'S DATA ACT ANOMALY LETTER**

### **SUBMITTED TO THE SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS AND THE HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM**

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 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,

Michael E. Horowitz

Chair, Council of the Inspectors General on Integrity and Efficiency

Inspector General, U.S. Department of Justice

cc: The Hon. David Mader, Controller, OMB

*For accessibility, the format of the original contractor's report has been modified to fit in this document.*

## Report Distribution

### VA Distribution

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House Committee on Oversight and Government Reform  
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Veterans Affairs, and Related Agencies  
Senate Committee on Homeland Security and Governmental Affairs  
National Veterans Service Organizations  
Government Accountability Office  
Office of Management and Budget

This report is available on our website at [www.va.gov/oig](http://www.va.gov/oig).