

The DATA Act & Its Impact on Auditors

SEIAF-SWIAF Joint
Forum Meeting

Huntsville, Alabama
September 17, 2015



NASACT

National Association of State
**Auditors, Comptrollers
and Treasurers**

Today's Agenda

- Brief Overview of the Act
- Current Implementation Status
- Impact on Auditors
- GAO's Monitoring Efforts
- Q & A – Open Discussion

Increasing Transparency: The Continuing Story

- ARRA
 - Final report May 2014
- FFATA
 - Monthly reporting of federal awards and contracts at prime/first-tier sub levels
 - Ongoing
- DATA
 - Passed into law on May 9, 2014
 - Amends FFATA

DATA Act: Purposes

- Expand FFATA by disclosing direct Federal agency expenditures and linking Federal contact, loan and grant spending info to Federal programs
- Establish government-wide data standards
- Simplify reporting for entities receiving Federal funds
- Improve the quality of data
- Apply RATB approaches to spending across the Federal government

Data Act: Requirements

- Four primary areas:
 - Full Disclosure of Federal Funds
 - Data Standards
 - Simplifying Federal Award Reporting
 - Accountability for Federal Funding

DATA Act: Full Disclosure of Federal Funds

- Any funds expended by a **Federal** agency (or component) must be reported monthly (when practicable) but not less than quarterly
 - 10 specific items are listed, e.g.,
 - amount of budget authority
 - amount obligated,
 - accounts from which the appropriations are obligated, etc.

DATA Act: Data Standards

- Government-wide financial data standards shall be established for all federal funds and be used by **both** federal agencies and recipients
- Must include common data elements for financial and payment information
 - Goal is to improve the usability, transparency and accountability of financial and performance information

DATA Act: Data Standards

- Some key attributes
 - Incorporate a widely accepted, nonproprietary, searchable, computer-readable format (e.g., XBRL)
 - Include unique identifiers for Federal awards and recipient entities (e.g., DUNs number)
 - Be consistent with accounting principles
 - Be capable of continuous upgrade
 - Produce consistent and comparable data
 - Establish a standard method for conveying the reporting period, reporting entity, unit of measure and other attributes

DATA Act: Data Elements

- 57 elements overall
 - Many from FFATA
 - e.g., legal business name and address, CFDA number, award ID, current value of the award, primary place of performance, etc.
 - Eight new ones required by the DATA Act
 - e.g., object class, appropriations account, budget authority appropriated, obligation, unobligated amount, other budgetary resources, program activity, and outlay
 - Finalized on August 31, 2015

DATA Act: Simplifying Federal Award Reporting

- OMB shall consult with various stakeholders and review information required to be reported by recipients to identify:
 - Common reporting elements across the Federal government
 - Unnecessary duplication in reporting
 - Unnecessary burdensome reporting requirements for recipients

DATA Act: Pilot Program

- A pilot program shall be established to develop recommendations for the:
 - Use of standardized reporting elements across the Federal government
 - Elimination of unnecessary duplication in financial reporting, and
 - Reduction of compliance costs for recipients

DATA Act: Pilots and Reviews

- May 2015 pilot launch:
 - Deployed a blog-type dialogue for opportunities to reduce burden and compliance costs for Federal award recipients
 - Launched a Common Data Element Repository (C-DER) Library
 - Launched an expanded Grants.gov portal to promote easier access to grants' lifecycle information
 - Discussing revisions to the data collection form to include info from the schedule of federal awards

DATA Act: Accountability for Federal Funding

- Inspectors General
 - Must review a statistically valid sampling of the spending data submitted by the agency to assess:
 - Completeness, timeliness, quality and accuracy of the data sampled
 - Implementation and use of data standards
- GAO
 - Similar requirements except at the government-wide level
- RATB Data Analysis Center (“ROC”)
 - Treasury can establish its own center or expand the ROC

DATA Act: Timeline/Deadlines

- May 2015
 - Establish data standards
- May 2017
 - Federal agencies must report spending data using data standards
- May 2018
 - Federal agencies must post spending data in machine-readable formats

DATA Act: Impact on Auditors

- Federal IGs
 - Certain responsibilities outlined in the Act
 - Focus on internal controls/compliance
 - Will provide data that should yield information about performance
 - Enhance performance audits?

DATA Act: Impact on Auditors

- State and Local Government Auditors
 - Impact is less clear
 - Currently, reporting responsibility is on the federal agencies, not recipients
 - However, recipients must use the data standards
 - Will recipients have to use XBRL (or another technology) for grant reporting?
 - Will recipients be prepared if reporting requirements are eventually placed on them?
 - Auditors will play a big role if this happens (as they did with the Recovery Act)

DATA Act: Impact on Auditors

- State and Local Government Auditors
 - What is clear
 - Better transparency, more accurate and standardized data is in everyone's interest
 - Reducing reporting burden for recipients is a good goal
 - Standardized data elements and definitions will reduce inconsistency between Federal agencies
 - Auditors can use data to corroborate receipt of Federal awards
 - Potential benefit
 - If data also includes performance information, states might be able to benchmark their state against peers

DATA Act: Resources

- Want to know more?
 - USA Spending
 - <https://www.usaspending.gov/Pages/data-act.aspx>
 - Spending Transparency Collaboration (GitHub)
 - <http://fedspendingtransparency.github.io/dataelements/>
 - National Dialogue on Reducing Burden
 - <https://cxo.dialogue2.cao.gov/a/pages/gsa-challenges>
 - Webinar in October/November

Questions or Comments?

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GAO's Oversight of DATA Act Implementation

**Joint Southeast – Southwest
Intergovernmental Audit Forum**

Huntsville, AL – September 17, 2015

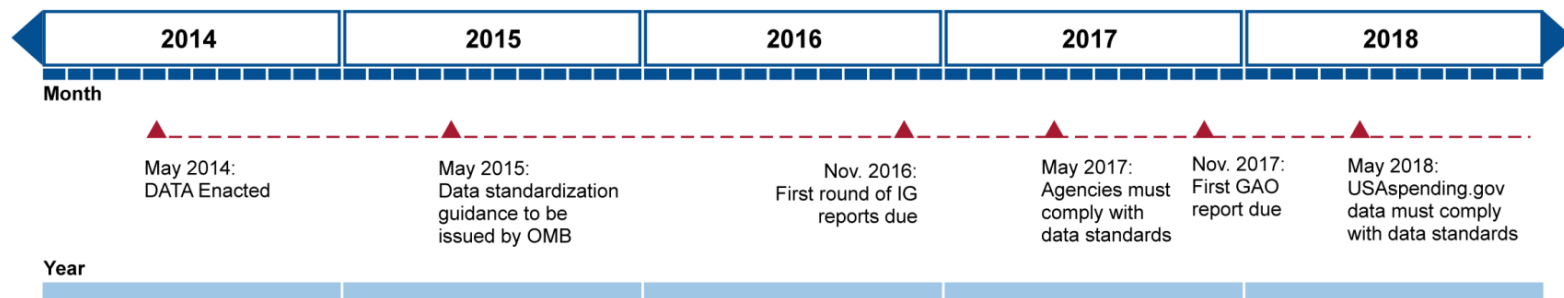
**Kathleen Drennan
Senior Analyst, GAO**

**Shirley Hwang
Senior Analyst, GAO**

GAO's DATA Act Requirements

- The DATA Act requires GAO to issue reports in 2017, 2019, and 2021, assessing and comparing the quality of data submitted under the DATA Act as well as agency implementation and use of data standards
- In addition, the Act requires Inspectors General (IG) to consult with GAO in developing their assessment plans

DATA Timeline



Source: GAO Analysis of Pub. L. 113-101, 128 Stat. 1146.


Note: IGs and GAO are required to report two additional times—at two and four years after their respective initial reports. If the guidance is issued earlier than one year after passage, dates that follow would move up commensurately.

GAO's Audit Approach

Continuous auditing as implementation progresses

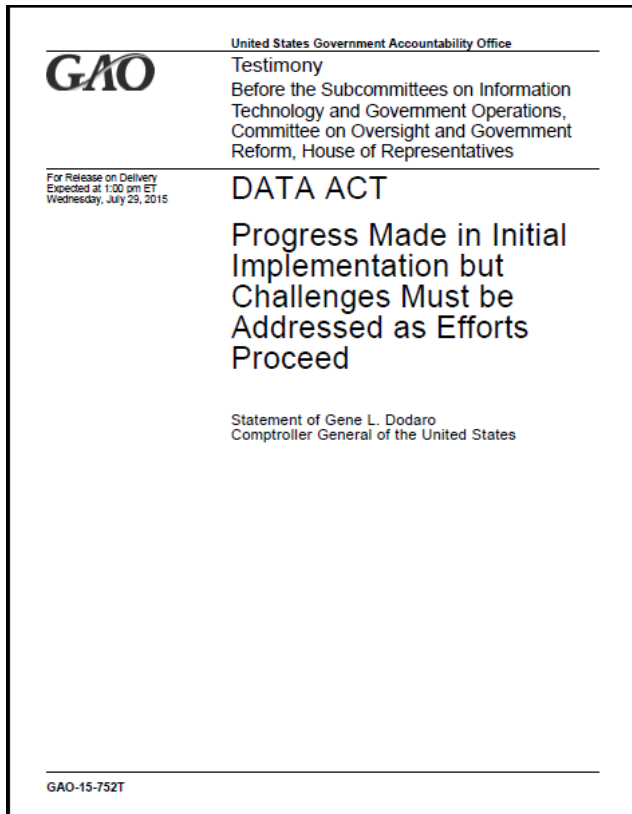


Constructive engagement with OMB and Treasury to ensure challenges are address early



Interim progress reports to Congress to ensure effective implementation

GAO's Audit Approach



- OMB issued the first set of data standards and implementation guidance on May 8, 2015
- GAO testified on initial implementation efforts on July 29, 2015
- We identified several issues that may affect effective implementation if not addressed
- We recommended that OMB:
 1. establish a governance structure to maintain the integrity of data standards over time; and
 2. enhance efforts to provide ongoing and effective two-way dialogue with stakeholders, particularly with state and local governments

GAO's Ongoing Audit Work: Review of Data Standards Implementation

Objectives include:

- Review of OMB and Treasury's process for establishing data standards, including an evaluation of each standardized data element and technical specifications for enforcing the standards
- Review of federal agency implementation and the extent to which federal agencies are on track to meet their reporting goals and timeframes

GAO's Ongoing Audit Work: Review of Data Standards Implementation

**15 Elements
Definitions finalized
on May 8, 2015**

- ▶ Appropriations Account
- ▶ Awarding Agency Code
- ▶ Awarding Agency Name
- ▶ Budget Authority Appropriated
- ▶ Highly Compensated Officer Name
- ▶ Highly Compensated Officer Total Compensation
- ▶ North American Industrial Classification System Code
- ▶ North American Industrial Classification System Description
- ▶ Object Class
- ▶ Obligation
- ▶ Other Budgetary Resources
- ▶ Outlay
- ▶ Program Activity
- ▶ Treasury Account Symbol
- ▶ Unobligated Balance

**8 Elements
Definitions finalized
on June 26, 2015**

- ▶ Award Description
- ▶ Award Identification Number
- ▶ Award Modification/Amendment Number
- ▶ Legal Entity Address
- ▶ Legal Entity Congressional District
- ▶ Legal Entity Country Code
- ▶ Legal Entity Country Name
- ▶ Parent Award Identification Number

**4 Elements
Definitions finalized
on July 10, 2015**

- ▶ Awardee/Recipient Legal Entity Name
- ▶ Awardee/Recipient Unique Identifier
- ▶ Ultimate Parent Legal Entity Name
- ▶ Ultimate Parent Unique Identifier

**30 Elements
Definitions finalized
on August 31, 2015**

- ▶ Action Date
- ▶ Action Type
- ▶ Amount of Award
- ▶ Award Type
- ▶ Awarding Office Code
- ▶ Awarding Office Name
- ▶ Awarding Sub Tier Agency Code
- ▶ Awarding Sub Tier Agency Name
- ▶ Business Types
- ▶ Catalog of Federal Domestic Assistance (CFDA) Number
- ▶ CFDA Title
- ▶ Current Total Value of Award
- ▶ Federal Action Obligation
- ▶ Funding Agency Code
- ▶ Funding Agency Name
- ▶ Funding Office Code
- ▶ Funding Office Name
- ▶ Funding Sub Tier Agency Code
- ▶ Funding Sub Tier Agency Name
- ▶ Non-federal Funding Amount
- ▶ Ordering Period End Date
- ▶ Period of Performance Current End Date
- ▶ Period of Performance Potential End Date
- ▶ Period of Performance Start Date
- ▶ Potential Total Value of Award
- ▶ Primary Place of Performance Address
- ▶ Primary Place of Performance Congressional District
- ▶ Primary Place of Performance Country Code
- ▶ Primary Place of Performance Country Name
- ▶ Record Type

GAO's Ongoing Audit Work: Review of Data Standards Implementation

We have identified a number of issues:

- Lack of clarity in data definitions, requiring additional context
- Data definitions open to different interpretations
- Inconsistencies between how the data elements are defined in “human readable” documentation and how they are defined in the “machine readable” documentation
- Need for a governance structure to adjudicate changes and maintain the integrity of standards
- Need for more two-way communication with federal fund recipients

Section 5 Pilot Overview

- OMB is working with several partners: the Department of Health and Human Services is assisting on grants-specific activities while the General Services Administration and the Chief Acquisition Officers Council are assisting on contract-specific activities
- OMB and its partners are in the process of designing the pilot
 - Currently compiling pain points from the non-federal community to be tested
 - Will build on demonstrations related to standardizing grants reporting carried out under the Recovery Act
- Final pilot design is expected by October 2015

Section 5 Pilot Requirements Under the Act

The DATA Act establishes explicit design criteria and other requirements for the pilot, including:

- Timing: The pilot should include data collected during a 12-month reporting cycle and should not exceed two years
- Scope: Combination of federal awards that, in the aggregate, have a value of at least \$1 billion and no more than \$2 billion
- Participants: Diverse group of federal award recipients who, to the extent practicable, receive federal awards from multiple programs across multiple agencies
- Reporting: OMB is to submit a report to Congress no later than 90 days after the pilot ends

GAO has ongoing work examining the pilot design

Section 5 Pilot

Seeking Stakeholder Input

The National Dialogue asks the procurement and grants communities to answer a number of questions, including:

- If you could change one thing that would ease your reporting burden associated with your grants or sub-grants, what would it be (e.g., time, cost, resource burden)?
- What other compliance information are you providing to the federal government outside of the procurement process that could be used in procurement reporting and reduce duplication?
- Are there requirements in the new Uniform Guidance that need additional clarification for improved implementation with reduced administrative burden?

DATA Act

Promises and Challenges

Effective implementation holds great promise for:

- Oversight and Accountability
- Transparency
- Management

However, known challenges need to be addressed:

- Ensuring the quality of aggregated data
- Limited implementation resources
- Fostering effective two-way stakeholder communication

On the Web

Web site: www.gao.gov/

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