Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

Federal Audit Executive Council

FY2019 DATA Act Working Group Common Methodology

CIGIE/GAO Financial Statements Audit Conference

May 7, 2019

Presenter: Pauletta Battle, Deputy AIGA, Treasury OIG

Overview

Digital Accountability and Transparency Act of 2014 (DATA Act)

- Requires Federal agencies to report financial and award data in accordance with the established Government-wide financial data standards

- Requires IGs to:
  - Review a statistically valid sample of the spending data submitted by its Federal agency
  - Submit to Congress and make publically available a report assessing completeness, timeliness, quality, and accuracy of the data sampled; and implementation and use of Data Standards by the Federal agency

Overview

Federal Audit Executive Council (FAEC) DATA Act Working Group

- Assist the IG Community in understanding and meeting its DATA Act oversight requirements

- Established January 2015 and has over 224 members from over 50 IGs

- Published the DATA Act *Readiness Review Guide* (December 2015), and the *Inspectors General Guide to Compliance Under the DATA Act* (1st iteration February 2017)(2nd iteration February 2019)

- Currently consists of a Common Methodology Sub-group and a Governance Sub-group

Overview

Results of 2017 Audits

- Over 50 IGs issued reports

- Majority conducted performance audits

- Approximately 72 percent of the audits concluded that agency data was incomplete, inaccurate, not timely, and not of quality

- Issues with Treasury's DATA Act Broker impacted testing results

- Comparing the results of IG reports was difficult

- Identified and addressed lessons learned

- Revised the *Inspectors General Guide to Compliance Under the DATA Act*

Purpose of the Guide

- Provide the IG community with a baseline framework for the audits required by the DATA Act

- Audit team should adhere to the overall methodology, objectives, and audit procedures outlined

- Audit team can modify the guide based on specific systems and controls in place at its agency but must use professional judgment when designing alternative audit procedures

- Strongly recommend that audit teams document the reason for any deviation from the guide in the audit documentation

- Guide may be updated based on feedback from the IG community after its issuance

Significant Changes

- Scope and Methodology

- Data Quality Plans

- Revised Definitions / Sampling Methodology

- Updated Guidance
  - Testing Spreadsheet Tool
  - D1 Crosswalk

- Federal Shared Service Providers (FSSP)

- Reporting

Scope and Methodology

- First Quarter Fiscal Year 2019

- Performance Audits

- Obtain an Understanding
  - Review Data Quality Plan (DQP)
  - Review Relevant Criteria

- Review and Reconcile Data Submitted

- Review a Statistically Valid Sample

- Review and Assess Internal Controls

Data Quality Plan – A New Requirement

- On June 6, 2018 OMB issued M-18-16 which is an update to the requirements of A-123

  - Agencies must develop a Data Quality Plan (DQP) to achieve the objectives of the DATA Act.

  - DQP must be reviewed and assessed annually for three years or until the agency determines that sufficient controls are in place to achieve the reporting objective.

  - Quarterly certifications of data submitted by Agency Senior Accountable Officials (SAO) should be based on the consideration of the DQP and the internal controls documented in their plan.

Data Quality Plan Guidance

Data Quality Playbook

➥ Issued November 30, 2018 by the Chief Financial Officers' Council

➥ Is a collection of examples and use-cases agencies have proposed based on agency-specific risk assessments at a given time.

➥ Is designed to provide practical information and helpful scenarios for agencies.

➥ Is **NOT** all inclusive (does not address all potential situations an agency may face with respect to DATA Act implementation)

Revised Definitions – Section 510

- Completeness of Agency Submission

- Timeliness of Agency Submission

- Completeness of Data Elements

- Accuracy of Data Elements

- Timeliness of Data Elements

- Quality

Statistical Sampling Methodology - Section 560

➥ Select a statistically valid sample, preferably from File C (or D1/D2, if file C is not available or determined not suitable for testing).

➥ Criteria:

➥ <u>Confidence level</u> – 95%

➥ <u>Sample Precision</u> –5%

Statistical Sampling Methodology

➧ <u>Sample Size</u> –The sample size will vary by agency but should be no more than 385 records. Auditors should discuss with statisticians the need for replacement sample items.

➧ <u>Sample Unit</u> - The statistical sample should be selected and tested by record. **A record is considered a row in the data file within File C**. A record could be a portion of a transaction or award activity and not necessarily the whole transaction or award activity.

Statistical Sampling Methodology

➥ **Expected Error Rate – will be determined based on:**

  ➥ Results of the November 2017 and any subsequent testing of DATA Act information.

  ➥ Additional information that the OIG has accumulated related to the agency's internal controls and corrective actions from previous audits.

  ➥ If more than one error rate was determined in prior audits, the error rate closest to 50% should be used.

  ➥ If this is a first year audit of the DATA Act submission and there is no previous testing with which to accurately estimate the expected error, then the expected error rate should be set at 50%.

Statistical Sampling Methodology

➡ **Three Overall Error Rates**

  ➡ Completeness

  ➡ Accuracy

  ➡ Timeliness

➡ **No Longer a Pass/Fail Analysis by Record**

Determining Quality Based on Statistical Sampling Results

➡Identify the highest midpoint of the projected error rates and categorize based on the following:

0-20% - **Higher** Quality

21-40% - **Moderate** Quality

41% or more – **Lower** Quality

Federal Shared Service Providers (FSSP) Audit Steps

■Communicating Findings

- ■Convey any concerns to Agency SAO

- ■Agency OIG share any concerns about error rates attributable to FSSP with FSSP OIG and GAO

- ■FSSP's OIG to provide POC to Customer Agencies' OIGs

- ■Concerns included in FSSP OIG "Other Matters" Section

Reporting

- Reports should conform to GAGAS standards and contain the results of the engagement team's assessment of:
  - Completeness, timeliness, accuracy, and quality of DATA Act submission.
    - Results of summary-level testing of Files A and B
    - Projected Error rates for completeness, accuracy, and timeliness of data sampled
    - Final determination of data quality
    - Supplemental (non-projected) reporting of results of data sampled
      - Data Element Analysis
      - Analysis of the Accuracy of Dollar Value-related Data Elements
      - Analysis of Errors in Data Elements Not-Attributable to the Agency

Reporting (Cont'd)

- Identified control deficiencies that may adversely impact the completeness, timeliness, quality, and accuracy of the data submitted
- Implementation and use of the data standards by the Federal agency

Frequently Asked Questions

1. What is a "record"?

2. Does CIGIE/FAEC have a statistician or list of statisticians that agencies may consult with? Should we consult with a statistician?

3. How do you get access to the FAEC Working Group Site on Max.gov?

4. How do you get access to the Broker?

5. What guidance outlines the requirements of the DQPs? How will the DQPs be used in the audit?

6. Can OIGs use a modified universe of records in File C so that only records with a Transaction Obligated Amount of $10,000 or more (absolute value) are selected as part of the statistical sample?

7. Should OIGs test misaligned File C records (e.g., records in File C, but not in Files D1/D2) since misaligned File D1/D2 records (e.g., records in File D1/D2, but not in File C) are not tested when File C is used for statistical sampling purposes?

8. Do you have a point of contact for my FSSP OIG?

9. When will the D2 Crosswalk be issued?

Questions?

DATA Act Mailbox -
DataAct@oig.treas.gov