

**DHS Has Made Progress in Meeting DATA Act Requirements, But Challenges Remain**





## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

August 13, 2020

MEMORANDUM FOR: Troy Edgar  
Chief Financial Officer  
Department of Homeland Security

FROM: Joseph V. Cuffari, Ph.D.  
Inspector General

SUBJECT: *DHS Has Made Progress in Meeting DATA Act Requirements, But Challenges Remain*

JOSEPH V  
CUFFARI

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JOSEPH V CUFFARI  
Date: 2020.08.13  
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For your action is our final report, *DHS Has Made Progress in Meeting DATA Act Requirements, But Challenges Remain*. We incorporated the formal comments provided by your office.

The report contains five recommendations aimed at improving the quality of the Department's spending data. Your office concurred with all five recommendations. Based on information provided in your response to the draft report, we consider recommendations 1, 2, 4, and 5 to be open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days accompanied by evidence of completion of agreed-upon corrective actions so that we may close the recommendations.

Based on information provided in your response to the draft report, we consider recommendation 3 open and unresolved. As prescribed by the Department of Homeland Security Directive 077-01, *Follow-Up and Resolutions for the Office of Inspector General Report Recommendations*, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for the third bullet of recommendation 3. Also, please include your responsible parties and other supporting documentation to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendation will be considered open and unresolved. Please send your response or closure request to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Sondra McCauley, Assistant Inspector General for Audits, at (202) 981-6000.



# DHS OIG HIGHLIGHTS

## *DHS Has Made Progress in Meeting DATA Act Requirements, But Challenges Remain*

August 13, 2020

### Why We Did This Audit

The DATA Act required the Office of Inspector General to review a statistically valid sample of DHS' fiscal year 2019 first quarter (FY 2019/Q1) spending data posted on USAspending.gov, and submit to Congress a report assessing the data's completeness, accuracy, timeliness, and quality, as well as DHS' implementation and use of government-wide financial data standards.

### What We Recommend

This report contains five recommendations aimed at strengthening DHS' controls to improve its spending data quality.

#### **For Further Information:**

Contact our Office of Public Affairs at (202) 981-6000, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### What We Found

Since our first audit in 2017, DHS has continued to make progress in meeting its *Digital Accountability and Transparency Act of 2014* (DATA Act) reporting requirements. For example, DHS improvements included reducing misalignments in its procurement and financial assistance award data from nearly \$1.9 billion (38 percent) in FY 2017/Q2 to \$264 million (4 percent) in FY 2019/Q1. This occurred because DHS implemented a quarterly process that targeted such misalignments through spending data quality reviews. We nonetheless identified opportunities for DHS to strengthen its quarterly reviews and further reduce misalignments to enable more effective tracking of Federal spending.

Using the *Inspectors General Guide to Compliance under the DATA Act*, we found the quality of DHS' spending data was moderate for a statistically valid sample of 375 procurement and financial assistance awards. Specifically, the data was complete and accurate, but not timely. Due to system limitations, DHS did not report 67 percent of the sampled financial assistance award elements within 30 days of award date as required. Although DHS works to mitigate this risk through its quarterly review process, the timeliness of financial assistance reporting remains a recurring challenge.

DHS generally implemented and consistently uses government-wide data standards, but could improve reporting for certain data elements to fully achieve the DATA Act's objective of making Federal spending information more transparent to the public. DHS developed a data quality plan to manage risks to data quality as required.

### DHS Response

DHS concurred with all five recommendations. Appendix B contains the Department's response in its entirety. All recommendations will remain open pending evidence to support completion of the corrective actions.



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**Abbreviations**

CAP	Corrective Action Plan
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DAIMS	DATA Act Information Model Schema
DAS	DATA Act Solution
DATA Act	<i>Digital Accountability and Transparency Act of 2014</i>
DQP	Data Quality Plan
FABS	Financial Assistance Broker Submission
FEMA	Federal Emergency Management Agency
FPDS-NG	Federal Procurement Data System-Next Generation
NFIP	National Flood Insurance Program
OIG	Office of Inspector General
OMB	Office of Management and Budget
RMT	Resource Management Transformation
SAO	Senior Accountable Official





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### Background

On May 9, 2014, the President signed the *Digital Accountability and Transparency Act of 2014* (DATA Act) into law to make information on Federal spending more easily accessible and transparent to the public. The DATA Act requires agencies to report spending data quarterly to USAspending.gov<sup>1</sup> in accordance with government-wide financial data standards established by the Department of the Treasury (Treasury) and the Office of Management and Budget (OMB). These standards specify the data elements for reporting under the DATA Act and define what each element should include to ensure data is consistent and comparable. Agencies must disclose information linking spending activity to Federal programs in the President’s budget to effectively track government spending.

### Office of Inspector General Responsibilities under the DATA Act

The DATA Act requires the Office of Inspector General (OIG) of each Federal agency to review a statistically valid sample of the agency’s spending data submissions to USAspending.gov in fiscal years 2017, 2019, and 2021. Also, the DATA Act requires each OIG to submit to Congress a report that assesses the completeness, accuracy, timeliness, and quality of the data sampled, and implementation and use of government-wide financial data standards in compiling the data. This is our second of three mandated reports on DHS’ implementation of the DATA Act. This report assesses the quality of DHS’ FY 2019, first quarter (FY 2019/Q1) spending data.

The Council of the Inspectors General on Integrity and Efficiency’s (CIGIE) Federal Audit Executive Council released its *Inspectors General Guide to Compliance under the DATA Act* (CIGIE IG Guide) on February 14, 2019. The CIGIE IG Guide provides a common methodology and reporting approach for every OIG to use in performing work mandated by the DATA Act.

### DATA Act Submission

Federal agencies submit their budgetary and award data to Treasury’s DATA Act Broker (Broker), a system that facilitates the collection, validation, certification, and submission of agencies’ quarterly spending data for publication on USAspending.gov. Agencies are required to upload to the Broker the files identified in table 1, containing data from their internal financial systems.

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<sup>1</sup> USAspending.gov is a searchable database of information on Federal contracts and other Government assistance such as grants and cooperative agreements.



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**Table 1. Agency-Created DATA Act Files**

File	Name	Description	Data Source	Required Frequency
File A	Appropriations Account	Budget authority by appropriations account	Agencies' internal financial management systems	Quarterly via DATA Act Broker Submission
File B	Object Class and Program Activity	Obligations/outlays by object class and program activity		
File C	Award Financial	Financial award detail information		

Source: DHS OIG analysis of Treasury and OMB guidance

After agencies upload their files, the Broker extracts spending data from government-wide award reporting systems containing data on Federal contracts, grants, and award recipients. Those systems include the Federal Procurement Data System-Next Generation (FPDS-NG) and the Financial Assistance Broker Submission (FABS). Agencies submit information on procurement awards to FPDS-NG and on financial assistance awards (grants, loans, insurance, and other assistance) to FABS. Using the extracted data, the Broker generates the files identified in table 2.

**Table 2. DATA Act Broker-Generated Files<sup>2</sup>**

File	Name	Description	Data Source	Required Frequency
File D1	Procurement	Award-level data for recipients of procurement awards	FPDS-NG	Within 3 days of contract award (\$10,000 or more)
File D2	Financial Assistance	Award-level data for recipients of financial assistance awards	FABS	Within 30 days of grant award (\$25,000 or more)
File E	Additional Awardee Attributes	Personnel and other information about entities receiving Federal funds	System for Award Management	Data is uploaded daily to USAspending.gov
File F	Subaward Attributes	Data and other information about entities receiving subawards made by recipients of federal funds	Federal Subaward Reporting System	Data is uploaded daily to USAspending.gov

Source: DHS OIG analysis of Treasury and OMB guidance

<sup>2</sup> The award data in Files D1 to F are uploaded daily to USAspending.gov. The quality of the data in Files E and F is the legal responsibility of the award recipient, not DHS. Therefore, we did not audit these files.



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The Broker applies a series of validation rules to test completeness and accuracy of the data elements and linkages between budgetary and award data. OMB guidance<sup>3</sup> requires agencies to link budgetary and award data across different files using unique award numbers.<sup>4</sup> Through its validation process, the Broker generates data warnings and critical errors based on the application of Treasury-defined rules. An example of a warning is when a unique award number exists in File C but does not exist in Files D1/D2. Errors can occur when certain data elements do not meet formatting requirements such as field length or character type. If any data in the agency submission generates critical errors, USAspending.gov will not accept that data for publication. By contrast, less severe discrepancies result in Broker-generated warnings that do not prevent this data from continuing through the publication process. For example, warning messages alert agencies to possible issues worth further review that may or may not be inaccuracies in the data.

Once agency files successfully pass the Broker validations, OMB requires<sup>5</sup> each agency's senior accountable official (SAO) to certify the quarterly DATA Act submission. The SAO certification provides reasonable assurance that the agency's internal controls support the validity and reliability of the budgetary and award data submitted to Treasury for publication on USAspending.gov. After the SAO completes the certification in the Broker, Treasury will publish the spending data on USAspending.gov. (See figure 1 for a flowchart of the DATA Act Broker's Quarterly Submission Process.)

Starting in FY 2019, each agency must develop a data quality plan (DQP) that identifies risks to the quality of Federal spending data and implement a control structure to manage such risks.<sup>6</sup> Quarterly certifications by the SAO should be based on considerations and internal controls documented in the agency's DQP.

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<sup>3</sup> OMB Management Procedures Memorandum 2016-03, *Additional Guidance for DATA Act Implementation: Implementing Data-Centric Approach for Reporting Federal Spending Information*, May 3, 2016

<sup>4</sup> For Federal procurement, the procurement instrument identifier serves as the linkage between financial and procurement systems. For financial assistance awards, the Federal award identification number serves as the linkage between financial and management systems. Each File C transaction should have a corresponding transaction in File D1/D2 associated with the same unique award number.

<sup>5</sup> OMB Memorandum M-17-04, *Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability*, November 4, 2016

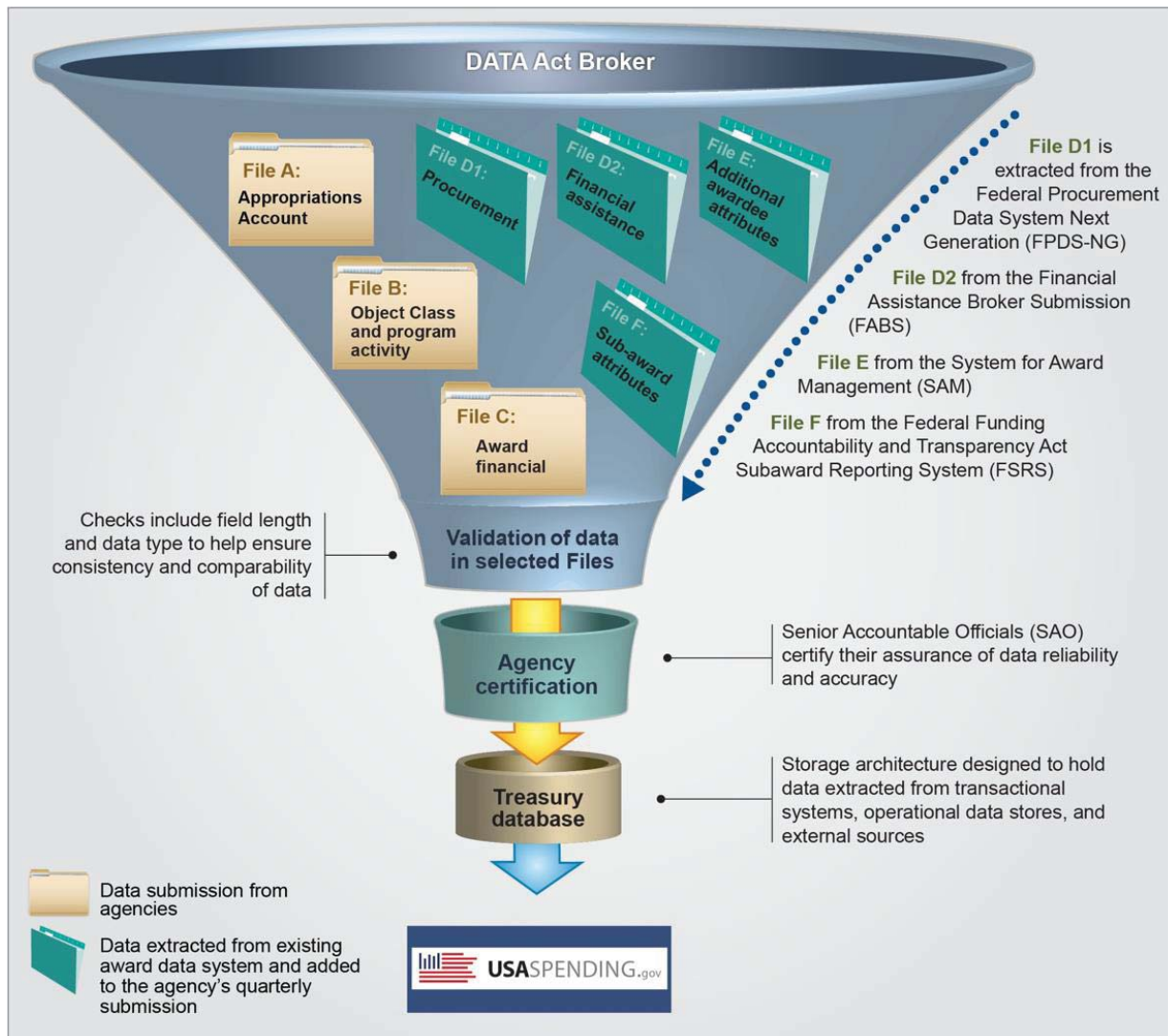
<sup>6</sup> OMB Memorandum M-18-16, *Appendix A to OMB Circular No. A-123, Management of Reporting and Data Integrity Risk*, June 6, 2018



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**Figure 1. DATA Act Broker's Quarterly Submission Process**



Source: GAO-20-75, Government Accountability Office analysis of Treasury guidance

## DHS Governance for Quarterly DATA Act Submission

In FY 2015, DHS established a governance structure — an institutionalized set of policies and procedures — for the Department’s implementation of the DATA Act. DHS’ Deputy Chief Financial Officer serves as the Department’s SAO. The SAO sets the strategic direction for DHS’ approach to DATA Act implementation. DHS also created a Headquarters DATA Act Working Group with members from across its organizational units, including budget, accounting, procurement, and financial assistance.





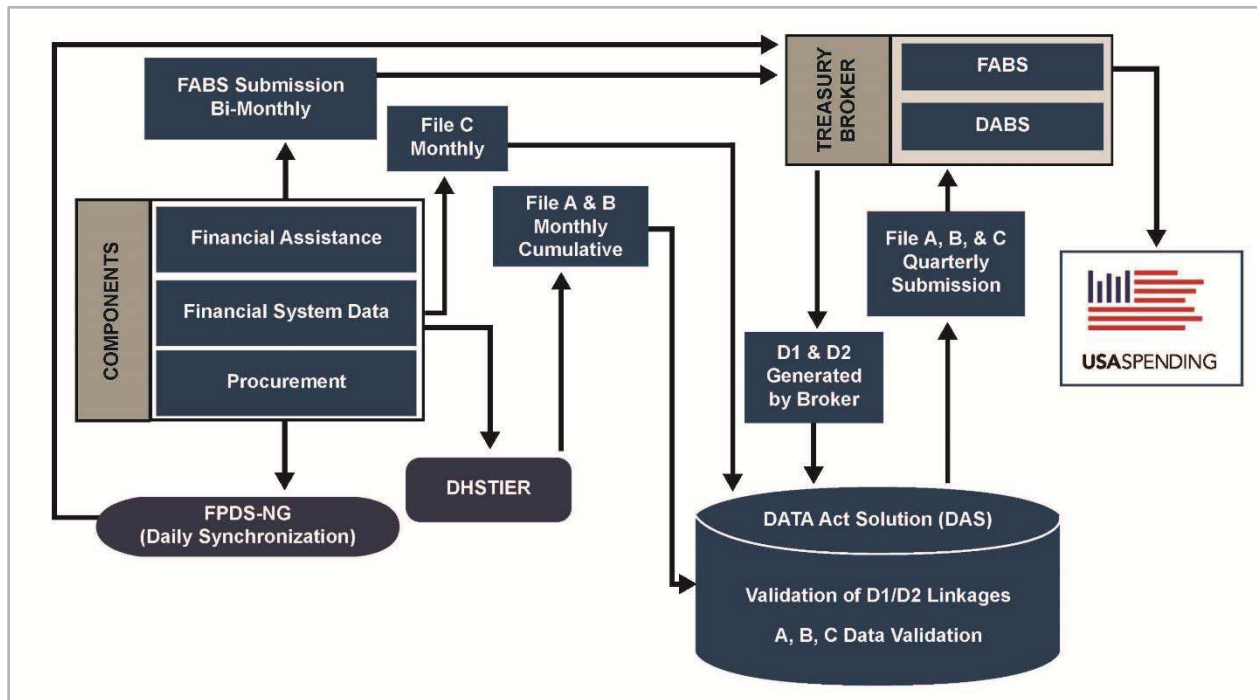
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DHS is responsible for establishing the internal control processes necessary to achieve compliance with the DATA Act. DHS component DATA Act teams submit their spending data monthly to the Resource Management Transformation (RMT) Division within the Office of the Chief Financial Officer to comprise the Department's consolidated quarterly submissions to USAspending.gov. Components must document and implement internal control procedures to ensure their spending data is complete, accurate, and timely.

RMT developed an internal DATA Act Solution (DAS) system to collect and perform pre-check validations of DHS components' spending data to ensure it meets Broker submission requirements. On a monthly basis, as shown in figure 2, RMT pulls the components' budgetary data (Files A and B) from DHS' Treasury Information Executive Repository and uploads it to the DAS, while components submit their award data (File C) directly to the DAS. Additionally, RMT downloads components' procurement award data (File D1) and financial assistance award data (File D2) from the Broker and uploads it to the DAS.

**Figure 2. DHS DATA Act Solution Process**



Source: DHS DATA Act Data Quality Plan, March 15, 2019

The DAS process mirrors the Broker's validation of the alignment between the procurement and financial assistance award files and the budgetary files included in DHS' quarterly submission. The DAS process also includes additional tests for DHS to ensure transactions eventually align and to



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determine how long they take to align. Throughout the quarter, DHS stakeholders work together to research and resolve Broker and DAS validation issues, such as missing financial information. Also, RMT conducts monthly Headquarters DATA Act Working Group and Component Implementation Working Group meetings to discuss guidance, processes, best practices, and data quality management efforts.

### **Previous OIG DATA Act Review**

In 2017, we reported<sup>7</sup> that DHS' internal controls for its DATA Act processes were not sufficient to ensure the submission of complete, accurate, and timely spending data for FY 2017/Q2. We identified issues concerning data alignment, completeness, and accuracy that hindered the quality and usefulness of the information. We made six recommendations for DHS to strengthen its existing controls and apply additional controls for its DATA Act processes to ensure complete, accurate, and timely spending data. As of May 2019, all six recommendations were resolved and closed.

### **Results of Audit**

Since our first audit in 2017, DHS has continued to make progress in meeting its DATA Act reporting requirements. For example, DHS improvements included reducing misalignments in its procurement and financial assistance award data from nearly \$1.9 billion (38 percent) in FY 2017/Q2 to \$264 million (4 percent) in FY 2019/Q1. This occurred because DHS implemented a quarterly process that targeted such misalignments through spending data quality reviews. We nonetheless identified opportunities for DHS to strengthen its quarterly reviews and further reduce misalignments to enable more effective tracking of Federal spending.

Using the CIGIE IG Guide, we found the quality of DHS' spending data was moderate for a statistically valid sample of 375 procurement and financial assistance awards. Specifically, the data was complete and accurate, but not timely. Due to system limitations, DHS did not report 67 percent of the sampled financial assistance award elements<sup>8</sup> within 30 days of award date as required. Although DHS works to mitigate this risk through its quarterly review process, the timeliness of financial assistance reporting remains a recurring challenge.

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<sup>7</sup> *DHS' Implementation of the DATA Act*, OIG-18-34, December 29, 2017

<sup>8</sup> OIG sampled 191 financial assistance awards, which were all issued by the Federal Emergency Management Agency (FEMA).



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DHS generally implemented and consistently uses government-wide standards, but could improve reporting for certain data elements to fully achieve the DATA Act's objective of making Federal spending information more transparent to the public. DHS developed a data quality plan to manage risks to data quality as required.

### **DHS Has Improved Alignment of Budgetary Data, But Challenges Remain**

In comparison to the results of our 2017 audit, the alignment of DHS' budgetary data with authoritative sources the Broker uses has improved, but DHS can do more to ensure full compliance. As previously discussed, OMB's DATA Act implementation guidance<sup>9</sup> requires agencies to quarterly report budgetary spending, including appropriations, object class, and program activity data. The following are requirements for aligning reported budgetary data with the authoritative sources the Broker uses for validation. Specifically:

- Appropriations account data reported in File A must match the agency's Standard Form 133, *Report of Budget Execution and Budgetary Resources*. Appropriations provide agencies budget authority to incur obligations and to make payments from the Treasury for specified purposes.
- Object class codes reported in File B must match the codes defined in Section 83 of OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*. Object class codes identify obligations by the types of goods or services purchased by the U.S. Federal Government.
- Program activity names and codes reported in File B must match the agency's program and financing schedule in the President's budget. To ensure the data matches the President's budget, OMB created a quarterly MAX Collect exercise for agencies to provide Treasury with their updated program activity lists.

The Broker uses the agency's Standard Form 133, OMB Circular A-11, and OMB's Max Collect list as the authoritative sources to validate budgetary data. These validations ensure users can trace Federal spending to priorities in the President's budget.

Our analysis of DHS' DATA Act submission for FY 2019/Q1 showed the budgetary data contained appropriations account and object class information matching their authoritative sources. Additionally, the program activity data was generally complete and accurate, but 1,312 records (15 percent) contained

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<sup>9</sup> OMB Management Procedures Memorandum 2016-03 and OMB Memorandum M-17-04



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program activity data that did not match programs identified in the President's budget. These records represented \$3.4 billion in obligations (16 percent) and \$3.7 billion in expenditures (16 percent) reported to USAspending.gov. In comparison, we previously reported that 74 percent of the records in DHS' spending data from FY 2017/Q2 contained misaligned program activity data for 39 percent of DHS' total obligations and 57 percent of its total expenditures.

The FY 2019/Q1 misalignments occurred because DHS officials were unaware that OMB had extended<sup>10</sup> the deadline for agency updates through its MAX Collect exercise from January 10, 2019, to February 15, 2019. The quarterly MAX Collect exercise allows agencies to provide Treasury with updated program activity lists if changes to programs occur during the appropriations process. Through its validation process, the DATA Act Broker generated warnings for DHS' budgetary spending data containing program activity information that did not match OMB's MAX Collect list. Although RMT directed DHS components to research the warnings and components determined their reported data was legitimate, RMT did not take steps to ensure components properly updated their program activity lists through the OMB Max Collect exercise.

Additionally, DHS components improperly assigned program activity code "0000" and name "Unknown/Other" to appropriation accounts including obligations or outlays. Of the 1,312 records in File B that received Broker warnings, 145 (11 percent) were part of this category. We attributed this issue to an ambiguity in Treasury's implementation guidance. Specifically, according to Treasury's DATA Act implementation guidance,<sup>11</sup> agencies can report the "Unknown/Other" code if there are no obligations or outlays on the appropriation account in File B. However, the guidance did not explicitly prohibit agencies from using an unknown code in cases when appropriation accounts had obligations and outlays. Treasury issued revised guidance in September 2019 clarifying that agencies should only use unknown program activity codes when there are no obligations or outlays associated with their appropriation accounts.

Despite improving the alignment of its budgetary data, DHS needs to take additional steps to achieve full compliance with the DATA Act's objective of making Federal spending information more transparent to the public.<sup>12</sup> Misaligned program activity data hinders transparency by not allowing the public to track Federal spending to priorities in the President's budget.

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<sup>10</sup> OMB Budget Data Request Memorandum 19-09, Revised, *Preparation of the DATA Act Program Activity Validation List (FY 2019 Q1 Reporting)*, February 4, 2019

<sup>11</sup> U.S. Department of the Treasury Bureau of the Fiscal Service, *DATA Act Information Model Schema (DAIMS) Practices and Procedures For DATA Act Broker Submissions Version 1.3*, June 29, 2018 (Treasury DAIMS)

<sup>12</sup> Refer to OIG recommendation 1 and DHS' response starting on page 19 for more information.





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## **DHS Has Improved Alignment of Award Data, But Additional Improvement Can Be Made**

To enable more effective tracking of Federal spending, OMB guidance<sup>13</sup> requires agencies to link each Federal award across their different DATA Act submission files using unique award numbers. Agencies are responsible<sup>14</sup> for ensuring controls are in place to manage risk in reporting data that achieves the reporting objective. Each SAO must<sup>15</sup> provide a quarterly assurance statement that the alignments (linking unique award numbers) among the DATA Act files are valid and reliable. The SAO's statement should include explanations for misalignments and legitimate differences.

In 2017, we reported that DHS could not align nearly \$1.9 billion (38 percent) of its total obligations associated with award transactions for FY 2017/Q2. In our opinion, DHS' primary focus in the months leading up to its first quarterly submission was on resolving any critical data errors that could have prevented its spending data from being published on USAspending.gov. DHS did not focus its efforts on analyzing the award transaction misalignments until after successfully submitting the spending data to Treasury. Although the misalignments may be due to legitimate reasons<sup>16</sup> associated with existing business processes, we were concerned that timing differences of 30 days or longer may not be legitimate.

In comparison with the 2017 findings, our analysis from this audit showed DHS has improved the alignment of its total award obligations for FY 2019/Q1. We determined DHS could align<sup>17</sup> almost \$7 billion (96 percent) of its total obligations. Therefore, DHS reduced the amount of its misalignments from nearly \$1.9 billion (38 percent) in FY 2017/Q2 to about \$264 million (4 percent) in FY 2019/Q1.

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<sup>13</sup> OMB Management Procedures Memorandum 2016-03

<sup>14</sup> OMB Memorandum M-18-16

<sup>15</sup> OMB Memorandum M-17-04

<sup>16</sup> Based on our analysis of the reporting schedules defined by financial, procurement, and financial assistance requirements, misalignments may be due to legitimate timing differences less than 30 days. Other misalignments may be explainable because agencies are not required to report certain types of awards in their financial or award management systems.

<sup>17</sup> Using the parameters of 3 months and within \$1 of the obligation amount, we compared the absolute value of the total obligation amount for each unique award number from File C to File D1/D2. Misalignments were totaled for non-matching and matching award numbers. For example, a matching award of \$2 million in File C compared to \$1.9 million in File D1/D2 would result in a \$2 million misalignment because the difference was not within \$1.



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The improvement can be attributed to DHS' implementation of a quarterly corrective action plan (CAP) process to target misalignments during its reviews of spending data quality. After processing components' monthly spending data in the Department's DAS system, RMT generated an automated Component DATA Act Checklist including feedback on the warnings, critical errors, and obligation dollars associated with award misalignments. Components researched the misalignments and developed a CAP to address the misalignments deemed unacceptable. The CAPs described reasons for the misalignments, corrective actions that would be taken to address them, and target dates for completing the actions. Components then resubmitted their corrected files as needed for reprocessing. RMT included the alignment results in the quarterly SAO Assurance Package with categorical explanations for each misalignment and legitimate differences.

We nonetheless identified opportunities for DHS to strengthen its quarterly review procedures to further improve the spending data alignment. First, RMT guidance<sup>18</sup> did not require components to research obligation dollar amount misalignments for awards where the award numbers *matched* between DATA Act files. Components were only required to research obligation misalignments when the award numbers *did not match* between DATA Act files. Of the \$264 million associated with misalignments remaining after DHS completed its CAP process for FY 2019/Q1, we determined that \$163 million (62 percent) was related to awards with matching award numbers. Researching and correcting such misalignments will enable more effective tracking of Federal spending.

Second, components documented misalignments in their CAPs that did not clearly identify root causes with corrective actions for addressing them. For example, components entered "timing" as the reason to categorize nearly one-third of the non-matching awards between DATA Act files. Merely stating "timing" did not provide sufficient explanation for the cause of the misalignments. In other instances, components provided no reasons or corrective actions in their CAPs to address the misalignments. Also, RMT did not have a mechanism to track corrective actions needed to address misalignments until actions were completed. Clearly identifying root causes and tracking corrective actions through to completion should help prevent misalignments from occurring in subsequent submissions.

Third, RMT did not require components to complete and submit CAPs for every month of the quarter. Although RMT provides an automated Component DATA

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<sup>18</sup> RMT DATA Act, *Component Corrective Action Planning (CAP) Operations Guide*, October 23, 2018, and *File C Data Quality Report Production*, December 7, 2018



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Act Checklist monthly, components only have to provide one CAP addressing misalignments for the first 2 months of the quarter. No CAP is required for the last month of the quarter. Quantifying the impact of this issue for the DHS' FY 2019/Q1 DATA Act submission was difficult because the Federal Government shutdown in December 2018 disrupted its quarterly CAP process.

Specifically, after the shutdown ended and Treasury extended the DATA Act reporting deadline, DHS completed its CAP process in the March 2019 timeframe. RMT disclosed that DHS Headquarters and FEMA successfully researched and corrected nearly \$2.3 billion in financial assistance awards that were misaligned as of January 31, 2019. However, we determined that \$816 million (35 percent) of these awards exceeded the 30 days allowed to report them before the shutdown occurred.<sup>19</sup>

DHS has opportunities to strengthen its quarterly review procedures and further improve its spending data alignment in future DATA Act submissions.<sup>20</sup> Without strong data reconciliation controls in place, the Department risks not meeting its goal of achieving the highest possible data quality.

### **DHS' DATA Act Submission Was of Moderate Quality**

The CIGIE IG Guide defines quality in agency DATA Act submissions as data that is complete, accurate, and reported on a timely basis. According to the guide, these attributes are measured<sup>21</sup> as follows:

- Completeness is measured as the percent of required data elements reported in the appropriate file.
- Accuracy is measured as the percent of properly reported data elements that match to source documentation such as contracts and grants.
- Timeliness is measured as the percent of required data elements reported in accordance with the reporting schedules defined by the financial, procurement, and financial assistance requirements.

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<sup>19</sup> The *Federal Funding Accountability and Transparency Act of 2006* requires agencies to report financial assistance awards within 30 days of award date. We determined \$816 million of the \$2.3 billion was awarded prior to November 23, 2018. Therefore, DHS should have reported these awards prior to the government shutdown beginning on December 22, 2018.

<sup>20</sup> Refer to OIG recommendation 2 and DHS' response starting on page 19 for more information.

<sup>21</sup> According to the CIGIE IG Guide, optional elements are considered not applicable for testing purposes if agencies do not report them. However, if agencies do report optional elements, the agency's OIG will test the completeness, accuracy, and timeliness of these elements.



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The DATA Act requires the OIG of each Federal agency to review a statistically valid sample of the agency’s spending data. The CIGIE IG Guide states that the attribute (i.e., completeness, accuracy, or timeliness) with the highest projected error rate in the sample determines the overall data quality of the agency’s DATA Act submissions. For example, if the attribute with the highest error rate in the sample is 20 percent or less, overall data quality for the sample is high. Table 3 provides the criteria for determining whether data quality level is high, moderate, or low based on the highest error rate.

**Table 3. Determination of Sample Data Quality**

Error Rate	Quality Level
0% – 20%	High
21% – 40%	Moderate
41% and above	Low

Source: CIGIE IG Guide

Using the CIGIE IG Guide, we found the quality of DHS’ spending data was moderate for a statistically valid sample of 375 procurement and financial assistance awards. Specifically, the data was complete and accurate, but not timely. The overall data quality was moderate because the timeliness attribute had the highest projected error rate in the total sample, and the error rate was between 21 and 40 percent. A breakdown of the projected error rates by attribute and the overall quality determination for each award type is provided in table 4.

**Table 4. Projected Error Rates and Data Quality Determination**

Attribute	Procurement (184 Records)	Financial Assistance (191 Records)	Total Sample (375 Records)
Completeness	0.68%	10.06%	5.46%
Accuracy	<b>6.58%</b>	26.02%	16.48%
Timeliness	6.53%	<b>67.19%</b>	<b>37.43%</b>
<b>Quality</b>	<b>High</b>	<b>Low</b>	<b>Moderate</b>

Source: DHS OIG analysis of agency records





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### **Procurement Data Elements Were High Quality**

As shown in table 4, sampled data elements for procurement awards were high quality for completeness, accuracy, and timeliness because DHS had sufficient policies, procedures, and internal controls to assess the quality of the data entered into FPDS-NG. For example, pursuant to OMB policy<sup>22</sup> DHS conducts annual verification and validation reviews to ensure procurement award records are reported accurately and timely in FPDS-NG. Also, the DHS Office of the Chief Procurement Officer holds monthly meetings with component FPDS-NG experts to provide lessons learned and training. Based on the results of the Department's FPDS-NG review completed for FY 2018, the DHS Chief Procurement Officer certified to OMB that its overall error rates for accuracy and timeliness were 3.1 percent and 5.1 percent, respectively. The Department's FY 2018 results were generally consistent<sup>23</sup> with our audit results for DHS' FY 2019/Q1 DATA Act submission.

### **Financial Assistance Data Elements Were Low Quality**

Sampled data elements for financial assistance awards, as shown in table 4, were low quality because FEMA did not report 67 percent of its award elements to FABS within 30 days<sup>24</sup> of the award date as required. Specifically, system limitations adversely affected the timeliness of reporting for awards associated with FEMA's National Flood Insurance Program (NFIP), and a systems integration issue created delays in reporting on FEMA's grant awards. These were the two most systemic, material issues impacting the timeliness of financial assistance reporting for DHS.

#### *FEMA's Legacy NFIP System Had Significant Capability Gaps*

FEMA's legacy system for managing daily NFIP business operations had significant capability gaps and no longer met the program's existing needs. Examples of these gaps included, but were not limited to, the following:

- Processing NFIP award data could take up to 60 days because the legacy system lacked automation. FEMA receives NFIP data from numerous sources — insurance companies, vendors, and agents — comprising thousands of transactions including policy issuances, endorsements, and claims. FEMA had to manually export the data for further analysis.

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<sup>22</sup> OMB Office of Federal Procurement Policy Memorandum, *Improving Acquisition Data Quality for Fiscal Years 2009 and 2010*, October 7, 2009

<sup>23</sup> Consistent with OMB policy, DHS reviews the accuracy of 25 data elements for statistically sampled procurement records as part of its annual verification and validation reviews. The CIGIE IG Guide requires OIG to review 15 of these 25 elements for DATA Act testing purposes.

<sup>24</sup> We did not include the 35 days associated with the government shutdown in assessing timeliness of the sampled financial assistance records.



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- The legacy system improperly aggregated NFIP awards for organizations and individuals. According to Treasury DAIMS guidance, aggregate records should only be used to avoid reporting a recipient's personally-identifiable information when the award is made to an individual. Awards to organizations should be fully reported in a non-aggregate form.
- The legacy system did not allow stakeholders to upload and attach key documents to a specific insurance policy or claim. FEMA received documents through the mail or by email, and then uploaded them to a SharePoint site for manual review. Communications were not tracked to a unique policy or claim, resulting in an inefficient process.

The DHS SAO assurance statement disclosed that FEMA's NFIP award data reported for FY 2019/Q1 — \$990 million — exceeded the 30-day timeliness standard. Also, FEMA could not provide source documentation for the 32 NFIP awards in our audit sample. Without source documentation, we were unable to validate the accuracy of the award dates, and we could not verify that these aggregate records complied with the Treasury DAIMS guidance. Therefore, we concluded the applicable elements were incomplete, inaccurate, and untimely.

At the time of our audit in February 2020, FEMA was in the process of implementing a new system to replace its legacy NFIP system and address these system limitations. Key requirements for the new system include processing millions of NFIP transactions on a real-time basis, automating standard business processes, providing interfaces with key FEMA and NFIP systems to create financial reports, and being DATA Act compliant. The target date for testing the timeliness of the NFIP award data under the new system is FY 2020/Q3.

#### *Systems Integration Issue Impacted FEMA's Grant Reporting*

While researching misalignments as part of DHS' quarterly CAP process, FEMA discovered a systems integration issue that prevented the transfer of grant award data from the financial system to the grant management system. Specifically, the grant management system did not transfer and report data on awards occurring on the 1st and 16th of the month. Although the CAP process enabled FEMA to identify and correct more than \$500 million in misalignments prior to the FY 2019/Q1 certification deadline, this issue still prevented FEMA from reporting the grant awards to FABS within 30 days of award date as required. Additionally, FEMA did not identify the systemic nature or the root cause of the systems integration issue until FY 2019/Q4.

DATA Act submissions of moderate quality can lead users to inadvertently draw inaccurate information or conclusions from the data provided. Although



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DHS mitigates this risk through its CAP and discloses known timeliness issues in its SAO assurance statement on USAspending.gov, more needs to be done to address these recurring challenges.<sup>25</sup>

### **DHS Implemented and Used Government-wide Data Standards But Could Improve Reporting on Certain Data Elements**

In May 2015, OMB and Treasury published<sup>26</sup> 57 data standards (commonly referred to as data elements) and required Federal agencies to report financial data in accordance with them to fulfill DATA Act requirements. Treasury used these standards to develop the DAIMS, which provides technical guidance about what data to report in DATA Act files, including the authoritative sources and the submission format for the data elements. The standards are intended to help taxpayers and policy makers understand how Federal agencies spend taxpayer dollars and improve agencies' spending oversight and decision making.

To assess DHS' implementation and use of the government-wide financial data standards, we reviewed the Department's FY 2019/Q1 DATA Act submission to ensure all required elements were included and conformed with established standards. We found that DHS generally implemented and consistently used the data standards, but could improve its reporting for certain data elements to make information on Federal spending more transparent to the public. For instance, as discussed previously, DHS improperly assigned unknown program activity codes and improperly aggregated awards for organizations.

Additionally, we identified data elements that had error rates greater than 20 percent. Although the inaccuracies in these data elements did not materially impact the overall projected rate of sample accuracy, they represented inconsistencies in the implementation and use of the standards. Data elements that did not consistently comply with the standards included:

- **Award Description.** Agencies are required to report a brief description of the award purpose using plain English. However, DHS used shorthand, acronyms, or terminology that could only be understood by officials who made the award. Also, DHS described reasons for award modifications (e.g., "deobligate excess funds and closeout") rather than the goods or services being procured. DHS officials believed the intent of this element was to inform the public of changes made rather than the original purposes of the awards themselves.

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<sup>25</sup> Refer to OIG recommendation 3 and DHS' response starting on page 19 for more information.

<sup>26</sup> The 57 data standards established by OMB and Treasury pursuant to the DATA Act can be found at <https://portal.max.gov/portal/assets/public/offm/DataStandardsFinal.htm>.



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- Place of Performance. Agencies are required to report the location where the work under contract award predominantly will be accomplished. For goods, this location is generally the principal plant or place of business where the items will be produced or supplied from stock. For services, this location is where the services will be performed. However, contracting personnel did not accurately report the location of award performance because they did not clearly understand the data definitions.
- Unique Record Identifier. Agencies must not report the unique record identifier in lieu of the award modification number. Due to the cost to modify its legacy system to report modification numbers, FEMA used unique identifiers to link award records to comply with FABS validation rules. According to Treasury, this type of misuse hinders the public's understanding of the data, and makes it difficult for Treasury to display data consistently on USAspending.gov.
- Awardee or Recipient Legal Entity. Agencies must ensure the official entity information — legal business name and physical address — reported to USAspending.gov for financial assistance is identical to the System for Award Management at the time of award. Due to field limitations in FEMA's financial system, these data elements were often truncated or combined across several fields. For instance, the address sometimes contained part of the legal entity name. FEMA also misreported the mailing address as the physical address. DHS officials did not view these as pervasive issues requiring corrective action.

Inconsistencies in the implementation and use of the established standards undermines the DATA Act reporting objective of providing the public with quality and transparent data on USAspending.gov.<sup>27</sup>

### **DHS Developed a Plan to Manage Risks to Data Quality**

OMB policy<sup>28</sup> requires each agency to develop and maintain a DQP that achieves DATA Act objectives. The DQP must identify risks to data quality in Federal spending data while leveraging existing processes, and implement a control structure to manage such risks in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The DQP should address organizational processes that provide internal controls for spending reporting, a plan for testing high-risk reported data, and actions taken to manage identified risks. The agency must review and assess its DQP

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<sup>27</sup> Refer to OIG recommendation 4 and DHS' response starting on page 20 for more information.

<sup>28</sup> OMB Memorandum M-18-16





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annually for 3 years, or until it determines sufficient controls are in place to achieve the reporting objective.

DHS finalized the first version of its DQP on March 15, 2019. Our analysis showed the DQP complied with OMB Circular A-123 by documenting internal control processes relevant to DATA Act reporting. The DQP identifies roles and responsibilities of stakeholders involved in the data flow process, the governance structure, and the necessary steps to report complete, accurate, and timely data. Also, the DQP includes procedures to assess and identify high-risk spending data, including a plan for testing the completeness, accuracy, and timeliness of the high-risk data elements identified.

Although DHS' Risk Management and Assurance Division completed its risk assessment to identify high-risk data elements, components did not complete testing prior to the Department's FY 2019/Q1 DATA Act submission. At the time of our audit in April 2019, components were testing the high-risk data elements. Upon completing this testing, DHS should update its DQP accordingly to ensure improvements are implemented. In addition, DHS should update the DQP as needed to address our audit findings and recommendations.

It is important to note that DHS had processes and controls in place prior to the OMB DQP requirement, and it leveraged those controls to improve the quality of its data. These controls included annual reviews of procurement data by the Office of the Chief Procurement Officer, validation assessments of financial assistance data by the Financial Assistance Policy and Oversight Division, and quarterly CAP reviews of DATA Act submissions by the Office of the Chief Financial Officer. As the DQP matures, DHS should identify and eliminate duplicative and unnecessary processes that do not address risks.

Successful implementation of the DQP should provide a comprehensive list of controls that all Department levels can implement to manage risks to the quality of Federal spending data and achieve DATA Act compliance.<sup>29</sup>

### **Conclusion**

To enable more effective tracking of Federal spending, DHS must continue to take action to accurately align its budgetary data with the President's budget, reduce award misalignments across DATA Act files, improve the timeliness of financial assistance reporting, implement and use government-wide data standards, and update its DQP to address risks to data quality. Without these actions, DHS will continue to experience challenges in meeting its goal of achieving the highest possible data quality for submission to USAspending.gov.

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<sup>29</sup> Refer to OIG recommendation 5 and DHS' response starting on page 20 for more information.



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### Recommendations

**Recommendation 1:** We recommend the Chief Financial Officer improve the alignment of DHS' budgetary data with the authoritative sources that the Treasury Broker uses for DATA Act validation by:

- updating the Department's program activity data in the OMB's MAX Collect list to align \$3.4 billion in award obligations from DHS' FY 2019/Q1 submission with the President's budget;
- issuing guidance clarifying that DHS components should only use program activity code "0000" and program activity name "Unknown/Other" when there are no obligations reported in the appropriation account; and
- developing a solution to ensure DHS components maintain awareness of and comply with any changes the Office of Management and Budget makes to the reporting deadline for the quarterly MAX Collect exercise.

**Recommendation 2:** We recommend the Chief Financial Officer strengthen the internal controls within DHS' quarterly corrective action plan process by:

- requiring DHS components to research and correct, as needed, matching award identification numbers with non-matching obligation amounts;
- requiring DHS components to identify root causes for misalignments so the specific reasons for timing issues and the corrective actions needed to address them are clearly understood;
- requiring DHS components to submit corrective action plans addressing misalignments on a monthly basis rather than once a quarter; and
- developing an effective solution to continuously track misalignments from month to month until corrective actions are completed.

**Recommendation 3:** We recommend the Chief Financial Officer improve the quality of the financial assistance award information reported in DHS' DATA Act submissions for publication on USAspending.gov by:

- implementing and testing the new system for managing and reporting National Flood Insurance Program (NFIP) awards until it addresses the limitations of the legacy system and becomes DATA Act compliant;



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- developing standard operating procedures to document aggregation procedures for NFIP awards, including controls to ensure that awards to organizations are not aggregated with individuals, and data elements for aggregate awards are traceable to source documentation; and
- correcting the root cause associated with the systems integration issue that resulted in more than \$500 million in grant award misalignments within the Department's FY 2019/Q1 DATA Act submission.

**Recommendation 4:** We recommend the Chief Financial Officer develop and apply effective solutions to improve the implementation and use of the government-wide financial data standards for data elements associated with the award description, place of performance, unique record identifier, legal entity information, program activity data, and financial assistance aggregate reporting.

**Recommendation 5:** We recommend the Chief Financial Officer strengthen the DHS Data Quality Plan to achieve the DATA Act reporting objective by:

- completing testing of high-risk elements identified by the Risk Management and Assurance Division, and updating the control structure in the Data Quality Plan as necessary based on the test results; and
- updating internal controls in the Data Quality Plan to address the audit findings and recommendations in this report.

### DHS Response and OIG Analysis

DHS concurred with all five recommendations. Appendix B contains a copy of the Department's response in its entirety. We also received technical comments and incorporated changes to the report where appropriate. A summary of the Department's responses to the recommendations and our analysis follows.

**DHS Response to Recommendation 1:** Concur. According to DHS, the Department's data submitted in DATA Act File B (object class and program activity obligations and outlays) was complete and accurate for the first quarter of FY 2019. In addition, by July 31, 2019, the Department corrected the specific issues amounting to \$3.4 billion we noted in the OMB MAX validation table. The DHS Office of the Chief Financial Officer's RMT Division will enhance instructions to components' budget units for verification and validation of the OMB MAX program activity table and crosswalk, which is used to derive OMB program activity data for the required DATA Act files.



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However, the Department noted that circumstances not accounted for in the DAIMS guidance constrained DHS reporting related to: 1) accounts with less than \$500,000 in obligations, 2) programs not reportable to the President's Budget, and 3) expired accounts. Specifically, none of these scenarios have an established government-wide program activity mapping definition of current program activity. Consequently, using program activity code "0000" and name "Unknown/Other" is the only way DHS or any other department or agency can complete its submission when these scenarios arise. Furthermore, for DATA Act reportable obligations that are not reportable to the President's Budget and other described scenarios, the DHS Office of the Chief Financial Officer staff will work with OMB examiners, as appropriate, to identify a satisfactory substitute code. The estimated completion date is September 30, 2020.

**OIG Analysis:** The Department's corrective action is responsive to the recommendation. The recommendation will remain open and resolved until the Department provides evidence to support that corrective actions are completed.

**DHS Response to Recommendation 2:** Concur. According to the Department, on January 31, 2020, the DHS Data Act Team implemented an enhanced Component Corrective Action Plan process, documented in the *DHS DATA Act File C: Component Guidebook* and *DHS DATA Act Data Quality Report Production Guide*, that: 1) addresses researching and correcting matching award identification numbers with non-matching obligation amounts, 2) identifies the root causes of timing issue misalignments, and 3) continuously tracks misalignments until corrective actions are completed. As part of this process, the DHS Office of the Chief Financial Officer's RMT personnel identify non-matching awards and monitor component progress in addressing the root causes of misalignments on a monthly basis. DHS stated that it will provide the OIG copies of corroborating documentation supporting completion of the aforementioned actions under separate cover. DHS requested that we consider this recommendation resolved and closed, as implemented.

**OIG Analysis:** The Department's corrective action is responsive to the recommendation. The recommendation will remain open and resolved until the Department provides evidence to support that corrective actions are completed.

**DHS Response to Recommendation 3:** Concur. The FEMA Headquarters' DATA Act team will test the new NFIP system's ability to: 1) provide files compliant with the DATA Act, and 2) review implementation of and update the existing *FEMA DATA Act Validation Process* and supplemental *File C SOPs* to ensure the procedures allow traceability to source documentation, as appropriate. The estimated completion date is December 31, 2020.



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**OIG Analysis:** The Department's corrective action is partially responsive to the recommendation. Specifically, DHS' response did not address correcting the root cause associated with the systems integration issue, which resulted in more than \$500 million in grant award misalignments within the Department's FY 2019/Q1 DATA Act submission. The recommendation will remain open and unresolved until the Department provides evidence to support that corrective actions are completed.

**DHS Response to Recommendation 4:** Concur. DHS reported it is committed to providing high quality and transparent data to the public to facilitate more effective tracking of its spending. According to the Department, the DHS Office of the Chief Financial Officer and others are already taking actions to enhance implementation and use of government-wide financial data standards we recommended for selected data elements as described below:

- Award Description. The award descriptions for both the base contract award and the modifications are complete and accurate and meet OMB and Treasury Department requirements for information posted publicly. For example, the award description data element on USAspending.gov clearly states the base award describes what is being purchased, and the modifications describe what is being altered. However, the DAIMS definition for award description should be clarified to include the requirements for base contract award and modifications. The DHS Office of the Chief Procurement Officer is working with the Government-wide Leveraging Data Strategic Asset-Policy Working Group to recommend a change to the DAIMS definition for this data element. This change is not for the general public or the agencies, but to clarify for the audit community what is required to be entered in this field for different contract actions. The estimated completion date is October 30, 2020.
- Place of Performance. The DAIMS definition of place of performance is not clear or complete, as discussed in the Government Accountability Office report, *DATA ACT: Quality of Data Submissions Has Improved but Further Action Is Needed to Disclose Known Data Limitations* (GAO-20-75, November 8, 2019). The Government Accountability Office recommended that OMB and Treasury provide a clear definition of this data element to help agencies improve their data quality. As a follow-up to the Government Accountability Office recommendation, the DHS Office of the Chief Procurement Officer and Office of the Chief Financial Officer's Financial Assistance and Policy Oversight Division will recommend that the Government-wide Leveraging Data Strategic Asset-Policy Working Group change the DAIMS definition for this data element. The estimated completion date is October 30, 2020.





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- Unique Record Identifier. According to the DAIMS “Practices and Procedures” in FY 2019 first quarter, for each unique financial assistance transaction, the Federal award identification number, unique record identifier, or a combination of these two elements from File C should match the information in File D2 or the Broker will generate a warning. Although this is not a best practice, it is permitted by the Treasury “Practices and Procedures” description, validation rules, and specifications listing modification numbers as optional. Personnel from the DHS Office of the Chief Financial Officer’s Financial Assistance and Policy Oversight Division are working with FEMA’s Headquarters DATA Act team to provide modification numbers on File D2 (financial assistance data), in addition to the unique record identifier. The estimated completion date is December 31, 2020.
- Legal Entity Information. The DHS Office of the Chief Financial Officer’s Financial Assistance and Policy Oversight Division is working with the FEMA Headquarters DATA Act team to identify the root cause of the abbreviation, truncations, and concatenation issues in legal entity fields. The Department stated that the Financial Assistance and Policy Oversight Division will provide interim milestones under separate cover. The estimated completion date is March 31, 2023.
- Program Activity Data. The DHS Office of the Chief Financial Officer’s RMT Division and the components’ budget divisions completed corrections on July 31, 2019, for specific issues identified in the draft report totaling \$3.4 billion. Specifically, RMT addressed the major issues disclosed to the DATA Act Senior Accountable Official using procedures documented in the Department’s *DATA Act Data Quality Report Production Guide*. An ongoing reconciliation process is being performed quarterly between the RMT Division and the components’ budget divisions to fully align OMB’s MAX program activity table with DATA Act File B (object class and program activity obligations and outlays). RMT will provide the OIG copies of corroborating documentation supporting completion of the aforementioned actions under separate cover.
- Financial Assistance Aggregate. FEMA’s Headquarters DATA Act team will develop procedures to ensure the new NFIP system aggregates to individuals when it is determined that individuals are the prime awardees. The estimated completion date is December 31, 2020.

**OIG Analysis:** Although the Department’s corrective action is responsive to the recommendation, a statement in the management response regarding the award description element is not consistent with our audit findings.



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Specifically, DHS stated that the award descriptions for both the base contract award and the modifications are accurate and meet OMB and Treasury requirements for information posted publicly. However, we concluded the award description element for the sampled procurement records had an accuracy error rate greater than 20 percent. DHS used shorthand, acronyms, or terminology that could only be understood by officials who made the award. Also, DHS described reasons for award modifications (e.g., “deobligate excess funds and closeout”) rather than the goods or services being procured. Our findings are consistent with the Government Accountability Office report, *DATA ACT: Quality of Data Submissions Has Improved but Further Action Is Needed to Disclose Known Data Limitations* (GAO-20-75, November 8, 2019). The recommendation will remain open and resolved until the Department provides evidence to support that corrective actions are completed.

**DHS Response to Recommendation 5:** Concur. According to the Department, on September 30, 2019, DHS components completed testing of high-risk elements identified by the DHS Office of the Chief Financial Officer’s Risk Management and Assurance Division for FY 2019, and will continue this testing on an annual basis, as appropriate. Based on these test results, the DHS Headquarters DATA Act team will update the control structure of the Data Quality Plan to address the audit findings and recommendations in this draft report. The estimated completion date is March 31, 2021.

**OIG Analysis:** The Department’s corrective actions are responsive to the recommendation. The recommendation will remain open and resolved until the Department provides evidence to support that the corrective actions are completed.



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### **Appendix A**

### **Objectives, Scope, and Methodology**

Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

The objectives of this audit were to assess the completeness, accuracy, timeliness, and quality of DHS' FY 2019/Q1 spending data submitted for publication on USAspending.gov, and DHS' implementation and use of the government-wide financial data standards.

To answer our objectives we:

- adopted the common methodology from CIGIE, Federal Audit Executive Council's *Inspectors General Guide to Compliance under the DATA Act*;
- reviewed guidance issued by OMB, Treasury, and DHS to understand any regulatory criteria related to DHS' responsibilities for reporting budgetary and award data under the DATA Act;
- interviewed officials from the DHS Office of the Chief Financial Officer's Resource Management Transformation, Risk Management and Assurance, and Financial Assistance Policy and Oversight Divisions, as well as the DHS Office of the Chief Procurement Officer's Acquisition Policy and Legislation Branch to gain an understanding of DHS' implementation of the DATA Act and assess its DATA Act controls in place during FY 2019/Q1;
- conducted site visits to interview the responsible personnel and test the internal controls for DATA Act implementation at nine DHS components including FEMA, United States Coast Guard, U.S. Customs and Border Protection, Cybersecurity and Infrastructure Security Agency, Federal Law Enforcement Training Centers, U.S. Citizenship and Immigration Services, Transportation Security Administration, U.S. Immigration and Customs Enforcement, and United States Secret Service;
- reviewed and accessed KPMG's FY 2018 opinion on DHS' internal controls over agency source systems;



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- selected a statistically valid sample<sup>30</sup> of 375 procurement and financial assistance award records from DHS' FY 2019/Q1 Files D1 and D2, certified and submitted for publication on USAspending.gov; and
- obtained, reviewed, and tested documentation supporting the 375 sampled records to assess (1) completeness, accuracy, timeliness, and quality of the spending data, and (2) DHS' implementation and use of government-wide financial data standards.

Regarding DHS' internal controls, we limited the scope of our fieldwork to assessing the departmental and component-level controls supporting DHS' DATA Act submission to Treasury for FY 2019/Q1. Specifically, we assessed the design, implementation, and operating effectiveness of the controls in place at both levels to extract, validate, and transmit the required spending data to achieve the intended outcomes of each objective. We also assessed the development and implementation of DHS' data quality plan to identify and manage risks to data quality in Federal spending data.

Based on an independent adverse opinion on DHS' internal controls over its FY 2018 financial reporting, our professional judgment was that the internal control environment has not materially changed. As a result, we did not assess the internal controls over DHS' or components' financial reporting, including those over the information systems from which the required spending data was derived.

We conducted this performance audit between March 2019 and April 2020 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

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<sup>30</sup> Based on the CIGIE IG Guide, we selected a statistically valid sample using a confidence level of 95 percent, expected error rate of 50 percent, and a sample precision of 5 percent.



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**Appendix B**  
**DHS Response to the Draft Report**

U.S. Department of Homeland Security  
Washington, DC 20528



**Homeland  
Security**

August 3, 2020

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.  
Inspector General

FROM: Jim H. Crumacker, CIA, CFE  
Director  
Departmental GAO-OIG Liaison Office

SUBJECT: Management Response to Draft Report: "DHS Has Made  
Progress in Meeting DATA Act Requirements, But Challenges  
Remain" (Project No. 19-022-AUD-CFO)

JIM H  
CRUMPACKER  
Digitally signed by  
JIM H CRUMPACKER  
Date: 2020.08.03  
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Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS or the Department) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

The Department is pleased with OIG's positive recognition of DHS's continued progress in meeting its Digital Accountability and Transparency Act of 2014 (DATA Act) reporting requirements, including reducing misalignments in procurement and financial assistance award data. The OIG also recognized the Department's high-quality ratings in completeness, accuracy, and timely procurement data. DHS remains committed to providing high quality and transparent data to the public to facilitate more effective tracking of its spending.

The draft report contained five recommendations, with which the Department concurs. Attached find our detailed response to each recommendation. DHS previously submitted technical comments under a separate cover for OIG's consideration.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Attachment





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### Attachment: Management Response to Recommendations Contained in 19-022-AUD-CFO

OIG recommended that the Chief Financial Officer:

**Recommendation 1:** Improve the alignment of DHS' budgetary data with the authoritative sources that the Treasury Broker uses for DATA Act validation by:

- updating the Department's program activity data in the [Office of Management and Budget] OMB's MAX Collect list to align \$3.4 billion in award obligations from DHS' FY 2019/Q1 submission with the President's budget;
- issuing guidance clarifying that DHS components should only use program activity code "0000" and program activity name "Unknown/Other" when there are no obligations reported in the appropriation account; and
- developing a solution to ensure DHS components maintain awareness of and comply with any changes the OMB makes to the reporting deadline for the quarterly MAX Collect exercise.

**Response:** Concur. The Department's data submitted in DATA Act File B (object class and program activity obligations and outlays) was complete and accurate for the first quarter of Fiscal Year (FY) 2019. In addition, the Department corrected the specific issues amounting to \$3.4 billion noted by the OIG by July 31, 2019, in the OMB MAX validation table. The DHS Office of the Chief Financial Officer's (OCFO) Resource Management Transformation Division (RMT) will enhance instructions to Components' budget units for verification and validation of the OMB MAX Program Activity (PA) table and crosswalk, which is used to derive OMB PAs for the required DATA Act files.

It is important to note, however, that circumstances not accounted for in the DATA Act Information Model Schema (DAIMS) guidance constrained DHS reporting related to: 1) accounts with under \$500,000 in obligations; 2) programs not reportable to the President's Budget; and 3) expired accounts. Specifically, none of these scenarios have an established government-wide program activity mapping definition of current program activity. Consequently, using code "0000" and PA name "Unknown/Other" is the only way DHS or any other department or agency can complete a submission when these scenarios arise. Furthermore, for DATA Act reportable obligations that are not reportable to the President's Budget and other described scenarios, DHS OCFO staff will work with OMB examiners, as appropriate, to identify a satisfactory substitute code. Estimated Completion Date (ECD): September 30, 2020.

**Recommendation 2:** Strengthen the internal controls within DHS' quarterly corrective action plan process by:



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- requiring DHS components to research and correct, as needed, matching award identification numbers with non-matching obligation amounts;
- requiring DHS components to identify root causes for misalignments so the specific reasons for timing issues and the corrective actions needed to address them are clearly understood;
- requiring DHS components to submit corrective action plans addressing misalignments on a monthly basis rather than once a quarter; and
- developing an effective solution to continuously track misalignments from month to month until corrective actions are completed.

**Response:** Concur. On January 31, 2020, DHS's Data Act Team implemented an enhanced Component Corrective Action Plan (CAP) process, documented in the "DHS DATA Act File C: Component Guidebook" and "DHS DATA Act Data Quality Report Production Guide," that: 1) addresses researching and correcting matching award identification numbers with non-matching obligation amounts; 2) identifies the root causes of timing issue misalignments; and 3) continuously tracks misalignments until corrective actions are completed. As part of this process, DHS OCFO RMT personnel identify non-matching awards and monitor Component progress in addressing the root causes of misalignments on a monthly basis. DHS OCFO RMT will provide the OIG copies of corroborating documentation supporting the completion of the aforementioned actions under a separate cover.

We request that the OIG consider this recommendation resolved and closed, as implemented.

**Recommendation 3:** Improve the quality of the financial assistance award information reported in DHS' DATA Act submissions for publication on USA Spending.gov by:

- implementing and testing the new system for managing and reporting National Flood Insurance Program (NFIP) awards until it addresses the limitations of the legacy system and becomes DATA Act compliant;
- developing standard operating procedures [SOP] to document aggregation procedures for NFIP awards, including controls to ensure that awards to organizations are not aggregated with individuals, and data elements for aggregate awards are traceable to source documentation; and
- correcting the root cause associated with the systems integration issue that resulted in more than \$500 million in grant award misalignments within the Department's FY 2019/Q1 DATA Act submission.

**Response:** Concur. The Federal Emergency Management Agency (FEMA) Headquarters' (HQ) DATA Act team will test the new NFIP system's ability to: 1) provide files compliant with the DATA Act; and 2) review implementation of and update the existing "FEMA DATA Act Validation Process" and supplemental "File C" SOPs to





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ensure the procedures allow traceability to source documentation, as appropriate. ECD: December 31, 2020.

**Recommendation 4:** Develop and apply effective solutions to improve the implementation and use of the government-wide financial data standards for data elements associated with the award description, place of performance, unique record identifier [URI], legal entity information, program activity data, and financial assistance aggregate reporting.

**Response:** Concur. DHS is committed to providing high quality and transparent data to the public to facilitate more effective tracking of its spending. DHS OCFO and others are already taking actions to enhance implementation and use of government-wide financial data standards as the OIG recommends for selected data elements as described below:

- **Award Description:** The award descriptions for both the base contract award and for modifications are complete and accurate and meet the OMB and Treasury Department requirements for information posted publically. For example, the award description data element on the USASpending.gov website clearly states that the base award describes what is being purchased, and that the modification descriptions describe what the modification is altering. However, the DAIMS definition for award description should be clarified to include the requirements for base contract award and modifications. DHS OCFO is working with the Government-wide Leveraging Data Strategic Asset-Policy Working Group (LDASA-PWG) to recommend a change to the DAIMS definition for this data element; not for the general public or the agencies, but to clarify for the audit community what is required to be entered in this field for different contract actions. ECD: October 30, 2020.
- **Place of Performance.** The DAIMS definition of place of performance is not clear or complete, as discussed in the Government Accountability Office report entitled “DATA ACT: Quality of Data Submissions Has Improved but Further Action Is Needed to Disclose Known Data Limitations” (GAO-20-75, dated November 8, 2019). GAO recommended that OMB and Treasury provide a clear definition of this data element to help agencies improve their data quality. As a follow-up to GAO’s recommendation, DHS OCFO and OCFO’s Financial Assistance and Policy Oversight Division (FAPO) will recommend that the LDASA-PWG change the DAIMS definition for this data element. ECD: October 30, 2020.
- **URI.** According to DAIMS in FY 2019 First Quarter, “Practices and Procedures,” Version 1.3.1, for each unique financial assistance transaction, the Federal Award Identification Number (FAIN), URI, or a combination of FAIN/URI from File C should match the information in D2 or a warning will trigger. Although this is not a best practice, it is permitted by the Treasury Practices and Procedures



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description, validation rules, and specifications listing modification numbers as optional. DHS OCFO FAPO personnel are working with FEMA's HQ DATA Act team to provide modification numbers on File D2 (financial assistance data), in addition to URI. ECD: December 31, 2020.

- Legal Entity Information. DHS OCFO FAPO is working with FEMA's HQ DATA Act team to identify root cause of the abbreviation, truncations, and concatenation issues in legal entity fields. DHS OCFO FAPO will provide interim milestones under a separate cover. ECD: March 31, 2023.
- Program Activity Data. DHS OCFO RMT and Components' Budget divisions completed corrections on July 31, 2019 for the specific issues identified in the draft report totaling \$3.4 billion. Specifically, they addressed the major issues disclosed to the DATA Act Senior Accountable Official using procedures documented in our "DATA Act Data Quality Report Production Guide." An on-going reconciliation process is being performed quarterly between OCFO's RMT and Component's Budget divisions to fully align the OMB's MAX PA table to DATA Act File B (object class and program activity obligations and outlays). OCFO RMT will provide the OIG copies of corroborating documentation supporting the completion of the aforementioned actions under a separate cover.
- Financial Assistance Aggregate. FEMA's HQ DATA Act team will develop procedures that ensure the new NFIP system aggregates individuals when it is determined that individuals are the prime awardee. ECD: December 31, 2020.

Overall ECD: March 31, 2023.

**Recommendation 5:** Strengthen the DHS Data Quality Plan to achieve the DATA Act reporting objective by:

- completing testing of high-risk elements identified by the Risk Management and Assurance [RM&A] division, and updating the control structure in the Data Quality Plan as necessary based on the test results; and
- updating internal controls in the Data Quality Plan to address the audit findings and recommendations in this report.

**Response:** Concur. On September 30, 2019, Component RM&A Divisions completed testing of high-risk elements identified by the DHS OCFO RM&A Division for FY 2019 and will continue this testing on an annual basis, as appropriate. Based on these test results, the DHS HQ DATA Act team will update the control structure of the Data Quality Plan to address the audit findings and recommendations in this draft report. ECD: March 31, 2021.



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**Appendix C**  
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