



DEPARTMENT OF HEALTH AND HUMAN SERVICES

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**OFFICE OF INSPECTOR GENERAL**

WASHINGTON, DC 20201

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November 6, 2017

**TO:** Eric D. Hargan  
Acting Secretary for Department of Health and Human Services

**FROM:** /Gloria L. Jarmon/  
Deputy Inspector General for Audit Services

**SUBJECT:** U.S. Department of Health and Human Services Met the Requirements of the Digital Accountability and Transparency Act of 2014, but Key Areas Require Improvement (A-17-17-02018)

This memorandum transmits the Ernst & Young (EY), LLP, final report on the results of the Department of Health and Human Services' (HHS's) compliance with the Digital Accountability and Transparency Act (DATA Act; P.L. No. 113-101). The DATA Act expands the reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 (P.L. No. 109-282). EY, under its contract with the HHS Office of Inspector General (OIG), audited the second quarter for fiscal year (FY) 2017 to determine HHS's compliance with the DATA Act and related guidance.

EY determined HHS met the requirements of the DATA Act, but areas for improvement remained. EY determined that HHS met the second quarter reporting deadline; the submitted data materially met the requirements for timeliness, accuracy, completeness and quality; HHS performed reconciliations of data not submitted in accordance with the DATA Act; and the differences were investigated, explanations provided, and corrective action plans developed to eliminate the cause of the differences.

EY identified areas that HHS should focus on improving. EY noted certain deficiencies related to the information technology environment associated with segregation of duties and access controls. EY also noted that HHS continued its ongoing data clean-up as part of its Office of Finance's data standardization efforts. In the absence of the Oracle patches to map data elements directly from feeder award systems to the Unified Financial Management System, the Healthcare Integrated General Ledger System, and the National Institutes of Health Business Systems, HHS developed an interim solution to meet the second quarter fiscal year 2017 DATA Act submission requirement. The solution relied on manual processes to collect data from multiple owners and systems. EY noted that HHS did not have formal documentation of the universe of its control procedures, including the requirements for reconciliations and validations, in place before providing the second quarter FY 2017 DATA Act submission.

We reviewed EY’s audit of HHS’s compliance with the DATA Act by:

- evaluating the independence, objectivity, and qualifications of EY auditors and specialists;
- reviewing the approach and planning of the audit;
- attending key meetings with auditors and CMS officials;
- monitoring the progress of the audit;
- examining audit documentation; and
- reviewing the auditors’ report

EY is responsible for the attached report and the conclusions expressed in the report. Our monitoring review of EY’s audit, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to express, and we do not express, an opinion on HHS’s compliance with the DATA Act. Our monitoring review disclosed no instances in which EY did not comply in all material respects with generally accepted government auditing standards.

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports to the OIG website. Accordingly, this report will be posted at <https://oig.hhs.gov>.

We have sent similar letters to the Honorable Ron Johnson; the Honorable Claire McCaskill; the Honorable Trey Gowdy; the Honorable Elijah E. Cummings; the Honorable Mike Enzi; the Honorable Bernie Sanders; the Honorable Diane Black; and the Honorable John Yarmuth.

Should you wish to discuss this letter, please contact Carrie A. Hug, Assistant Inspector General for Audit Services, at (202) 619-3972 or through e-mail at [Carrie.Hug@oig.hhs.gov](mailto:Carrie.Hug@oig.hhs.gov). Please refer to report number A-17-17-02018.

Attachment

cc:

Jennifer Moughalian  
Acting Assistant Secretary for Financial Resources  
and Acting Chief Financial Officer

Sheila Conley  
Deputy Assistant Secretary, Finance  
and Deputy Chief Financial Officer

U.S. Government Accountability Organization  
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## Report of Independent Auditors on HHS's Compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act)

The Secretary and the Inspector General of the U.S. Department of Health and Human Services

We have conducted a performance audit of the U.S. Department of Health and Human Services' (Department/HHS) compliance with the Digital Accountability and Transparency Act of 2014 (The DATA Act, P.L. No. 113-101) for the second quarter of fiscal year (FY) 2017. The DATA Act, requires that federal agencies report financial and payment data in accordance with data standards established by the Department of Treasury (Treasury) and the Office of Management and Budget (OMB).

We conducted this performance audit in accordance with 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To assess HHS's compliance, we performed specific procedures to address the objectives summarized in the 2017 Statement of Work Appendices J-I - DATA Act. The specific scope and methodology are summarized in Section II of this report.

In our opinion, HHS met the requirements of the DATA Act with key areas that require improvement. Our detailed findings and recommendations are documented in Section III of this report.

This report is intended solely for the information and use of HHS and the HHS Office of Inspector General, Office of Management and Budget, Congress, and the U.S. Government Accountability Office and is not intended to be and should not be used by anyone other than these specified parties.

November 6, 2017  
Tysons, Virginia

## **EXECUTIVE SUMMARY**

The Digital Accountability and Transparency Act of 2014 (DATA Act), in part, requires federal agencies to report financial and award data in accordance with the established Government-wide financial data standards. In May 2015, the Office of Management and Budget (OMB) and the Department of the Treasury (Treasury) published 57 data definition standards and required federal agencies to report financial data in accordance with these standards for DATA Act reporting, beginning January 2017. Once submitted, the data will be displayed on USASpending.gov for taxpayers and policymakers.

The Department of Health and Human Services (HHS) Office of Inspector General (OIG) engaged us to assist in its evaluation of HHS's second quarter for FY 2017, DATA Act submission to determine if its use of the 57 data standards comply with the DATA Act requirements, as well as to assess the timeliness, accuracy, completeness and quality of the data submitted. We conducted a performance audit to determine HHS compliance with DATA Act submission requirements when submitting its second quarter for FY 2017 financial and financial awards data.

We conducted a performance audit to determine HHS' compliance with the DATA Act as of the second quarter for FY 2017, in accordance with the related Council of the Inspectors General on Integrity and Efficiency (CIGIE) Federal Audit Executive Council (FAEC) DATA Act Working Groups', "Inspectors General Guide to Compliance under the DATA Act," as amended (CIGIE guide).

## **BACKGROUND**

On May 9, 2014, Congress enacted the DATA Act, which required federal agencies to report financial and payment data in accordance with data standards established by the Treasury and OMB. Beginning in 2014, OMB, working with the Treasury, developed guidance for each agency's submission of data to ensure consistency across the government. The primary objectives of the DATA Act included:

- Expanding the Federal Funding Accountability and Transparency Act of 2006 by disclosing direct federal agency expenditures and linking federal contract, loan and grant spending information to programs of federal agencies to enable taxpayers and policy makers to track federal spending more effectively
- Providing consistent, reliable and searchable Government-wide spending data that is displayed accurately for taxpayers and policymakers on the USASpending.gov website
- Analyzing federal spending data to proactively prevent waste, fraud, abuse and improper payments
- Simplifying reporting for entities receiving federal funds by streamlining reporting requirements and reducing compliance costs while improving transparency

- Improving the quality of data submitted to USASpending.gov by holding federal agencies accountable for the completeness and accuracy of the data submitted

Under the DATA Act, HHS is required to submit a series of files, including procurement and direct assistance activity to include 57 required data elements through a single Treasury system. The table below provides information on the files containing the financial and payments information that will be submitted to the Treasury Broker or pulled from Government-wide intermediary systems:

<b>Table: Submission data by file</b>			
<b>File name</b>	<b>File contents</b>	<b>File description</b>	<b>Source</b>
File A	Appropriations account	Reporting at the Treasury Account Symbol (TAS) level, including Budget Authority Appropriated, Unobligated Balance and Other Budgetary Resources. Data requirements are similar to what is reported in GTAS and published in the SF-133.	Submitted to Broker by HHS  <u>Primary Source:</u> Consolidated Financial Reporting System (CFRS)
File B	Program activity and object class	Reporting of Obligations and Outlays at the TAS, Program Activity and Object Class level. Data requirements are similar to the Object Class and Program Activity reporting required in the 2015 release of OMB Circular A-11.	Submitted to Broker by HHS  <u>Primary Source:</u> CFRS
File C	Award-level financial	Reporting of Obligations and Outlays at the Award ID level, including TAS, Program Activity and Object Class. Data requirements do not align with any current Government-wide financial reporting.	Submitted to Broker by HHS  <u>Primary Source:</u> CFRS/ Financial Business Intelligence System (FBIS), UFMS, National Institutes of Health (NIH) Business System (NBS) and the Healthcare Integrated General Ledger System (HIGLAS)
File D <sub>1</sub>	Award and awardee	Reporting of procurement award actions and their associated data, which is an expansion of existing FFATA reporting requirements.	Pulled by Treasury from the Data Broker, following submission via

	attributes (procurement)		intermediary system Federal Procurement Data System (FPDS)
File D <sub>2</sub>	Award and awardee attributes (financial assistance)	Reporting of financial assistance award actions and their associated data, which is an expansion of existing FFATA reporting requirements.	Pulled by Treasury from the Data Broker, following submission via intermediary system Award Submission Portal (ASP)
File E	Additional awardee attributes	Reporting of detailed demographic information for award-level transactions from File C	Extracted by DATA Act Broker from the System for Award Management (SAM) on a quarterly basis.
File F	Sub-award attributes	Reporting of demographic information for award-level transactions from File C	Extracted by DATA Act Broker from the Federal Funding Accountability and Transparency Act Sub-award Reporting System (FSRS) on a quarterly basis.

In addition, the DATA Act requires that agency Inspector Generals (IGs) review a statistically valid sample of the spending data submitted by the agency and report on the timeliness, accuracy, completeness and quality of the data sampled and the implementation and use of the data standards by the agency. The Act further describes how each aspect will be measured as follows:

- Timeliness is measured as the percentage of transactions reported within 30 days of quarter end.
- Accuracy is measured as the percentage of transactions that are complete and agree with the systems of record or other authoritative sources.
- Completeness is measured in two ways: (1) all transactions and events that should have been recorded are recorded in the proper reporting period and (2) as the percentage of transactions containing all data elements required by the DATA Act.
- Quality is defined as a combination of utility, objectivity and integrity. Utility refers to the usefulness of the information to the intended users. Objectivity refers to whether the disseminated information is being presented in an accurate, clear, complete and

unbiased manner. Integrity refers to the protection of information from unauthorized access or revision.

## **What we found**

Compared to our performance audit report, dated November 2, 2016, related to our findings and recommendations for HHS' DATA Act implementation, HHS has made significant progress during FY 2017 in implementing processes and building an infrastructure for submitting its data under the DATA Act requirements. Examples of activities HHS performed to meet the requirements include the following:

- Met the second quarter for FY 2017 DATA Act reporting deadline of May 9, 2017
- Submitted data that materially met the requirements for timeliness, accuracy completeness and quality
- Submitted data in which the totals of Files A and B agree
- Submitted data in which File C reflects and links to reportable award-level transactions via an award identification number (Award ID)
- Submitted data in which Files D1 through F materially link to File C, and contain demographic information for reportable award-level transactions reported in File C
- Reconciled amounts generated from HHS' financial systems to the data files transmitted to Treasury, including intra-governmental transfers (IGT), to develop a basis that the files were properly quantified and complete

As a result of our audit, we identified the following results:

- We audited 385 statistically selected samples and found that the transactions were properly supported, accurate and complete without exception.
- We audited the various reconciliations performed by HHS to support its second quarter FY 2017 DATA Act submission and found the reconciliations were performed with differences being researched and reconciled on a timely basis. Of the approximate \$333 billion in financial data subject to transmission, we noted that approximately \$1 billion was not submitted in accordance with the DATA Act; however, the difference was investigated and explanations were provided documenting the reason for omission. HHS management has developed a corrective action plan to eliminate the cause for these differences with the expectation that specific differences be remediated during FY 2018.
- We noted significant progress in the development and documentation of processes to support the second quarter of FY 2017 DATA Act submission as compared to our FY 2016 performance audit report, discussed above.

We noted certain deficiencies requiring continued focus, as follows:

- As of the second quarter of FY 2017, HHS had ongoing issues that impacted the quality of its DATA Act submission. For example:
  - HHS currently has certain deficiencies related to its information technology environment. Certain issues related to segregation of duties and access controls are impacting HHS' financial, procurement and grant processing systems.
  - HHS continues to pursue ongoing data clean-up as part of the Office of Finance's data standardization efforts. These efforts acknowledge that there is a need for HHS to consistently apply standardized object class codes in compliance with OMB A-11 and standardized United States Standard General Ledger account codes as outlined in the Treasury Financial Manual.
  - In the absence of the Oracle patches to map data elements directly from feeder award systems to the UFMS, HIGLAS and NBS financial system, HHS developed an interim solution to meet the second quarter fiscal year 2017 DATA Act submission. The interim solution heavily relies on manual processes to collect data from multiple owners and systems. This creates an opportunity for data quality to be compromised.
- As of the second quarter of FY 2017, HHS had the following issues related to the internal control over its DATA Act submission.
  - Although documentation was completed by the third quarter of the FY 2017 DATA Act submission, HHS did not have formal documentation of the universe of internal control procedures, including reconciliations and validations, in place prior to submitting the second quarter FY 2017 DATA Act submission.
  - Although significant progress has been made in coordination and communication protocols between HHS and its operating divisions (OpDivs), further emphasis is needed to ensure stakeholders have the necessary understanding of the DATA Act, related processes and its submission requirements. Furthermore, continued updates to DATA Act process narratives are required to ensure all stakeholders' DATA Act activities are included.

### **What we recommend**

As the largest grants-making agency in the United States, HHS undertook a massive, coordinated effort to timely submit its second quarter FY 2017 DATA Act submission. In preparation for the DATA Act, HHS applied Treasury and OMB's iterative guidance, associated the 57 data definitions with existing data through crosswalks and other identifying fields, extensively tested data throughout the various iterations of Treasury's DATA Act broker and developed an interim manual solution to produce files while proper testing and implementation of the Oracle Patch was

underway. For the submission, HHS collected and consolidated data across 11 OpDivs using disparate financial and award systems, performed many reconciliations and validations, and researched and explained variances in order to meet the DATA Act submission deadline.

As HHS continues to submit quarterly DATA Act files, it should consider the following to better align itself with the DATA Act requirements:

- HHS should continue to progress toward producing high-quality data through data clean-up efforts, remediation of deficiencies in financial, procurement and grant-related systems, and better automation of DATA Act data collection and submission processes.
- HHS should continue to refine and document the procedures it performs to submit the DATA Act data, especially as DATA Act requirements evolve. As part of this documentation, HHS should consider developing and documenting materiality thresholds for prioritizing the research of its reconciling items. In addition, HHS should consolidate formal documentation from each of the OpDivs and other stakeholders so that it has a solid understanding over what procedures are performed to capture and reconcile DATA Act data and include these processing activities in an agency-wide DATA Act process narrative.
- Furthermore, HHS should continue to improve its coordination and communication protocols with OpDivs and other stakeholders. It is important for HHS management to have a strong understanding of the DATA Act activities performed by the all parties so that there is consistent application of DATA Act procedures across the agency.

### **HHS management comments**

In its comments on our draft report, HHS generally concurred with the findings and emphasized its commitment to remediate focus areas to improve its process in meeting the DATA Act requirements. HHS's comments are included in Appendix A.

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**Appendix A – HHS MANAGEMENT COMMENTS**

## SECTION I — BACKGROUND

The Digital Accountability and Transparency Act of 2014 (DATA Act), in part, requires federal agencies to report financial and award data in accordance with the established Government-wide financial data standards. In May 2015, the Office of Management and Budget (OMB) and the Department of the Treasury (Treasury) published 57 data definition standards and required federal agencies to report financial data in accordance with these standards for DATA Act reporting, beginning January 2017. Once submitted, the data will be displayed on USASpending.gov for taxpayers and policymakers.

In addition, the DATA Act requires that agency Inspector Generals (IGs) review statistical samples of the data submitted by the respective agency under the DATA Act and report on the timeliness, accuracy, completeness and quality of the data sampled and the use of the data standards by the agency.

- Timeliness is measured as the percentage of transactions reported within 30 days of quarter end.
- Accuracy is measured as the percentage of transactions that are complete and agree with the systems of record or other authoritative sources.
- Completeness is measured in two ways: (1) all transactions and events that should have been recorded are recorded in the proper reporting period and (2) as the percentage of transactions containing all data elements required by the DATA Act.
- Quality is defined as a combination of utility, objectivity and integrity. Utility refers to the usefulness of the information to the intended users. Objectivity refers to whether the disseminated information is being presented in an accurate, clear, complete and unbiased manner. Integrity refers to the protection of information from unauthorized access or revision.

In consultation with GAO, as required by the DATA Act, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Federal Audit Executive Council (FAEC) DATA Act Working Group (Working Group) developed the “Inspectors General Guide to Compliance under the DATA Act” (CIGIE guide) to set a baseline framework for the required reviews performed by the IG community and to foster a common methodology for performing these mandates. Under the DATA Act, each IG is required to issue three reports on its agency’s data submission and compliance with the DATA Act. The CIGIE guide, as amended, was developed for the first required report due November 2017. Our performance audit was performed in accordance with the CIGIE guide.

## **SECTION II — PERFORMANCE AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

### **Performance audit objective**

HHS is a large, complex department and the DATA Act submission impacts all of its OpDivs and grant-making Staff Divisions (StaffDivs). The submission required tight coordination among the many stakeholders and the extensive input from subject-matter experts across Information Technology, Finance, Budget, Acquisitions and Grants Offices.

The objectives of this performance audit are to assess the (1) timeliness, accuracy, completeness and quality of the second quarter for fiscal year FY 2017 financial and award data submitted for publication on USASpending.gov and (2) Federal agency's implementation and use of the Government-wide financial data standards established by OMB and Treasury.

### **Scope**

The scope of this report encompasses the FY 2017 second quarter financial and award data for which HHS submitted for publication to the USASpending.gov website and any applicable procedures, certifications, documentation and controls to achieve this process.

### **Methodology**

In developing the methodology for this performance audit, we considered CIGIE's "Inspectors General Guide to Compliance Under the DATA Act", dated February 27, 2017, as amended, as well as the DATA Act guidance and standards established by Treasury and OMB and other relevant GAO guidance.

To accomplish the objectives of the performance audit, we:

- Obtained an understanding of any regulatory criteria related to its HHS's responsibilities to report financial and award data under the DATA Act
- Assessed HHS's systems, processes and internal controls in place over data management under the DATA Act
- Assessed the general and application controls pertaining to the financial management systems (e.g., grants, loans, procurement) from which the data elements were derived and linked
- Assessed HHS's internal controls in place over the financial and award data reported to USASpending.gov per OMB Circular A-123
- Reviewed a statistically valid sample of 385 items from the second quarter for FY 2017's financial and award data submitted by HHS for publication on USASpending.gov
- Assessed the timeliness, accuracy, completeness and quality of the financial and award data sampled

- Assessed HHS’s implementation and use of the 57 data definition standards established by OMB and Treasury

We conducted this performance audit in accordance with 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **SECTION III: SPECIFIC FINDINGS AND RECOMMENDATIONS**

#### **Finding #1 — HHS did not fully meet the DATA Act requirements for quality due to ongoing challenges with its IT systems, data cleanup efforts and heavy reliance on manual processes.**

As outlined in CIGIE guidance, we assessed the quality attributes of HHS’s DATA Act submission through consideration of the following: 1) HHS’s internal controls over its DATA Act submission, 2) HHS’s internal controls over its source systems, and 3) the results of testing 385 File C samples for timeliness, completeness, quality and accuracy. Based on these considerations, we determined that HHS did not fully meet the quality attributes for its second quarter for FY 2017 submission. We found that HHS has issues with its data quality reflected in ongoing HHS efforts to remediate deficiencies in IT systems, data clean-up efforts and heavy reliance on manual processes for its DATA Act submission.

#### **IT systems**

Although HHS has made significant improvements toward improving the controls within its supporting information technology (IT) infrastructure and financial systems, we have observed deficiencies related to access controls, configuration management and segregation of duties. With source data originated and processed in an ineffective IT environment, it is difficult for HHS to ensure that quality data is used for its DATA Act submissions.

#### **Data cleanup**

HHS continues to have ongoing data cleanup efforts to improve its data integrity within the Department’s and its OPDIVs financial systems and related data. Specifically, impacting the DATA Act, HHS has an ongoing effort toward using standard object class codes, as defined in OMB A-11, “*Preparation, Submission, and Execution of the Budget.*” During our testing of 385 File C samples, we encountered the use of nonstandard object class codes in which the Department had to crosswalk nonstandard object class codes to standard OMB codes to develop a DATA Act submission that materially met the requirements. While HHS has made progress with cleaning its data and continues to consider this an important initiative, data cleanup was still in progress at the time of the second quarter for FY 2017 DATA Act file submission.

## **Manual processes**

During the implementation phase of the DATA Act, HHS made the decision to pursue an interim solution to meet DATA Act requirements when it became clear that the Department could not reasonably rely on having functional Oracle patches in place in UFMS, HIGLAS, and NBS to support the May 2017 reporting deadline. HHS's interim solution relied on multiple data owners and systems throughout the agency to manually create crosswalks and reports to match transactional and reference data. While the interim solution bridged the immediate technology gaps, it was heavily reliant on manual activities and extensive reconciliations and validations. We understand the massive efforts that HHS undertook to meet the deadline and the hours of testing that were required to ensure the data was complete, timely and accurate and that variances were explained, but this is resource intensive and may not be a sustainable solution. Additionally, it introduces the possibility of issues with data quality.

### ***Recommendation:***

In order to improve data quality related to HHS's DATA Act submission, we recommend that HHS continue to focus its efforts on resolving outstanding issues related to its IT system controls, completing data cleanup activities, and applying the Oracle patches. HHS has made significant improvements in maturing its IT systems security and control posture in the past few years, and there is a need for continued focus to resolve remaining deficiencies in its financial, grant and acquisition systems. With regards to data clean-up, we recommend that the Department standardize object class codes and United States Standard General Ledger (USSGL) accounts as part of the system requirements. Finally, we recommend that HHS continue to test Oracle patches in its IT systems and implement the patches to reduce reliance on manual processes.

### **Finding #2 — Emphasis is needed by HHS and key stakeholders to continue to enhance coordination and communication protocols to ensure a consistent understanding of the DATA Act, related processes and its submission requirements.**

In FY 2016, we were engaged to assess HHS's readiness toward DATA Act reporting. Our prior-year performance audit report identified insufficient coordination between various stakeholders within HHS around DATA Act reporting. Although progress has been made, we found, in FY 2017, HHS needed to continue to enhance its processes to improve coordination and training for its stakeholders at all levels within the organization. While HHS was able to perform a timely DATA Act submission, our audit observed occasions whereby an improved understanding of processes between certain OpDivs and the Department needed further communication or documentation to properly depict the process at a sufficiently low level. For example, although two OPDIVs prepared their own File C, the Department relied heavily on the OPDIVs representations that a comprehensive understanding of the OpDivs' file preparation steps and reconciliation procedures existed. Furthermore, we identified issues in which gaps in coordination with other stakeholders led to a lack of clarity on the steps taken to perform reconciliation procedures over award-level data. While there may have been a formal timeline in place for the OpDivs to provide input and feedback, the office responsible for certifying the data did not have insight into the preparations and systems used by the OpDivs to obtain this data.

***Recommendation:***

We recommend that the Department continue to engage with the OpDivs to obtain, train and document a better understanding of DATA Act file preparations, reconciliations and validation procedures to ensure consistency in DATA Act reporting.

**Finding #3 — As of the second quarter for FY 2017, HHS did not formally document its internal control for its HHS DATA Act submission.**

According to CIGIE’s “Inspectors General Guide to Compliance under the DATA Act,”

*“The engagement team should evaluate the design, implementation and operating effectiveness of the processes, systems, and controls that the agency has in place to extract financial and award data reported under the DATA Act for publication on USASpending.gov.”*

To accomplish this required evaluation, we reviewed HHS’s file submission documentation, performed inquiries of various process owners, and obtained evidence of file reconciliations and validations. While performing these procedures, we found that, as of the second quarter for FY 2017, the Department operated under an effective process but did not formally document its universe of internal control procedures performed over its second quarter DATA Act submission. Although the Department eventually prepared a draft document of its internal control procedures over DATA Act submissions, this document was not in place at the time of the second quarter submission.

***Recommendation:***

By the third quarter for FY 2017, HHS formally documented its internal control procedures over its DATA Act submissions in its draft DATA Act interim solution process narrative. This document was prepared to demonstrate that HHS understands the need for properly documenting DATA Act activities. However, we recommend that HHS continue to refine its approach and update its documentation and policies to support future submissions. Refinements may include documentation to support the performance of data validations and reconciliations of its award-level data in Files D1 and D2.

# APPENDIX A - Management Response



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary  
Washington, DC 20201

To: Daniel R. Levinson, Inspector General

From: Jen Moughalian, Acting Assistant Secretary for Financial Resources and Acting Chief Financial Officer

Subject: Second Quarter, FY 2017 Digital Accountability and Transparency Act of 2014 (DATA Act) Performance Audit

We appreciate the opportunity to comment on the Independent Auditors' Report concerning the performance audit of our second quarter FY 2017 DATA Act submission. We are pleased that the independent auditors found that HHS met the requirements of the DATA Act with key areas that require improvement. In response to their Audit Report, we generally concur with their findings and are prepared to develop corrective action plans to address those findings. HHS leadership is dedicated to effectively resolving our challenges.

To meet the reporting requirements of the DATA Act, HHS developed an interim solution that uses manual processes, extensive reconciliations and validations, and cross-Departmental communication and coordination. HHS's interim solution relied on multiple data owners and systems throughout the Department to manually create crosswalks and reports to match transactional and reference data. HHS understands that despite the fact that all 385 sample items were properly supported, accurate, and complete without exception, additional improvements to the interim solution can be implemented.

The Audit Report noted that approximately \$1 billion in financial data was not submitted in accordance with the DATA Act. As a reference point, HHS's second quarter FY 2017 submission totaled approximately \$333 billion in transactional activity and the omission represents less than one-third of one percent of this activity. Though materiality thresholds were not discussed in DATA Act guidance, HHS understands its responsibility to its stakeholders and has already researched this difference and developed a corrective action plan. This difference will be remediated during FY 2018. The difference relates to a specific business process where a manual crosswalk could not be developed within the time constraints of the DATA Act reporting window.

Other DATA Act findings and recommendations were expected for a 1<sup>st</sup> time audit. These findings include the need for more formal and complete documentation of the interim solution process as well as the need for better, more robust communication amongst multiple data owners. HHS has taken corrective actions in these areas and does not anticipate that these issues will reoccur in future audits.

We take remediation of our deficiencies seriously and we will continue to focus our efforts and resources on addressing our DATA Act audit findings. We would like to thank the Office of the Inspector General (OIG) and our independent auditors, Ernst & Young LLP, for your efforts on our behalf. We appreciate the continued collaboration of the OIG to improve our stewardship and transparency of taxpayer funds.

A handwritten signature in blue ink, appearing to read "J. Moughalian".

Jen Moughalian  
Acting Assistant Secretary for Financial Resources and  
Acting Chief Financial Officer