

Are You Prepared to Meet the Challenges of the DATA Act and Open the Door Wider on Government Spending?



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In the words of Thomas Jefferson, “Whenever the people are well-informed, they can be trusted with their own government.”¹ As financial managers, our business is information. Let’s give ourselves two big thumbs up for financial reporting accomplishments. But, we’ve only just begun building public trust through ‘open government’ reporting.²

We’re now on a new journey — one promising to forever change how we think about public reporting, accountability and transparency; a journey to better deliver on President Jefferson’s message. For us, the information bar was raised with enactment of the Digital Accountability and Transparency Act of 2014 (DATA Act).³

What does this law mean to our community? How do we move open government reporting to the next level to increase public trust. This article explores the DATA Act and how everyone can contribute to this important journey.

Movement to the DATA Act: An Iterative Process

Today’s wired-world dramatically changed expectations regarding information delivery and ease of accessibility. Spearheaded by Senators Carper, Coburn, McCain and Obama, the Federal Funding Accountability and Transparency Act of 2006 (FFATA)⁴ ushered in open government reporting for \$1 trillion in annual federal grant and contract awards. USASpending.gov was born, followed by additional open government websites.⁵ President Obama renewed his commitment to open government in his 2009 “Open Government Directive,”⁶ and earlier by providing for Recovery.gov⁷ as an integral part of the American Recovery and Reinvestment Act of 2009.⁸

This brings us to the bipartisan⁹ DATA Act, which expands FFATA reporting to all federal spending,¹⁰ and addresses completeness and accu-

racy of information on USASpending.gov, for which the U.S. Government Accountability Office (GAO) identified significant shortfalls.¹¹ GAO found that (1) \$619 billion in fiscal 2012 grant awards, were not posted to USASpending.gov by January 2013, and (2) only 2 to 7 percent of reported awards were fully consistent with agency records.

The DATA Act requires government-wide data standards, increased data availability, accuracy and usefulness, and avoidance of grantee reporting burden. The U.S. Department of the Treasury (Treasury) and the Office of Management and Budget (OMB) have overall leadership responsibility; working in concert with federal agencies, state and local governments and other grantees, federal contractors, and other stakeholders.

Let’s explore specific implementation challenges.

Data Standardization a Cornerstone

A sound data standardization framework is critical to users’ ability to analyze and understand spending data and reach meaningful conclusions. A cornerstone of the highly successful Recovery.gov, the DATA Act mandates the issuance of data standards by May 2015. As AGA’s research report, *e-Reporting*, concluded, “standardization of data elements... is paramount.”¹²

In collaboration with stakeholders, particularly federal agencies and state and local governments, efforts are underway to establish data standards. OMB and Treasury have established an interagency advisory committee. The design and implementation phase includes development of:

-  Data definition standards
-  Blueprint/roadmap between data elements

-  A pilot to reduce administrative burden on grantees (expressly called for in the DATA Act), as well as pinpoint refinements and leading practices

-  Data analytic capability, an element of Recovery.gov

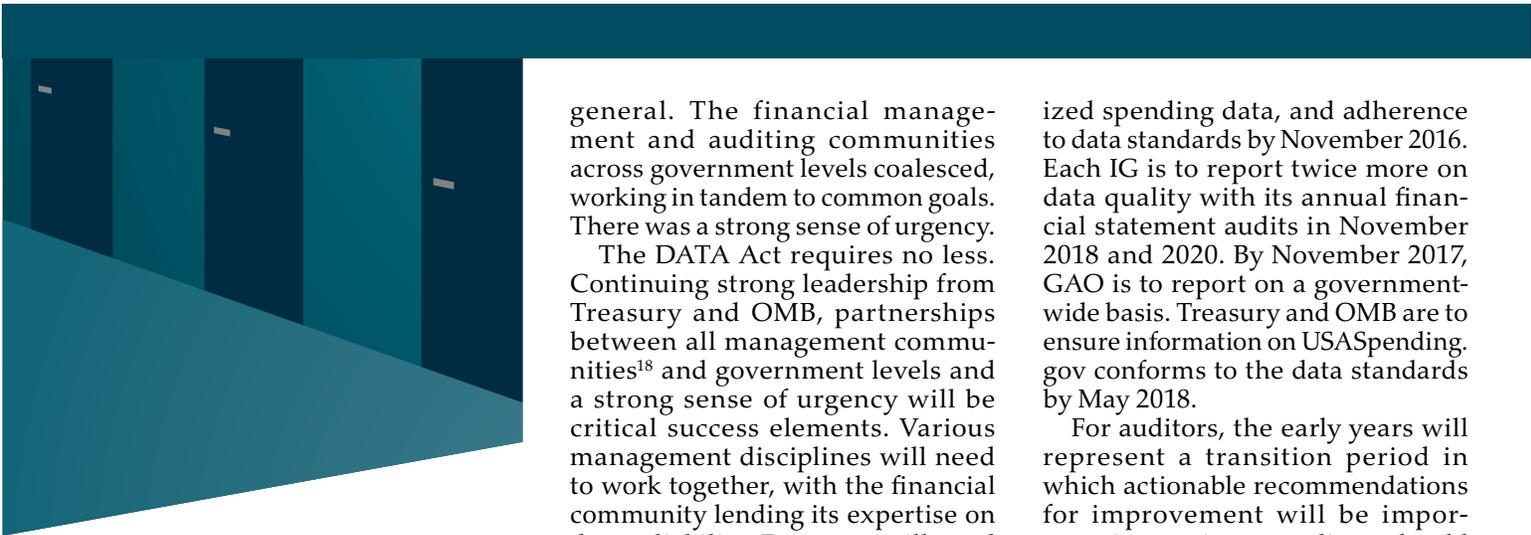
Senior accountable officials are leading federal agency efforts, and Treasury and OMB are using various mechanisms to closely consult with grantees, contractors and other stakeholders. This collaboration is intended to drive acceptance and understanding of the data standards during development, while considering leading industry practices that may emerge. A wide variety of systems and moving parts must be in sync.

Treasury and OMB adopted a data-centric approach versus a system-centric approach, with access to data at the source. Data will be mapped to a common standard. It will be important to avoid ad hoc data calls and cuff systems to report information. Recovery.gov largely avoided this; but this problem contributed to shortfalls in data quality on USASpending.gov.¹³

There are plans for incremental release of data standards as they become available, allowing more time for implementation and refinement before May 2015. Treasury and OMB seek to maximize and leverage existing processes and investments. Again, collaboration and feedback will drive improvement and move to transformative change. Finally, the implementation approach is iterative and agile, with additional small-scale pilots to test various approaches.¹⁴

Full Spending Cycle Reporting

Treasury and OMB are focusing on the full spending life-cycle to support “Better Data, Better Decisions, Better



Government.” The goal is to follow spending from congressional appropriation (how much and for what programs, projects and activities) to the commitment and obligation (what goods and services, for what reason, and for whom) to disbursement of funds (amount, payment date and recipient), linked to receipts and financing (revenue and borrowing).¹⁵ Increased visibility not only provides the public a more complete spending picture, but supports agency management in spending decisions, program oversight and cost management. Treasury and OMB call this 360-degree spending transparency.¹⁶

Ambitious Implementation Timeline

The timeline is challenging.

-  Data standards: May 2015
-  Pilots: May 2015 to May 2017¹⁷
-  Inspector General/GAO reports on data quality: November 2016/November 2017
-  Agency reporting: May 2017
-  Ensure data standards applied to USASpending.gov information: May 2018

Buy-in, ownership, and intensive interaction and leadership were hallmarks of Recovery Act reporting on which the DATA Act is modeled. The Vice President was on point, with a central data architect and governance structure through the Recovery Accountability and Transparency Board, led by a senior inspector

general. The financial management and auditing communities across government levels coalesced, working in tandem to common goals. There was a strong sense of urgency.

The DATA Act requires no less. Continuing strong leadership from Treasury and OMB, partnerships between all management communities¹⁸ and government levels and a strong sense of urgency will be critical success elements. Various management disciplines will need to work together, with the financial community lending its expertise on data reliability. Everyone will need to continually take stock of whether they are stepping up as proactive leaders to develop solutions and innovative thinking or waiting to be told what to do. The latter will not get the job done. Also, be prepared to fund DATA Act implementation from existing appropriations, with a focus on recovering any costs today through future economies made possible by having better information to manage the cost of government.

Pilots to Chart the Path

The DATA Act calls for two years of pilots; foremost focused on reducing grantee reporting burden. Given its predominance in grant-making, the U.S. Department of Health and Human Services will lead initial pilots on grantee reporting. Other pilots are planned to address data exchange and visualization, shared-service provider roles, third-party reporting, report timing and comparability. This is the time to learn what works well and to engage stakeholders. When pilots end, agencies are to begin reporting under the DATA Act. Sitting on the sidelines during the pilots will only magnify challenges and increase the risk of reporting unreliable data beginning May 2017. Active engagement focused on finding solutions and charting the course will benefit everyone.

Data Reliability Imperative

Data quality concerns drove the DATA Act’s passage. As a result, there are mandated inspectors general (IG) and GAO data quality assessments. IGs are required to report on completeness, timeliness, quality and accuracy of each agency’s standard-

ized spending data, and adherence to data standards by November 2016. Each IG is to report twice more on data quality with its annual financial statement audits in November 2018 and 2020. By November 2017, GAO is to report on a government-wide basis. Treasury and OMB are to ensure information on USASpending.gov conforms to the data standards by May 2018.

For auditors, the early years will represent a transition period in which actionable recommendations for improvement will be important. Among issues auditors should consider is whether they’ll adopt a standard audit approach as was done for financial statement audits, whereby auditors use a common, transparent playbook. Federal auditors must establish the type of audit assurance most appropriate for DATA Act reporting and have clear mechanisms for working with state and local auditors and public accounting firms, so everyone is on the same page and understands expectations. One option being considered is to extend reporting under OMB Circular A-123, Appendix A,¹⁹ using financial statements as the anchor.

Also, working with chief financial officers (CFOs), auditors may wish to explore options for transitioning to a digital audit environment,²⁰ heavily leveraging analytic tools²¹ to focus on higher-risk transactions. It’s continuous and more efficient, while providing greater coverage and more timely and useful information. It would be helpful to tie audited financial statements to DATA Act reporting.

Agencies can learn from the IGs, who were able to demonstrate data integrity in leading Recovery.gov. The last thing agencies should want is for auditors to report that the information on USASpending.gov continues to be unreliable, including being inconsistent with data standards. Agencies will want built-in processes, including analytic tools, to ensure continuous data reliability.

Also, agencies will find AGA’s research report, *e-Reporting*, very informative. The researchers surveyed financial information users and preparers, asking a range of question related to electronic reporting, covering financial, non-financial and performance data. For example,

the research addresses stakeholders' desires for user-friendly, easily accessible, understandable and reliable information.²²

Experiences from Two States on Data Transparency

While the federal government expands spending transparency, states have successfully embarked on similar efforts that can be useful in charting the federal path in data standardization, reliability and implementation. We spoke with Susan Combs, Comptroller, State of Texas, and Margaret Becker, Deputy Comptroller, State of New York, to learn from their experiences.

What challenges did you face in implementing your state's open data initiative?

Combs: It was initially difficult to overcome challenges with obtaining the data due to many concerns, including legal authority. Through hard work and conversations with state agencies, local governments and

others, we managed to build buy-in and successfully report the public's data.

Becker: We have talked to experts about the best way to post data. They said, "Just put the data up." If you try to figure out what questions somebody is going to ask about your data, you're never going to hit the mark for everyone.

What advice would you give the federal government as they start this process?

Combs: We have many different systems, but we're able to make every agency submit data in a consistent format. I think the [Administration] should put agencies on a uniform system so that everyone reports the data in a uniform way.

Becker: Put out the data that's most important to your citizens because there's plenty of data out there; but it really doesn't do much good if it's not useful, so aim for your priority areas. Also, it's very easy to forget when working in government how complex government can seem to anybody on

the outside, so make your website as intuitive as possible. On New York's Open Book website, you can continuously refine your search so that you never lose your place within the data.

How is the public using your state's transparency website?

Combs: People use it for all kinds of practical purposes. For example, if I'm selling a widget and I would like to do business with the government, I can find out which agencies buy widgets. Additionally, if someone wants to relocate here, they can take a look at spending patterns and debt loads within different parts of the state to factor local fiscal responsibility into their choice.

Becker: We have seen a lot of interest from the media, for example. In the past, journalists sent Freedom of Information Act requests to our office for data on state spending and payments. Now, they have the ability to pull that data themselves. Payments and contracts are updated every day, so the most current information is always available.



How do you foresee the public interacting with transparency websites in the future?

Combs: The next generation website has to be accessible through mobile devices and tablets. The public will tell us what direction to take.

Becker: We are looking to add more data across the board from state contract and spending data to public authority and local government information. For our Spending Module, for example, we plan to add a significant amount of detail to help citizens, interest groups and others to see more clearly how New York is spending its money.

Can You Answer “Yes” to These Questions?

As you assess readiness and develop strategy to implement the DATA Act, ask these questions as an initial benchmark.

Collaboration

- ✓ Are you proactive in sharing insights and solutions as data standards and other requirements are formulated?
- ✓ Are you focused on going beyond basic compliance to broader transformational change in how the public receives spending information?

- ✓ Have you developed day-to-day working relationships with Treasury and OMB, fellow federal agencies, and state and local governments?

Data

- ✓ Does your data contain the common data elements that enable unique identifiers for federal awards, entities, grantees and contractors?
- ✓ Are your unique identifiers consistent with federal data standards?
- ✓ Can you assess what data is relevant and where it needs to come from?
- ✓ Can you link DATA Act information with your financial statements?
- ✓ Is your data accurate and complete for all funds, object classes and other required reporting elements that make up “360-degree” reporting?

Technology

- ✓ Are you able to efficiently and effectively obtain data?
- ✓ Do you have analytic tools to enable data-centric reporting?
- ✓ Do you have appropriate information security?

Business Strategy and Governance

- ✓ Are you innovative, looking beyond basic public reporting to how spending information can be used for improved decision-making and oversight?

- ✓ Have you evaluated gaps in data sources?
- ✓ Do you have a validation process to continually ensure your data can withstand an independent audit?
- ✓ Do you have a communications strategy — in-house and with stakeholders?
- ✓ Have you developed a proactive working relationship with your inspector general?

Process

- ✓ Do you have processes to ensure required data is accumulated, processed and reported on time and accurately?
- ✓ Do you have the necessary business rules to adjust to Treasury’s and OMB’s data standards and subsequent refinements?

People

- ✓ Do you have people with the right skills to analyze budgeting and spending information and to map your data in accordance with required data structures and standards?
- ✓ Do you have the right personnel to lead the implementation effort?
- ✓ Are they fully empowered to work seamlessly across the agency’s organizations and programs?
- ✓ Do you have DATA Act training programs?

Final Thoughts

Transformational change is never easy. It’ll take time for the DATA Act to fully mature and run on all cylinders. Will data standards be perfect by May 2015? Will all pilots run smoothly? Will everyone be happy with what they have to do or what has been accomplished? Will additional funding be available? Will data quality meet high standards at the outset? Will collaboration and communications be 100 percent?



Perhaps they won't; but that doesn't change our need to aggressively pursue this important change and provide the same level of support and urgency given to Recovery Act reporting.

Get involved early, being proactive rather than reactive. Be part of the solution, avoiding having to meet requirements you don't agree with, without raising your hand during the decision-making process. Move to the next stage in the journey to public accountability and transparency, thereby helping rebuild public confidence in government's financial stewardship and meeting President Jefferson's challenge. ■

Endnotes

1. http://tjrs.monticello.org/archive/search/quotes?keys=&sort_bef_combine=field_tjrs_date_value+ASC&field_tjrs_categorization_tid%5B%5D=2181&field_tjrs_date_value_1%5Bvalue%5D%5Bdate%5D=&field_tjrs_date_value2_1%5Bvalue%5D%5Bdate%5D=&=Search
2. "Building Public Trust through Open Government Electronic Reporting: 'We've Only Just Begun,'" by Andrew C. Lewis, CGFM, CPA, CIPP/G, Ryan Rominiecki, CGFM, CPA, and Jeffrey C. Steinhoff, CGFM, CPA, CPE, CGFM, *Journal of Government Financial Management*, winter 2012.
3. The Digital Accountability and Transparency Act of 2014 (Public Law 113-101, May 9, 2014).
4. The Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282, September 26, 2006).
5. PaymentAccuracy.gov; Performance.gov; Data.gov; and Recovery.gov
6. www.whitehouse.gov/open/documents/open-government-directive
7. www.recovery.gov
8. The American Recovery and Reinvestment Act of 2009 (Public Law 111-5, February 17, 2009).
9. Principal sponsors were Senators Warner and Portman and Congressmen Issa and Cummings. To quote from the sponsors: "Transparency is critical to democracy"... *The Data Act "will shed additional light on the federal government's finances and leverage modern technology to give the taxpayers the transparency over federal spending they deserve."*
10. Information exempt from reporting under the Freedom of Information Act (Public Law 89-487, July 4, 1966) and protected under the Privacy Act of 1974 (Public Law 93-579, December 31, 1974) was excluded from reporting on USASpending.gov. Examples would be intelligence and sensitive national security spending data.
11. DATA TRANSPARENCY — Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website (GAO-14-476, June 30, 2014).
12. "e-Reporting," by William A. "Billy" Morehead, Ph.D., CGFM, CPA, and Daniel

J. Murrin, CGFM, CPA, *AGA Research Series Report No. 32*, July 2012. This research report included six recommendations, including setting definitions and strategies and creating uniform standards for data content, database design, and logical data base model constructs for easier extraction.

13. DATA TRANSPARENCY — Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website (GAO-14-476, June 30, 2014).

14. "The DATA Act: What It Is and What It Means," presentation by Christina Ho, Deputy Assistant Secretary for Accounting Policy and Financial Transparency, Treasury, and Karen F. Lee, Chief, Federal Financial Systems Branch, OMB, before the Data Transparency Town Hall, September 26, 2014.

15. As envisioned by Treasury and OMB, spending will be traceable from appropriation to apportionment to allotment/allocation to commitment to award to obligation to payment and linked to receipts/financing.

16. "The DATA Act: What It Is and What It Means," presentation by Christina Ho, Deputy Assistant Secretary for Accounting Policy and Financial Transparency, Treasury, and Karen F. Lee, Chief, Federal Financial Systems Branch, OMB, before the Data Transparency Town Hall, September 26, 2014.

17. OMB must report to Congress on the results of the pilot no later than 90 days after completion — this report would be expected in August 2017. Also, not later than one year (or August 2018) after issuance of the report on the results of the pilot, OMB is to issue guidance on how the data standards will be applied to federal award recipients to reduce reporting burden and simplify the reporting process.

18. Including program management, finance, information technology, acquisition, and human capital.

19. OMB Circular A-123, *Management's Responsibility for Internal Control*, Appendix A, *Internal Control Over Financial Reporting*.

20. "Digital Auditing: Modernizing the Government Financial Statement Audit Approach," by Andrew C. Lewis, CGFM, CPA, CIPP/G, Corbin Neiberline, CGFM, CPA, and Jeffrey C. Steinhoff, CGFM, CPA, CFE, CGMA, *Journal of Government Financial Management*, spring 2014.

21. "Leveraging Data Analytics in Federal Organizations," by Helena G. Sims and Steven E. Sossei, CPA, *AGA Research Series Report No. 30*, May 2012.

22. "e-Reporting," by William A. "Billy" Morehead, Ph.D., CGFM, CPA, and Daniel J. Murrin, CGFM, CPA, *AGA Research Series Report No. 32*, July 2012.

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