

**Federal Trade Commission
Office of Inspector General**



**Audit of Federal Trade Commission's
Compliance with the DATA Act**

OIG Report No. A-20-02 November 8, 2019





Office of Inspector General

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 8, 2019

MEMORANDUM

FROM: Andrew Katsaros
Inspector General

A handwritten signature in black ink, appearing to read "Andrew Katsaros".

TO: David Rebich
Chief Financial Officer

SUBJECT: Report on the *Independent Audit of the Federal Trade Commission's Compliance with the Digital Accountability and Transparency Act of 2014*

The attached audit report, prepared by Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) under contract with the OIG, is provided as required under the Digital Accountability and Transparency Act of 2014 (DATA Act). Brown & Company audited the FTC's DATA Act compliance for the first quarter of fiscal year 2019.

In its audit, Brown & Company found that the financial and awards data of FTC for the first quarter of fiscal year 2019 is presented in accordance with the Office of Management and Budget and Department of Treasury data definition standards, as applicable, for DATA Act reporting in all material respects. Brown & Company made three recommendations to help strengthen the FTC's controls over its DATA Act reporting. Brown & Company is responsible for the attached report and the conclusions expressed therein. We do not express conclusions on FTC's compliance with the DATA Act.

This report will be posted on the OIG's website pursuant to section 8M of the Inspector General Act of 1978, as amended (5 U.S.C App., § 8M).

We appreciate the cooperation given by management to Brown & Company and the Office of Inspector General during the audit. If you have any questions or would like to discuss the report, please contact me at (202) 326-3527.

Attachment

**Independent Audit of the
U.S. Federal Trade Commission's Compliance with the
Digital Accountability and Transparency Act of 2014**



**Fiscal Year 2019
November 8, 2019**

Prepared by

**Brown & Company Certified Public Accountants and
Management Consultants, PLLC
6401 Golden Triangle Drive, Suite 310
Greenbelt, Maryland 20770**

Controlled Unclassified Information

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC



BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

To: Mr. Andrew Katsaros
Inspector General Federal Trade Commission
Office of the Inspector General
U.S. Federal Trade Commission
Washington, DC

From: Brown & Company CPAs and Management Consultants, PLLC

Subject: Memo to Transmit the Independent Accountant's Report of the Audit of the Federal Trade Commission's Compliance with the Digital Accountability and Transparency Act of 2014 Submission Requirements, for Fiscal Year 2019

Date: November 8, 2019

Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) was engaged to perform a performance audit of the U.S. Federal Trade Commission's (FTC) compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act), for Fiscal Year 2019 as required by the Act. This memo serves as the transmittal memo to the Office of Inspector General (OIG), FTC.

Brown & Company is providing the FTC's management with this *Final Report* for review and comment.

It was a pleasure working with the various individuals with the OIG's office as well as the individuals at the FTC who provided the information included in the audit report.

**U.S. Federal Trade Commission
Independent Accountants’ Report on the Compliance with the
Digital Accountability and Transparency Act of 2014
Submission Requirements for Fiscal Year 2019**

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Executive Summary	3
Background.....	4
Purpose.....	5
Objective	5
Scope and Methodology	5
Assessment of Internal Control.....	5
Audit Findings	7
Reporting of the Results of the Sample Testing	13
Appendix A - Objectives, Scope, Methodology and Criteria	16
Appendix B - Summary of Results for Record-Level Data Elements	19
Appendix C - CIGIE’s DATA Act Anomaly Letter	21
Appendix D – Status for Prior Years Recommendations.....	23
Appendix E – Management’s Response	24
Appendix F - Glossary of Abbreviations and Acronyms.....	25



Independent Auditor's Report

Office of Inspector General for
United States Federal Trade Commission
Washington, DC 20580

The Office of Inspector General for United States Federal Trade Commission (FTC) contracted with Brown & Company CPAs and Management Consultants, PLLC, to conduct a performance audit of FTC's first quarter financial and award data as of December 31, 2018, in accordance with the Digital Accountability and Transparency Act of 2014 (DATA Act). To clarify the reporting requirements under the DATA Act, the Office of Management and Budget (OMB) and Department of Treasury (Treasury) published 57 data definition standards and required Federal agencies to report financial and award data on USAspending.gov.

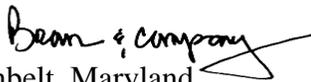
The audit objectives were to assess (1) completeness, timeliness, quality, and accuracy of FTC's fiscal year (FY) 2019 first quarter financial and award data submitted to Treasury for publication on USAspending.gov and (2) FTC's implementation and use of the Government-wide financial data standards established by OMB and Treasury. FTC's management is responsible for reporting financial and award data in accordance with these standards, as applicable.

We conducted our performance audit in accordance with generally accepted government auditing standards (GAGAS). 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. Our performance audit involves performing procedures to obtain evidence about the FY 2019 first quarter financial and award data. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the FY 2019 first quarter financial and award data, whether due to fraud or error. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We found that the FY 2019 first quarter financial and award data of FTC for the quarter ended December 31, 2018, is presented in accordance with OMB and Treasury published 57 data definition standards, as applicable, for DATA Act reporting in all material respects. We found that the data FTC submitted did not always comply with the requirements for completeness, timeliness, quality, and accuracy. We made three recommendations to help strengthen the FTC's controls over its DATA Act reporting. In addition, as illustrated in Appendix D, one finding reported in FY 2017 DATA Act audit report has been implemented.

The purpose of this report is solely to describe the scope of our testing and the results of that testing. Accordingly, the report is not suitable for any other purpose.

This report is intended solely for the information and use of the FTC management, OIG and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.


Greenbelt, Maryland
November 8, 2019

**U.S. Federal Trade Commission
Independent Accountants' Report on the Compliance with the
Digital Accountability and Transparency Act of 2014
Submission Requirements for Fiscal Year 2019**

Executive Summary

For fiscal year (FY) 2019, the United States Federal Trade Commission's contracted (FTC) Office of Inspector General (OIG) contracted with Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to conduct an independent assessment of FTC's compliance with the provisions of the Digital Accountability and Transparency Act of 2014 (DATA Act). The DATA Act requires the OIG of each federal agency to review a statistically valid sample of the certified spending data submitted by the agency and to submit to Congress a publicly available report assessing the completeness, accuracy, timeliness and quality of the data sampled and the implementation and use of the Government-wide financial data standards by the Federal agency.

Our audit was conducted in accordance with generally accepted government auditing standards. Our audit approach measured completeness, accuracy and timeliness of 57 data elements, as applicable to FTC. FTC's submission is considered complete when transactions and events that should have been recorded are recorded in the proper period. FTC's data elements are considered accurate when amounts and other data relating to recorded transactions have been recorded in accordance with the DATA Act Information Model Schema (DAIMS) v 1.3 Reporting Submission Specification (RSS), Interface Definition Document (IDD), and the online data dictionary; and agree with the authoritative source records. FTC's submission is considered timely when the submission by the FTC to the DATA Act Broker is in accordance with the reporting schedules established by the Treasury DATA Act Project Management Office, no later than March 20, 2019. FTC's data elements are considered timely when reported in accordance with the reporting schedules defined by the financial, procurement and financial assistance requirements. Based on the results of our testing, we determined the quality of the data.

Our statistical sample size was 41 of 48 records from File C. Our assessment included testing compliance with the Office of Management and Budget (OMB) and Treasury published 57 data definition standards, as applicable. We concluded that FTC complied with the DATA Act reporting requirements. Based on the audit procedures performed, we determined that the completeness error rate is 0.00%, accuracy error rate is 1.41% and timeliness error rate is 14.60%. We determined that FTC's data was generally of good quality – that is, significant amounts of the data were complete, timely, and accurate.

Background

United States Federal Trade Commission

The FTC was created on September 26, 1914, when President Woodrow Wilson signed the FTC Act into law. The original purpose of the FTC was to prevent unfair methods of competition in commerce as part of the battle to “bust the trust.” Over the years, Congress passed additional laws giving FTC greater authority to police anticompetitive practices, and in 1938, Congress passed a broad prohibition against “unfair and deceptive acts or practices.”

The FTC is a law enforcement agency with both consumer protection and competition jurisdiction in broad sectors of the economy. FTC administers a wide variety of laws and regulations, which includes the Clayton Act, Telemarketing Sales Rule, Fair Credit Reporting Act, Identity Theft Act and the Equal Credit Opportunity Act.

The FTC’s mission is carried out by three bureaus: the Bureau of Consumer Protection, the Bureau of Competition, and the Bureau of Economics. Their work is aided by the Office of General Counsel, International Affairs, Policy Planning, the Secretary, the Executive Director, Congressional Relations, Public Affairs, Administrative Law Judges, Equal Employment Opportunity, Inspector General and seven regional offices located throughout the country.

The DATA Act

In 2006, Congress passed, and the President signed the Federal Funding Accountability and Transparency Act of 2006 (FFATA). The purpose of FFATA was to increase transparency and accountability surrounding federal contracts and financial assistance awards. In accordance with FFATA, in December 2007, OMB established a federal government website, USAspending.gov that contains obligation data on federal awards and sub awards.

The DATA Act was enacted May 9, 2014, to expand the reporting requirements pursuant to FFATA. The 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, OMB and Treasury published 57 data definition standards (commonly referred to as data elements) and required Federal agencies to report financial and award data in accordance with these standards for DATA Act reporting in January 2017. Subsequently, and in accordance with the DATA Act, Treasury began displaying Federal agencies’ data on USAspending.gov for taxpayers and policymakers in May 2017.

The DATA Act also requires Inspectors General to issue a report to Congress assessing the completeness, timeliness, accuracy, and quality of a statistical sample of spending data submitted by the agency and the agency’s implementation and use of the data standards. The Council of the Inspectors General on Integrity and Efficiency (CIGIE) identified a timing anomaly with the oversight requirements contained in the DATA Act. That is, the first Inspector General reports were due to Congress in November 2016; however, federal agencies were not required to report spending data until May 2017. To address this reporting date anomaly, Inspectors General provided Congress with their first required reports in November 2017, a 1-year delay from the statutory due date, with two subsequent reports, each following on a 2-year cycle. On December 22, 2015, CIGIE’s chair issued a letter memorializing the strategy for dealing with the reporting

date anomaly and communicated it to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform. See Appendix C.

Purpose

The DATA Act, in part, requires Federal agencies to report financial and award data in accordance with the established governmentwide financial data standards.

Objective

The objectives of the performance audit of the FTC's compliance with the DATA Act were to assess the (1) completeness, timeliness, accuracy, and quality of the FTC's FY 2019 first quarter financial and award data submitted to the U.S. Department of Treasury (Treasury) for publication on USAspending.gov, and (2) FTC's implementation and use of the governmentwide financial data standards established by the OMB and the Treasury.

Scope and Methodology

We followed guidance from the CIGIE's Federal Audit Executive Council (FAEC)¹. The FAEC guide documents a common methodological framework, developed in consultation with the U.S. Government Accountability Office (GAO), for Inspectors General to conduct required DATA Act reviews. We also reviewed applicable laws, regulations, FTC policies and procedures, and other documentation related to the DATA Act. We randomly selected and analyzed a statistically valid sample of the FTC's FY 2019 first quarter spending data submitted by the agency for publication on USAspending.gov.

We conducted our fieldwork from May 2, 2019 through October 21, 2019 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. Additional details on our scope and methodology are outlined in Appendix A.

Assessment of Internal Control

We reviewed the FTC's control environment, risk assessment, control activities, information and communication, and monitoring controls. We determined that internal and information system controls as it relates to the extraction of data from the source systems and the reporting of the data to the DATA Act Broker have been properly designed and implemented and are operating effectively to allow the audit team to assess audit risk and design audit procedures. Based on our audit procedures performed, we made three recommendations for improvement that FTC should consider.

¹ CIGIE FAEC Inspectors General Guide to Compliance under the DATA Act, February 14, 2019.

Assessment of Internal Control over Source Systems

FTC uses Oracle Federal Financials (OFF), Contract Lifecycle Management (CLM) as its source systems for processing and recording procurement and financial data and for generating its DATA Act submission. We performed procedures to determine whether internal controls over these systems, as they relate to its FY 2019 first DATA Act submission, were properly designed, implemented, and operating effectively. Those procedures consisted of:

Gaining an understanding of the source systems used for recording procurement transactions and reporting under the DATA Act.

- Reviewing U.S. Department of the Interior’s Description of Oracle Federal Financials Systems and Suitability of the Design and Operating Effectiveness of Its Controls (SSAE 18 SOC 1- Type 2 Report), for the Period July 1, 2018 to June 30, 2019 for Oracle Federal Financial and determining whether any issues were noted that could have an impact on the accuracy, timeliness, or quality of the DATA Act submission.
- Obtaining an understanding of Complementary User Entity Controls (CUECs) required by the SOC report and implemented by FTC to determine whether gaps exist that might impact the accuracy, timeliness, or quality of the DATA Act submission.
- Reviewing FTC’s FY 2018 Financial Statements to identify findings that could affect the reliability of the source system or data produced from it.

Assessment of Internal Controls over DATA Act Submission

We performed inquiry and document review to determine whether internal controls over the DATA Act Submission were operating effectively. We found that overall, controls over the FY 2019 first DATA Act submission were effective, however we noted that improvements could be made.

Audit Findings

Finding 2019-1: FTC’ FY 2019 First Files C and D1 submission were not complete, accurate, or timely and did not include all transactions and linkages.

Condition: The FTC’s *DATA Act Reporting and Reconciliation* procedures require FTC to ensure linkage exists across all DATA Act reporting files. The FTC Financial Systems and Reporting Division (FSR) is responsible for verifying the accuracy of data contained in the FTC’s financial systems. The Assistant CFO, Acquisitions Division is responsible for ensuring that awards data is accurate and complete in the FTC’s source systems: Oracle Federal Financials (OFF), Contract Lifecycle Management (CLM) and Federal Procurement Data System (FPDS-NG).

FSR reconciles Files C and D1 to determine to what extent all procurement data in File C is included in File D1 and to what extent all procurement data in File D1 is included in File C. FSR is responsible for resolving, explaining and documenting a quarterly reconciliation report. We examined the reconciliation report and noted FTC was able to identify and explain all exceptions.

In addition, we tested the linkage between Files C and D1 and determined that FY 2019 first File C submission did not include all transactions and linkages from File D1; and File D1 did not include all transactions and linkages from File C. We tested the linkage between Files C and D1 by comparing the Procurement Instrument Identifier for Procurements (PIID) between Files C and File D1.

The difference in the Files C and D1 amounts are presented in the tables below.

Table 1 – Difference in the Files C and D1

DATA Act File	Amount
File D1 – Federal Action Obligation	5,023,003
File C – Total Obligation Amount	4,598,947
Difference	424,056

There were 3 records recorded in File C that were not recorded in File D1. See Table 2.

Table 2 – Records not reported in File D1

No.	PIID	Records	Amount	Exception
Errors - Transactions were recorded in File C, but not in File D1.				
1	FTC14H4153	1	(2,514)	Inter-agency contract
2	FTC15A5002	1	(39,600)	Correction for a prior year entry
3	FTC15A5002 0007	1	39,600	Correction for a prior year entry
	Total	3	(2,514)	

There were 8 records recorded in File D1 that were not recorded in File C. See Table 3.

Table 3- Records not reported in File C

No.	PIID	Records	Amount	Exception
Errors - Transactions were recorded in File C, but not in File D1. Not Attributable to the Agency				
1	29FTC119C0016	1	17,197	Recorded in Q2 FY 2019, due to issues with CLM
2	FTC16G6018	1	20,376	Recorded in Q2 FY 2019, due to issues with CLM
3	29FTC119F0001	1	(4,134)	Recorded in Q2 FY 2019, due to issues with CLM
4	FTC14G4042	1	(4,026)	Recorded in Q2 FY 2019, due to issues with FPDS-NG
5	FTC15H5089	1	47,235	Recorded in Q2 FY2019, due to Agency latency
6	29FTC118C0126	1	186,621	Recorded in Q2 FY 2019, due to Agency latency
7	FTC16H6069	1	100,000	Recorded in Q2 FY 2019, due to Agency latency
8	29FTC119F0008	1	58,273	Recorded in Q2 FY 2019, due to Agency latency
	Total	8	(421,542)	

Criteria: *CIGIE FAEC Inspectors General Guide to Compliance under the DATA Act*, February 14, 2019, defines Accuracy for the DATA Act as:

“Amounts and other data relating to recorded transactions have been recorded in accordance with the DAIMS, RSS, IDD, and the online data dictionary, and agree with the authoritative source records.”

Cause: The FTC’s lack of quality control procedures attributed to latency reporting of records in the financial systems. Other latency reporting of records in the financial system was not attributed to FTC, but to processing issues with CLM and FPDS-NG.

Effect: The inability to identify and correct data issues timely, increases the risk that data reported to USAspending.gov is not complete, accurate, and timely. This in turns decreases the reliability and usefulness of the data reported in the Federal spending.

Recommendation 1: We recommend the FTC revise internal control procedures and processes to ensure that reconciliation differences are resolved timely and prior to DATA Act submission.

Management’s Response:

FTC’s management provided the following response to the finding and recommendation:

Management concurs with its findings and recommendations.

Management’s full response is provided in **Appendix E**.

Auditor’s Evaluation of Management’s Response

Management’s response is appropriate to address the findings and recommendation. Revising FTC’s internal control procedures and processes to ensure reconciliation differences are resolved timely and prior to DATA Act will reduce the risk of inaccurate reporting to USAspending.gov and ensure data is complete, accurate, and timely.

Finding 2019-2: FTC’s FY 2019 First File D1 submission was not accurate and timely.

Condition: The FTC’s *DATA Act Reporting and Reconciliation* procedures state the Assistant CFO, Acquisitions Division is responsible for ensuring that awards data is accurate and complete in the FTC’s source systems: Oracle Federal Financials (OFF), Contract Lifecycle Management (CLM) and Federal Procurement Data System (FPDS-NG).

We examined the statistical sample of 41 records from File C. For each sampled record, we evaluated whether standard data elements included in Files C and D1, were accurate. We noted 25 of the 41 records were not accurate; 9 were attributable to the Agency and 16 were not attributable to the Agency. See Tables 4 and Table 5.

Table 4 - Errors in the Data Elements Attributable to the Agency

PIID	DE	Description	Errors	Attributable to the Agency
FTC13G3088	16	Contract Award Type	1	Contact does not state the type of contract
29FTC119C0005 29FTC119P0002 FTC14G4161	25	Action Date	3	Data recorded accurately in FPDS-NG
FTC13G3088	26	Period of Performance Start Date	1	Data recorded accurately in FPDS-NG
29FTC116P0011 FTC16H6040	27	Period of Performance Current End Date	2	Data recorded accurately in FPDS-NG
29FTC116P0011	28	Period of Performance Potential End Date	1	Data recorded accurately in FPDS-NG
29FTC117P0005	30	Primary Place of Performance Address	1	Data recorded accurately in FPDS-NG
		Total Errors	9	

Table 5 – Errors in the Data Elements Not Attributable to the Agency

PIID	DE	Description	Errors	Attributed to Third Party
29FTC116P0011	1	Awardee or Recipient Legal Entity Name	1	Extraction of data from SAM
29FTC116P0011	2	Awardee/Recipient Unique Identifier	1	Unable to find the Recipient and Unique Identifier in D&B or SAM
29FTC116P0011 29FTC119P0001 29FTC119C0003	3	Ultimate Parent Unique Identifier	3	Unable to find the Ultimate Parent Unique identifier in D&B or SAM
29FTC116P0011 29FTC119P0001 29FTC119C0003	4	Ultimate Parent Legal Entity Name	3	Unable to find the Ultimate Parent legal entity name in D&B or SAM
29FTC116P0011 29FTC119F0011 FTC10H0237 FTC13G3088	5	Legal Entity Address	4	The legal entity address in File D1 is different from the address found in SAM
FTC15A5002	30	Primary Place of Performance Address	1	Treasury Broker Extracting from FPDS-NG
FTC15A5002	31	Primary Place of Performance Congressional District	1	Treasury Broker Extracting from FPDS-NG
FTC15A5002	32	Primary Place of Performance Country Code	1	Treasury Broker Extracting from FPDS-NG
FTC15A5002	33	Primary Place of Performance Country Name	1	Treasury Broker Extracting from FPDS-NG
		Total Errors	16	

Criteria: *CIGIE FAEC Inspectors General Guide to Compliance under the DATA Act*, February 14, 2019, defines Accuracy for the DATA Act as:

“Amounts and other data relating to recorded transactions have been recorded in accordance with the DAIMS, RSS, IDD, and the online data dictionary; and agrees with the authoritative source records.”

Cause: The errors are due to the FTC Acquisition Office entering incorrect data into the procurement system which is not detected by the Financial Systems and Reporting (FSR) office for accuracy. Other reporting errors in File D1 were not attributed to the Agency, but to Treasury Broker extraction of data from FPDS-NG and SAM.gov.

Effect: The inability to identify and correct data issues timely, increases the risk that data reported to USAspending.gov is not complete, accurate, and timely. This in turns decreases the reliability and usefulness of the data reported in the Federal spending.

Recommendation 2: We recommend that FTC’s management revise internal control procedures and processes to ensure award level data is accurately entered into FPDS-NG and any DATA Act reporting errors are identified and corrected timely.

Management’s Response:

FTC’s management provided the following response to the finding and recommendation:

Management concurs with its findings and recommendations.

Management’s full response is provided in **Appendix E**.

Auditor’s Evaluation of Management’s Response

Management’s response is appropriate to address the findings and recommendation. Revising FTC’s internal control procedures and processes to ensure award level data is accurately entered into FPDS-NG and any DATA Act reporting errors are identified and corrected timely will reduce the risk of inaccurate reporting to USAsepending.gov.

Finding 2019-3: FTC did not process six contract awards timely in FPDS-NG as required by FAR.

Condition: The FTC’s *DATA Act Reporting and Reconciliation* procedures state the Assistant CFO, Acquisitions Division is responsible for ensuring that awards data is accurate and complete in the FTC’s source systems: Oracle Federal Financials (OFF), Contract Lifecycle Management (CLM) and Federal Procurement Data System (FPDS-NG).

We examined the statistical sample of 41 records in File C for testing timeliness. We tested the timeliness of reporting records into FPDS-NG by comparing the contract date to the prepared date in FPDS-NG. We noted that 6 of 41 PIIDs listed in File C were not recorded within 3 business days after contract award in accordance with FAR Part 4.604. See Table 6.

Table 6 – Exceptions for Timeliness

PIID	Number of Days
29FTC117P0005	6
29FTC117P0090	7
29FTC118F0054	16
29FTC119C0003	93
29FTC119C0004	56
FTC16H6056	51

Criteria: *CIGIE FAEC Inspectors General Guide to Compliance under the DATA Act*, February 14, 2019, defines Timeliness for the DATA Act:

The guide states, “to assess the timeliness of the data elements:

- Procurement award data elements within File D1 should be reported in FPDS-NG within 3 business days after contract award in accordance with the FAR Part 4.604.”

Cause: The FTC’s lack of quality control procedures led to untimely reporting of contract awards in FPDS-NG. In addition, FTC’s *DATA Act Reporting and Reconciliation* procedures do not include a process to ensure contract awards are entered into FPDS-NG timely.

Effect: There is a risk that untimely data reporting decreases the reliability and usefulness of the data reported in the USASpending.gov.

Recommendation 3:

We recommend the FTC revise control procedures and processes to ensure contract awards are recorded into FPDS-NG timely.

Management’s Response:

FTC’s management provided the following response to the finding and recommendation:

Management concurs with its findings and recommendations.

Management’s full response is provided in **Appendix E**.

Auditor’s Evaluation of Management’s Response

Management’s response is appropriate to address the findings and recommendation. Revising FTC’s control procedures and processes to ensure contract awards are recorded into FPDS-NG timely will reduce the risk of untimely reporting to USASpending.gov.

Reporting of the Results of the Sample Testing

Completeness and Timeliness of the Agency Submission

We evaluated FTC's DATA Act submission to Treasury's DATA Act Broker and determined that the submission was timely, but not complete. The Agency submission is considered timely when the submission by the Agency to the DATA Act Broker is in accordance with the reporting schedule established by the Treasury DATA Act PMO. We determined the timeliness of the agency submission by verifying the date of the certification of the submission in the Treasury DATA Act Broker within the established timeframe determined by the Treasury DATA Act PMO, traditionally within 45 days of quarter end. Due to the government shutdown furlough between December 22, 2018 and January 25, 2019, the due date for agency submissions for fiscal year 2019, first quarter is March 20, 2019. FTC completed their DATA Act submission on March 12, 2019.

To be considered a complete submission, we evaluated Files A, B and C to determine that all transactions and events that should have been recorded were recorded in the proper period. FTC DATA Act submission included errors in Files C and D, therefore the submission was not complete. We noted some data errors related to problems with how Treasury's DATA Act broker extracted information from external award reporting systems. The FAEC DATA Act Working Group considered these data errors to be a government-wide issue. Other errors identified attributed to FTC agency-specific internal control deficiencies. We noted three records in File C that were not included in File D1 and eight records in File D1 that were not recorded in File C. As described in more detail in the Audit Finding section. Finding 2019-1 and summarized in Table 1, Table 2 and Table 3.

Summary-Level Data and Linkages for Files A, B, and C

We reconciled Files A and B to determine if they were accurate. Through our test-work, we noted that Files A and B were accurate. Additionally, we reconciled the linkages between Files A, B and C to determine if the linkages were valid and to identify any significant variances between the files. Our test work did not identify any significant variances between Files A, B, and C.

Record-Level Data and Linkages for Files C and D

We selected a sample of 41 records and tested 57 data elements (as applicable) for completeness, accuracy, and timeliness.

Completeness of the Data

All data contained the applicable elements and were complete. The projected error rate for the completeness of the data elements is 00.0%². A data element was considered complete if the required data element that should have been reported was reported.

² Based on a 95% confidence level, the projected error rate for the completeness of the data elements is between 00.0% and 20.0%.

Timeliness of the Data

The projected error rate for the timeliness of the data elements is 14.60%³. The timeliness of data elements was based on the reporting schedules defined by the procurement and financial assistance requirements (FFATA, Federal Acquisition Regulation (FAR), Federal Procurement Data System-Next Generation (FPDS-NG), Financial Assistance Broker Submission and DAIMS).

We tested the timeliness of reporting records into FPDS-NG by comparing the contract date to the prepared date in FPDS-NG. We noted that 6 of 41 PIIDs listed in File C were not recorded within 3 business days after contract award in accordance with FAR Part 4.604. The latency of reporting contracts in FPDS-NG is due to the FTC Acquisition Office not entering contract awards timely as described in more detail in the Audit Finding section Finding 2019-3 and summarized in Table 6.

Accuracy

The projected error rate for the accuracy of the data elements is 1.41%⁴. A data element was considered accurate when amounts and other data relating to recorded transactions were recorded in accordance with the DAIMS, RSS, IDD, and the online data dictionary, and agree with the authoritative source records.

We examined the statistical sample of 41 records from File C. For each sampled record, we evaluated whether standard data elements included in Files C and D1, were accurate. We examined contract documentation to determine the completeness, accuracy, and timeliness of the data. We noted 25 of the 41 records were not accurate; 9 were attributable to the Agency and 16 were not attributable to the Agency. As described in more detail in the Audit Finding section Finding 2019-2 and summarized in Tables 4 and Table 5.

Quality of the Data

Data were generally of higher quality – that is, data were complete, timely, and accurate, and the FTC’s internal controls over source systems and the data submission gave us reasonable assurance that controls were designed, implemented, and operating effectively.

The quality of the data elements was determined using the midpoint of the range of the proportion of errors (error rate) for completeness, accuracy and timeliness. The highest of the three error rates was used as the determining factor of quality. Table 7 provides the range of error in determining the quality of the data elements.

³ Based on a 95% confidence level, the projected error rate for the timeliness of the data elements is between 00.0% and 20.0%.

⁴ Based on a 95% confidence level, the projected error rate for the accuracy of the data elements is between 00.0% and 20.0%.

Table 7 – Range of Error for Data Quality

Highest Error Rate	Quality Level
0% - 20%	Higher
21% - 40%	Moderate
41% and above	Lower

Based on our test work and the highest error rate of 14.60%, we determined that the quality of FTC’s data is considered Higher.

Implementation and Use of the Data Standards

We have evaluated FTC’s implementation and use of the government wide financial data standards for spending information as developed by OMB and Treasury. FTC has fully implemented and are using those data standards as defined by OMB and Treasury. For the broker files tested, we generally found that the required elements were present in the file and that the record values were presented in accordance with the standards. For example, broker files contained such identifiers as main account code, subaccount code, and program activity. The summary of results for record-level data elements (Files C and D1) are shown in Appendix B.

Appendix A - Objectives, Scope, Methodology and Criteria

Objectives

The objectives of the audit of the FTC's compliance with the DATA Act audit were to assess the (1) completeness, timeliness, accuracy, and quality of the FTC's FY 2019 first quarter financial and award data submitted to Treasury for publication on USAspending.gov and (2) FTC's implementation and use of the governmentwide financial data standards established by OMB and Treasury.

Scope

The scope of this engagement is the FTC's FY 2019 first quarter financial and award data submitted for publication on USAspending.gov. Work performed was in accordance with generally accepted government auditing standards, relevant DATA Act guidance and policies issued by the GAO, OMB, and CIGIE, including the *Inspectors General Guide to Compliance under the DATA Act*, dated February 14, 2019.

The scope includes examining DATA Act information reported in the FTC's FY 2019 first quarter financial and award data files listed below, as applicable:

- File A: Appropriations Account,
- File B: Object Class and Program Activity,
- File C: Award Financial,
- File D1: Award (Procurement)
- File D2: Award (Financial Assistance),
- File E: Additional Awardee Attributes, and
- File F: Sub-award Attributes

Files A, B, and C are submitted by the FTC's DATA Act group. Files A and B are summary-level financial data. File C is reportable award-level data. Files D1 through F contain detailed demographic information for award-level records reported in File C. Files D1 through F are submitted by external award reporting systems to Treasury's DATA Act Broker. The senior SAO for the FTC is required to certify these seven data files for its agency's financial and award data to be published on USAspending.gov. The FTC did not have any required reporting data for File D2.

Testing Methodology

To accomplish our objectives, we:

- obtained an understanding of any regulatory criteria related to the FTC's responsibilities to report financial and award data under the DATA Act. (See below for a list criteria);
- assessed the internal and information system controls in place as they relate to the extraction of data from the source systems and the reporting of data to Treasury's DATA Act Broker, in order to assess audit risk and design audit procedures;
- assessed internal controls over financial reporting for the DATA Act;
- reviewed and reconciled the FY 2019 first quarter summary-level data submitted by the FTC for publication on USAspending.gov;
- assessed the FTC's implementation and use of the 57 data elements/standards (as applicable) established by OMB and Treasury; and
- assessed the completeness, timeliness, accuracy, and quality of the financial and award data sampled; this included testing the FTC's submission of Files A through D1.

To test the FTC's DATA Act submission of Files A through D1, we:

- reviewed the FTC's certification and submission process;
- determined the timeliness of the FTC's submission;
- determined completeness of summary level data for Files A and B;
- determined whether File C is complete and suitable for sampling;
- randomly selected and examined a statistically valid sample of 41 records from a population of 48 total records in the FTC's FY 2019 first quarter certified spending data reported in File C;
- tested detailed record-level linkages for Files C and D1;
- tested detailed record-level data elements for Files C and D1 for completeness, accuracy, timeliness, and quality; and
- analyzed results.

Criteria

During our audit, we obtained an understanding of the following criteria as applicable to the FTC.

	Criteria Title
1	Digital Accountability and Transparency Act of 2014
2	Federal Funding Accountability and Transparency Act of 2006
3	The Federal Financial Management Improvement Act of 1996
4	The Federal Managers' Financial Integrity Act of 1982
5	OMB Circular No. A-123
6	OMB Circular No. A-123, Appendix A
7	OMB – Management Procedures Memorandum No. 2016-03
8	OMB – M-17-04 Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring DATA Reliability
9	OMB M – 10-06, Open Government Directive
10	OMB's Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Disseminated by Federal Agencies
11	OMB: Open Government Directive – Framework for the Quality of Federal Spending Information
12	DATA Act Information Model Schema (DAIMS) v 1.3 (includes Reporting Submission Specification (RSS) & Interface Definition Document (IDD))
13	DAIMS v 1.3 Practices and Procedures
14	The DATA Act Online Data Dictionary
15	The Data Exchange Standard
16	Data Quality Playbook
17	Federal Spending Transparency Data Standards
18	DATA Act Broker Validation Rules
19	DATA Act Broker Submission Practices and Procedures
20	U. S. Digital Services Playbook
21	GAO Financial Audit Manual, Volume 1,2,3
22	Government Auditing Standards
23	Electronic Government: Implementation of the Federal Funding Accountability and Transparency Act of 2006

Appendix B - Summary of Results for Record-Level Data Elements

Table 9 - Summary of Results for Record-Level Data Elements

Summary of the results of the detailed record-level test of data elements for Files C and D1. FTC's results listed in descending order by accuracy error rate percentage.

Accuracy (A), Completeness (C), Timeliness (T)				
		Error Rate ⁵		
DE	Data Element Name	A	C	T
5	Legal Entity Address	10%	0%	15%
3	Ultimate Parent Unique Identifier	7%	0%	15%
4	Ultimate Parent Legal Entity Name	7%	0%	15%
25	Action Date	7%	0%	15%
27	Period of Performance Current End Date	5%	0%	15%
30	Primary Place of Performance Address	5%	0%	15%
31	Primary Place of Performance Congressional District	3%	0%	15%
1	Awardee or Recipient Legal Entity Name	2%	0%	15%
2	Awardee or Recipient Unique Identifier	2%	0%	15%
16	Contract Award Type	2%	0%	15%
26	Period of Performance Start Date	2%	0%	15%
28	Period of Performance Potential End Date	2%	0%	15%
32	Primary Place of Performance Country Code	2%	0%	15%
33	Primary Place of Performance Country Name	2%	0%	15%
6	Legal Entity Congressional District	0%	0%	15%
7	Legal Entity Country Code	0%	0%	15%
8	Legal Entity Country Name	0%	0%	15%
11	Federal Action Obligation	0%	0%	15%
14	Current Total Value of Award	0%	0%	15%
15	Potential Total Value of Award	0%	0%	15%
17	NAICS	0%	0%	15%
18	NAICS Description	0%	0%	15%
22	Award Description	0%	0%	15%
23	Award Modification Amendment Number	0%	0%	15%
34	PIID	0%	0%	15%
36	Action Type	0%	0%	15%
38	Funding Agency Name	0%	0%	15%
39	Funding Agency Code	0%	0%	15%
40	Funding Sub Tier Agency Name	0%	0%	15%
41	Funding Sub Tier Agency Code	0%	0%	15%
42	Funding Office Name	0%	0%	15%
43	Funding Office Code	0%	0%	15%

⁵ All estimates from the sample have a margin of error no greater than plus or minus 5 percentage points unless otherwise noted

Accuracy (A), Completeness (C), Timeliness (T)				
		Error Rate ⁵		
DE	Data Element Name	A	C	T
44	Awarding Agency Name	0%	0%	15%
45	Awarding Agency Code	0%	0%	15%
46	Awarding Sub Tier Agency Name	0%	0%	15%
47	Awarding Sub Tier Agency Code	0%	0%	15%
48	Awarding Office Name	0%	0%	15%
49	Awarding Office Code	0%	0%	15%
50	Object Class	0%	0%	15%
51	Appropriations Account	0%	0%	15%
53	Obligation	0%	0%	15%
56	Program Activity	0%	0%	15%
24	Parent Award Id	0%	0%	0%
29	Ordering Period End Date	0%	0%	0%
52	Budget Authority Appropriated	0%	0%	0%
54	Unobligated Balance	0%	0%	0%
55	Other Budgetary Resources	0%	0%	0%
57	Outlay	0%	0%	0%

Appendix C - CIGIE's DATA Act Anomaly Letter



December 22, 2015

The Honorable Ron Johnson
Chairman
The Honorable Thomas Carper
Ranking Member
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, D.C.

The Honorable Jason Chaffetz
Chairman
The Honorable Elijah Cummings
Ranking Member
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, D.C.

Dear Mr. Chairmen and Ranking Members:

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) recognizes and appreciates your leadership on issues of Government transparency and accountability. In particular, we believe the enactment last year of the Digital Accountability and Transparency Act of 2014 (DATA Act) will significantly improve the quality of Federal spending data available to Congress, the public, and the accountability community if properly implemented. To make sure this happens, the DATA Act provides for strong oversight by way of the Federal Inspectors General and the Government Accountability Office (GAO). In particular, the DATA Act requires a series of reports from each to include, among other things, an assessment of the completeness, timeliness, quality, and accuracy of data submitted by agencies under the DATA Act.

I am writing this letter on behalf of CIGIE to inform you of an important timing anomaly with the oversight requirement for Inspectors General in the DATA Act. Your staffs have been briefed on this timing anomaly, which affects the first Inspector General reports required by the DATA Act. Specifically, the first Inspector General reports are due to Congress in November 2016. However, the agencies we oversee are not required to submit spending data in compliance with the DATA Act until May 2017. As a result, Inspectors General would be unable to report on the spending data submitted under the Act, as this data will not exist until the following year. This anomaly would cause the body of reports submitted by the Inspectors General in November 2016 to be of minimal use to the public, the Congress, the Executive Branch, and others.

To address this reporting date anomaly, the Inspectors General plan to provide Congress with their first required reports in November 2017, a one-year delay from the due date in statute, with subsequent reports following on a two-year cycle, in November 2019 and November 2021. We believe that moving the due dates back one year will enable the Inspectors General to meet the

1717 H Street, NW, Suite 825, Washington, DC 20006

Page 2

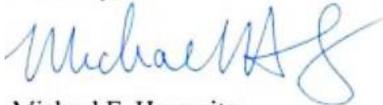
intent of the oversight provisions in the DATA Act and provide useful reports for the public, the Congress, the Executive Branch, and others.

Although we think the best course of action is to delay the Inspector General reports, CIGIE is encouraging the Federal Inspector General Community to undertake DATA Act “readiness reviews” at their respective agencies well in advance of the first November 2017 report. Through a working group, CIGIE has developed guidance for these reviews. I am pleased to report that several Inspectors General have already begun reviews at their respective agencies, and many Inspectors General are planning to begin reviews in the near future. We believe that these reviews, which are in addition to the specific oversight requirements of the Act, will assist all parties in helping to ensure the success of the DATA Act implementation.

We have kept GAO officials informed about our plan to delay the first Inspector General reports for one year, which they are comfortable with, and our ongoing efforts to help ensure early engagement through Inspector General readiness reviews.

Should you or your staffs have any questions about our approach or other aspects of our collective DATA Act oversight activities, please do not hesitate to contact me at (202) 514-3435.

Sincerely,



Michael E. Horowitz
Chair, Council of the Inspectors General on Integrity and Efficiency
Inspector General, U.S. Department of Justice

cc: The Honorable David Mader, Controller, OMB
The Honorable Gene Dodaro, Comptroller General, GAO

Appendix D – Status for Prior Years Recommendations

Recommendation	Action Plan	Due Date	Status of Recommendation
2017-1 We recommend that the Chief Financial Officer implement procedures to ensure that the Federal Trade Commission Financial Management Office evaluates “Period of Performance Start Date,” “Period of Performance Current End Date,” “Period of Performance Potential End Date,” and “Action Date” data elements for accuracy on a consistent basis.	Management Concur. High Level Action to be implemented includes FMO development and implementation of procedures to ensure the accurate reporting of the requisite DATA Act data elements on a consistent basis.	Expected Completion Dates: Draft procedures to be developed by March 1, 2018. Final procedures to be implemented by May 1, 2018.	Auditor’s Position on Status: Closed

Appendix E – Management’s Response



Financial Management Office

UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

November 8, 2019

To: Andrew Katsaros
Inspector General

From: David Rebich 
Chief Financial Officer

Subject: Management’s Response to the FY 2019 DATA Act Audit report

Management has reviewed the Office of the Inspector General’s (OIG) Draft Report, *Independent Evaluation of the Federal Trade Commission’s Compliance with Provisions of the Digital Accountability and Transparency Act of 2014 for Fiscal Year 2019*, and concurs with its findings and recommendations.

OIG reviewed the FTC’s FY2019 first quarter financial and award data for the quarter that ended December 31, 2018. OIG found that the FTC reported the data in accordance with OMB and Treasury standards in all material respects, but the data did not always comply with the DATA Act’s requirements for completeness, timeliness, quality, and accuracy. Based on these findings, OIG recommends the FTC revise its internal controls procedures and processes to ensure:

1. Reconciliation differences are resolved timely and prior to DATA Act submission;
2. Award level data is accurately entered into FPDS-NG and any DATA Act reporting errors are identified and corrected timely; and
3. Contract awards are recorded into FPDS-NG timely.

The FTC is committed to complying with the DATA Act’s reporting requirements and revising its internal controls procedures and processes as recommended by OIG. Additionally, in FY 2020, the FTC will transition from an acquisition system that requires manual input of data into FPDS-NG to a new system that links to FPDS and automates most data entry. This transition will further enhance the FTC’s DATA Act reporting.

Management recognizes and thanks OIG and the independent auditor for the professionalism and work ethic they demonstrated during this engagement. If you have any questions or concerns regarding our corrective actions, please contact me on 202-326-2201.

cc:
David Robbins
Tara Isa Koslov

Appendix F - Glossary of Abbreviations and Acronyms

CIGIE	The Council of the Inspectors General on Integrity and Efficiency
CLM	Contract Lifecycle Management
DAIMS	DATA Act Information Model Schema
DATA Act	The Digital Accountability and Transparency Act of 2014
DE	Data Element
DQP	Data Quality Plan
FAEC	Federal Audit Executive Council
FAR	Federal Acquisition Regulation
FFATA	Federal Funding Accountability and Transparency Act of 2006
FPDS-NG	Federal Procurement Data System Next Generation
FSR	Financial System and Reporting Division
FTC	Federal Trade Commission
FY	Fiscal Year
GAO	Government Accountability Office
IDD	Interface Definition Document
IG	Inspector General
OMB	Office of Management and Budget
PIID	Procurement Instrument Identifier for Procurements
RSS	Reporting Submission Specification
SAM	System for Award Management
SAO	Senior Accountable Official
Treasury	The United States Department of the Treasury