



## Testimony

Before the Subcommittee on  
Government Operations, Committee on  
Oversight and Government Reform,  
House of Representatives

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# DATA ACT

## Implementation Progresses but Challenges Remain

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Chairman Meadows, Ranking Member Connolly, and Members of the Subcommittee:

I am pleased to be here today to discuss steps that the Office of Management and Budget (OMB), the Department of the Treasury (Treasury), and federal agencies have taken to implement the Digital Accountability and Transparency Act of 2014 (DATA Act).<sup>1</sup> As you know, the critical deadline of May 2017 is approaching, at which time agencies will be required to report their financial and payment data in compliance with established standards. We have previously reported that OMB and Treasury have taken significant steps toward implementing the act's various requirements, including standardizing data element definitions, issuing guidance to help agencies develop their implementation plans, and designing a pilot for developing recommendations to reduce recipient reporting burden.<sup>2</sup> We have also reported that agencies have identified challenges to the effective and timely implementation of the DATA Act, including inadequate guidance, tight time frames, competing priorities, a lack of funding, and system integration issues, and are taking actions to mitigate these challenges.<sup>3</sup>

Today, we are releasing another report in a series of interim reports that GAO is providing to the Congress in fulfillment of our mandate to provide oversight of DATA Act implementation.<sup>4</sup> Our report examined (1) steps taken by OMB and Treasury to establish a clear data governance structure, which is particularly important for the transition to a new administration; (2) challenges reported by major agencies in their implementation plan updates; (3) the operationalization of government-wide data standards and technical specifications for data reporting; and (4) updated designs for the pilot for reducing recipient reporting burden and progress made in its implementation. My statement will highlight key findings and the recommendation from our report and provide updates on

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<sup>1</sup>Pub. L. No. 113-101, 128 Stat. 1146 (May 9, 2014). The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006 (FFATA). Pub. L. No. 109-282, 120 Stat. 1186 (Sept. 26, 2006), *codified at* 31 U.S.C. § 6101 note.

<sup>2</sup>See list of related GAO products at the end of this statement.

<sup>3</sup>GAO, *DATA ACT: Improvements Needed in Reviewing Agency Implementation Plans and Monitoring Progress*, [GAO-16-698](#) (Washington, D.C.: July 29, 2016).

<sup>4</sup>GAO, *DATA Act: OMB and Treasury Have Issued Additional Guidance and Have Improved Pilot Design but Implementation Challenges Remain*, [GAO-17-156](#) (Washington, D.C.: Dec. 8, 2016).

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the status of some of GAO's prior recommendations.<sup>5</sup> As part of this work, we analyzed OMB and Treasury documents and interviewed OMB and Treasury staff and officials. We reviewed DATA Act implementation plan updates from the Chief Financial Officers Act of 1990 (CFO Act) agencies to determine challenges they continue to face. In addition, we reviewed documentation from and interviewed officials from various federal agencies to obtain information on (1) agencies' use of technical guidance and (2) design of the pilot for reducing recipient reporting burden (Section 5 Pilot). The work upon which this statement is based was performed in accordance with generally accepted government auditing standards. More details on our scope and methodology can be found in appendix I of the report.

In brief, OMB and Treasury have taken steps to establish a data governance structure, issued additional guidance, and improved the Section 5 Pilot design; however, more work is needed for effective implementation of the DATA Act. In addition, agencies continue to face challenges and are taking steps to mitigate those challenges. I will highlight some of the actions taken and reported challenges that we describe in our report.

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## Data Governance and the Transition to a New Administration

OMB and Treasury have established a new Data Standards Committee that will be responsible for maintaining established standards and developing new data elements or data definitions that could affect more than one functional community (e.g., financial management, financial assistance, and procurement). Although this represents progress in responding to GAO's prior recommendation, more remains to be done to establish a data governance structure that is consistent with leading practices to ensure the integrity of data standards over time.

Several data governance models exist that could inform OMB's and Treasury's efforts. Many of these models promote a common set of key practices that include establishing clear policies and procedures for developing, managing, and enforcing data standards. A common set of key practices endorsed by standard-setting organizations recommends that data governance structures include the key practices shown in the

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<sup>5</sup>See appendix II of the report being released today for the status of all prior GAO report recommendations related to the DATA Act.

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text box below. We have shared these key practices with OMB and Treasury.

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#### Key Practices for Data Governance Structures

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1. Developing and approving data standards.
  2. Managing, controlling, monitoring, and enforcing consistent application of data standards.
  3. Making decisions about changes to existing data standards and resolving conflicts related to the application of data standards.
  4. Obtaining input from stakeholders and involving them in key decisions, as appropriate.
  5. Delineating roles and responsibilities for decision-making and accountability, including roles and responsibilities for stakeholder input on key decisions.
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Source: GAO analysis of selected data governance frameworks. For additional information on these key practices as well as the methodology used to identify them, see [GAO-17-156](#). | GAO-17-282T.

A robust, institutionalized data governance structure is important to provide consistent data management during times of change and transition. The transition to a new administration presents risks to implementing the DATA Act, including potential shifted priorities or loss of momentum. The lack of a robust and institutionalized data governance structure for managing efforts going forward presents additional risks regarding the ability of agencies to meet their statutory deadlines in the event that priorities shift over time.

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## Implementation Plan Updates

In June 2016, OMB directed the 24 CFO Act agencies to update the initial DATA Act implementation plans that they submitted in response to OMB's May 2015 request.<sup>6</sup> In reviewing the 24 CFO Act agencies' August 2016 implementation plan updates, we found that 19 of the 24 CFO Act agencies continue to face challenges implementing the DATA Act. We identified four overarching categories of challenges reported by these agencies that may impede their ability to effectively and efficiently implement the DATA Act: systems integration issues, lack of resources,

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<sup>6</sup>Office of Management and Budget, *Request for Updated DATA Act Implementation Plans by August 12, 2016*, OMB Memorandum to All CFO Act Agencies' DATA Act Senior Accountable Officials (Washington, D.C.: June 15, 2016).

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evolving and complex reporting requirements, and inadequate guidance. To address these challenges, most agencies reported taking mitigating actions, such as making changes to internal policies and procedures, leveraging existing resources, utilizing external resources, and employing manual and temporary workarounds.

However, the information reported by the CFO Act agencies in their implementation plan updates indicates that some agencies are at increased risk of not meeting the May 2017 reporting deadline because of these challenges. In addition, inspectors general for some agencies, such as the Departments of Labor and Housing and Urban Development, have issued readiness review reports indicating that their respective agencies are at risk of not meeting the reporting deadline.<sup>7</sup> As discussed further below, the technical software requirements for agency reporting are still evolving, so any changes to the technical requirements over the next few months could also affect agencies' ability to meet the reporting deadline.

In August 2016, in response to a prior GAO recommendation, OMB established procedures for reviewing and using agency implementation plan updates that include procedures for identifying ongoing challenges. According to the procedures document, OMB will also be monitoring progress toward the statutory deadline and setting up meetings with any of the 24 CFO Act agencies that OMB identifies as being at risk of not meeting the implementation deadline.

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<sup>7</sup>Department of Labor, Office of Inspector General, *The Department Needs to Ensure It Is on Track to Implement DATA Act Requirements*, 17-16-002-13-001 (Washington, D.C.: September 2016), and Department of Housing and Urban Development, Office of Inspector General, *Independent Attestation Review: U.S. Department of Housing and Urban Development, DATA Act Implementation Efforts*, Memorandum No. 2016-FO-0802 (Washington, D.C.: August 2016).

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## Operationalizing Data Standards and Technical Specifications for Data Reporting

In May 2016, in response to a prior GAO recommendation, OMB released additional guidance on reporting financial and award information required under the act to address potential clarity, consistency, and quality issues with the definitions of standardized data elements.<sup>8</sup> While OMB's additional guidance addresses some of the limitations we have previously identified, it does not address all of the clarity issues. For example, we found that this policy guidance does not address the underlying source that can be used to verify the accuracy of non-financial procurement data or any source for data on assistance awards. In addition, in their implementation plan updates, 11 of the 24 CFO Act agencies reported ongoing challenges related to the timely issuance of, and ongoing changes to, OMB policy and Treasury guidance. Eight agencies reported that if policy or technical guidance continues to evolve or be delayed, the agencies' ability to comply with the May 2017 reporting deadline could be affected.

In August 2016, OMB released additional draft guidance on how agencies should report financial information involving specific transactions, such as intragovernmental transfers, and how agency senior accountable officials should provide quality assurances for submitted data. OMB staff told us that this most recent policy guidance was drafted in response to questions and concerns reported by agencies in their implementation plan updates and in meetings with senior OMB and Treasury officials intended to assess agency implementation status. OMB staff told us that they received feedback from 30 different agencies and reviewed over 200 comments on the draft guidance. The final guidance was issued on November 4, 2016.<sup>9</sup>

Although OMB has made some progress with these efforts, other data definitions lack clarity which still needs to be addressed to ensure that agencies report consistent and comparable data. These challenges, as well as the challenges identified by agencies, underscore the need for OMB and Treasury to fully address our prior recommendation to provide agencies with additional guidance to address potential clarity issues.

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<sup>8</sup>Office of Management and Budget, *Additional Guidance for DATA Act Implementation: Implementing a Data Centric Approach for Reporting Federal Spending Information*, Management Procedures Memorandum No. 2016-03 (Washington, D.C.: May 3, 2016).

<sup>9</sup>Office of Management and Budget, *Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability*, OMB Memorandum M-17-04 (Washington, D.C.: Nov. 4, 2016).

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We also noted in our report being released today that the late release of the schema version 1.0 may pose risks for implementation delays at some agencies. The schema version 1.0, released by Treasury on April 29, 2016, is intended to standardize the way financial assistance awards, contracts, and other financial data will be collected and reported under the DATA Act. A key component of the reporting framework laid out in the schema version 1.0 is the DATA Act Broker, a system to standardize data formatting and assist reporting agencies in validating their data prior to submitting them to Treasury. Treasury has been iteratively testing and developing the broker using what Treasury describes as an agile development process. On September 30, 2016, Treasury updated its version of the broker, which it stated was fully capable of performing the key functions of extracting and validating agency data. Treasury officials told us that although they plan to continue to refine the broker to improve its functionality and overall user experience, they have no plans to alter these key functions.

Agencies have reported making progress creating their data submissions and testing them in the broker, but work remains to be done before actual reporting can begin. Some agencies reported in their implementation plan updates that they developed plans for interim solutions to construct these files until vendor-supplied software patches can be developed, tested, and configured that will extract data to help their clients develop files that comply with DATA Act requirements. However, some of these interim solutions rely on manual processing, which can be burdensome and increase the risk for errors.

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## Pilot to Reduce Recipient Reporting Burden

The Section 5 Pilot is designed to develop recommendations to reduce the reporting burden for federal funds recipients. It has two primary focus areas: federal grants and federal contracts (procurements). OMB partnered with the Department of Health and Human Services to design and implement the grants portion of the pilot and with the General Services Administration to implement the procurement portion.

Our review of the revised design for both the grants and procurement portions of the pilot found that they partly met each of the leading practices for effective pilot design (shown in the text box below).

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### Leading Practices for Effective Pilot Design

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1. Establish well-defined, appropriate, clear, and measurable objectives.
2. Clearly articulate an assessment methodology and data gathering strategy that addresses all components of the pilot program and includes key features of a sound plan.
3. Identify criteria or standards for identifying lessons about the pilot to inform decisions about scalability and whether, how, and when to integrate pilot activities into overall efforts.
4. Develop a detailed data-analysis plan to track the pilot program's implementation and performance and evaluate the final results of the project and draw conclusions on whether, how, and when to integrate pilot activities into overall efforts.
5. Ensure appropriate two-way stakeholder communication and input at all stages of the pilot project, including design, implementation, data gathering, and assessment.

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Source: GAO. For additional information on these practices as well as the methodology used to identify them, see [GAO-16-438](#) | [GAO-17-282T](#).

We also determined that the updated design for both portions of the Section 5 Pilot meets the statutory requirements for the pilot established under the DATA Act. Specifically, the DATA Act requires that the pilot program include the following design features: (1) collection of data during a 12-month reporting cycle; (2) a diverse group of federal award recipients and, to the extent practicable, recipients that receive federal awards from multiple programs across multiple agencies; and (3) a combination of federal contracts, grants, and subawards with an aggregate value between \$1 billion and \$2 billion.<sup>10</sup>

Although this represented significant progress since April 2016, we identified an area where further improvement is still needed. Specifically, the plan for the procurement portion of the pilot does not clearly describe and document how findings related to centralized certified payroll reporting will be more broadly applicable to the many other types of required procurement reporting. This is of particular concern given the diversity of federal procurement reporting requirements.

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<sup>10</sup>FFATA, § 5(b)(3), (b)(2)(B), (b)(2)(C), (b)(2)(A).

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Implementation of the grants portion of the pilot is currently under way, but the procurement portion is not scheduled to begin until early 2017. Department of Health and Human Services officials and OMB staff told us that they are recruiting participants and have begun administering data collection instruments for all components of the grants portion of the pilot. However, in late November 2016, OMB staff and General Services Administration officials informed us that they decided to delay further implementation of the procurement portion of the pilot in order to ensure that security procedures designed to protect personally identifiable information were in place. As a result, General Service Administration officials expect to be able to begin collecting data through the centralized reporting portal sometime between late January 2017 and late February 2017. OMB staff stated that despite the delay, they still plan on collecting 12 months of data through the procurement pilot as required by the act.

In our report being released today, we made a new recommendation to OMB that would help ensure that the procurement portion of the Section 5 Pilot better reflects leading practices for effective pilot design. In commenting on the report being released today, OMB neither agreed nor disagreed with the recommendation, but provided an overview of its implementation efforts since passage of the DATA Act. These efforts include issuing three memorandums providing implementation guidance to federal agencies, finalizing 57 data standards for use on USASpending.gov, establishing the Data Standards Committee to develop and maintain standards for federal spending, and developing and executing the Section 5 Pilot. OMB also noted that, along with Treasury, it met with each of the 24 CFO Act agencies to discuss the agency's implementation timeline, unique risks, and risk mitigation strategy and took action to address issues that may affect successful DATA Act implementation. According to OMB, as a result of these one-on-one meetings with agencies, OMB and Treasury learned that in spite of the challenges faced by the agencies, 19 of the 24 CFO Act agencies expect that they will fully meet the May 2017 deadline for DATA Act implementation.

Treasury also provided comments on our report being released today. In its comments, Treasury provided an overview of the steps it has taken to implement the DATA Act's requirements and assist agencies in meeting the requirements under the act, including OMB's and Treasury's issuance of uniform data standards, technical requirements, and implementation guidance. Treasury's response also noted that as a result of the aggressive implementation timelines specified in the act and the complexity associated with linking hundreds of disconnected data

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elements across the federal government, it made the decision to use an iterative approach to provide incremental technical guidance to agencies. Treasury noted, among other things, that this iterative approach enabled agencies and other key stakeholders to provide feedback and contribute to improving the technical guidance and the public website.

Chairman Meadows, Ranking Member Connolly, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to answer any questions that you may have at this time.

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## GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Paula M. Rascona at (202) 512-9816 or [rasconap@gao.gov](mailto:rasconap@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Michael LaForge (Assistant Director), Peter Del Toro (Assistant Director), Maria Belaval, Aaron Colsher, Kathleen Drennan, Thomas Hackney, Diane Morris, Katherine Morris, and Laura Pacheco.

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# Related GAO Products

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*DATA Act: OMB and Treasury Have Issued Additional Guidance and Have Improved Pilot Design but Implementation Challenges Remain.* [GAO-17-156](#). Washington, D.C.: December 8, 2016.

*DATA Act: Initial Observations on Technical Implementation.* [GAO-16-824R](#). Washington, D.C.: August 3, 2016.

*DATA ACT: Improvements Needed in Reviewing Agency Implementation Plans and Monitoring Progress.* [GAO-16-698](#). Washington, D.C.: July 29, 2016.

*DATA Act: Section 5 Pilot Design Issues Need to Be Addressed to Meet Goal of Reducing Recipient Reporting Burden.* [GAO-16-438](#). Washington, D.C.: April 19, 2016.

*DATA Act: Progress Made but Significant Challenges Must Be Addressed to Ensure Full and Effective Implementation.* [GAO-16-556T](#). Washington, D.C.: April 19, 2016.

*DATA Act: Data Standards Established, but More Complete and Timely Guidance Is Needed to Ensure Effective Implementation.* [GAO-16-261](#). Washington, D.C.: January 29, 2016.

*DATA Act: Progress Made in Initial Implementation but Challenges Must be Addressed as Efforts Proceed.* [GAO-15-752T](#). Washington, D.C.: July 29, 2015.

*Federal Data Transparency: Effective Implementation of the DATA Act Would Help Address Government-wide Management Challenges and Improve Oversight.* [GAO-15-241T](#). Washington, D.C.: December 3, 2014.

*Data Transparency: Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website.* [GAO-14-476](#). Washington, D.C.: June 30, 2014.

*Federal Data Transparency: Opportunities Remain to Incorporate Lessons Learned as Availability of Spending Data Increases.* [GAO-13-758](#). Washington, D.C.: September 12, 2013.

*Government Transparency: Efforts to Improve Information on Federal Spending.* [GAO-12-913T](#). Washington, D.C.: July 18, 2012.

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