



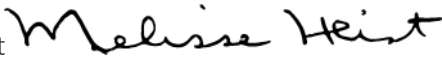
Office of Inspector General

Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

MEMORANDUM

DATE: October 23, 2017

TO: Dana James
Acting Chief Financial Officer and Acting Assistant Director, Office of the Chief Financial Officer
Consumer Financial Protection Bureau

FROM: Melissa Heist 
Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report 2017-FMIC-C-017: *The CFPB Met DATA Act Submission Requirements*

We have completed our report on the subject audit. We audited the Consumer Financial Protection Bureau’s (CFPB) compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act), as required by the act. The objectives of this audit were (1) to assess the completeness, timeliness, accuracy, and quality of the CFPB’s fiscal year (FY) 2017 second quarter financial and award data submitted for publication on USAspending.gov and (2) to assess the CFPB’s implementation and use of the governmentwide financial data standards established by the Office of Management and Budget (OMB) and the U.S. Department of the Treasury (Treasury), as applicable.

To accomplish our objectives, we followed guidance from the Council of the Inspectors General on Integrity and Efficiency’s (CIGIE) 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, CFPB policies and procedures, and other documentation related to the DATA Act. We analyzed a statistically valid, random sample of the CFPB’s FY 2017 second quarter spending data

1. Council of the Inspectors General on Integrity and Efficiency, Federal Audit Executive Council, *Inspectors General Guide to Compliance Under the DATA Act*, February 2017.

submitted for publication on [USAspending.gov](https://www.usaspending.gov). Additional details on our scope and methodology are outlined in attachment A.

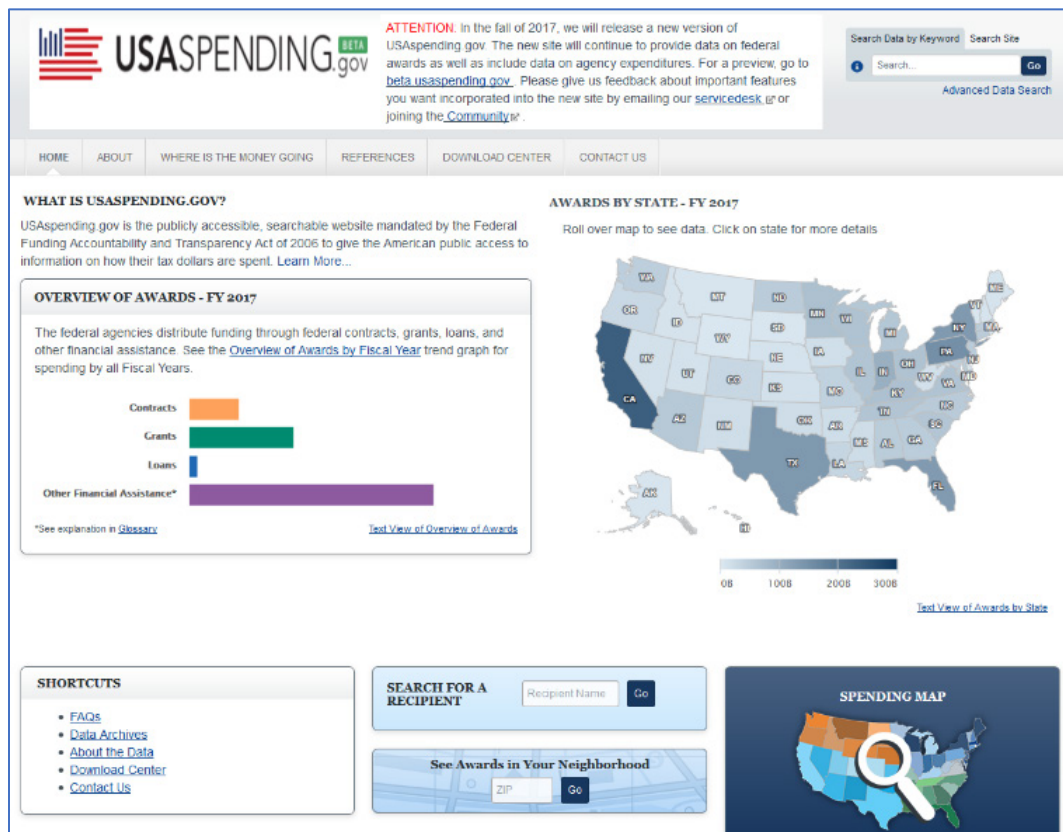
We conducted our fieldwork from May through September 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results based on our audit objectives.

Background

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](https://www.usaspending.gov), that contains obligation data on federal awards and subawards.

The DATA Act expanded FFATA by requiring the disclosure of direct federal agency spending. To improve the quality of reported data, the DATA Act also requires that agency-reported information comply with data standards issued by OMB and Treasury. The data standards are intended to allow taxpayers and policymakers to easily track federal spending with accessible, consistent, reliable, and searchable data, which Treasury presents on the public website [USAspending.gov](https://www.usaspending.gov) (figure 1).

Figure 1. USAspending.gov Homepage



Source: USAspending.gov, accessed August 8, 2017.

The DATA Act also requires Inspectors General to issue a report to Congress assessing the completeness, timeliness, quality, and accuracy of a statistical sample of spending data submitted by the agency and the agency’s implementation and use of the data standards. 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 are providing 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.

Applicability of the DATA Act to the CFPB

The CFPB maintains two funds that it has determined fall under DATA Act reporting requirements. Under the DATA Act, federal agencies are required to disclose spending data. Section 3 of the DATA Act outlines the posting requirements pertaining to certain financial information for funds made available or spent by such agencies. Section 4 of the DATA Act provides for the establishment of governmentwide financial data standards for any federal funds made available to or spent by federal agencies. The CFPB has determined that the DATA Act applies in full to its Consumer Financial Civil Penalty Fund (Civil Penalty Fund) and in part to its Bureau Fund.

Civil Penalty Fund

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the CFPB maintains a fund, the Civil Penalty Fund, into which the CFPB deposits the civil penalties it collects in judicial and administrative actions for violations of federal consumer financial law. Funds in the Civil Penalty Fund are used for payments to the victims of activities for which the civil penalties have been imposed. To the extent that such victims cannot be located or such payments are otherwise not practicable, the CFPB may use funds in the Civil Penalty Fund for the purpose of consumer education and financial literacy programs. The funds in the Civil Penalty Fund are also used for administrative costs, such as contractors' fees, associated with making payments to Civil Penalty Fund victims.

Although the Dodd-Frank Act is silent on whether funds in the Civil Penalty Fund should be construed as government funds or appropriated monies, the CFPB determined that the entirety of the DATA Act and its associated governmentwide financial data standards and guidance apply to the Civil Penalty Fund.

Bureau Fund

The Dodd-Frank Act also required the CFPB to establish the Bureau Fund. The CFPB's programs and operations are funded principally by transfers from the Board of Governors of the Federal Reserve System from the combined earnings of the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. These transferred funds are deposited into the Bureau Fund. The Dodd-Frank Act provides that funds obtained by or transferred to the Bureau Fund are not to be construed as government funds or appropriated monies.

Section 3(b) of the DATA Act requires that federal agencies post certain financial information for any funds made available or spent by that agency. The CFPB determined that subsections 3(b)(1), (2), and (3) of the DATA Act, which require the posting of "appropriations" information, do not apply to the Bureau Fund, because such funds are not to be construed as appropriated monies. The CFPB determined, however, that the posting requirements found at subsection 3(b)(4) are applicable to the Bureau Fund,

because this particular DATA Act requirement is not limited to appropriations information. Although the CFPB determined that not all reportable data were covered by the act, due to system limitations, the CFPB included all reportable Bureau Fund data for the second quarter of FY 2017.

Section 4 of the DATA Act directs Treasury and OMB to establish governmentwide financial data standards for any federal funds made available to or spent by federal agencies and entities receiving such funds. The CFPB determined that these data standards and related guidance do not apply to the Bureau Fund because the Bureau Fund is not a federal fund.

DATA Act Guidance

On May 8, 2015, in accordance with the requirements of the DATA Act, OMB issued OMB Memorandum M-15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable*. OMB M-15-12 includes OMB's and Treasury's guidance to agencies on implementing the DATA Act's governmentwide financial data standards and also addresses agencies' ongoing USAspending.gov reporting requirements.

On May 3, 2016, OMB issued OMB Management Procedures Memorandum 2016-03, *Additional Guidance for DATA Act Implementation: Implementing Data-Centric Approach for Reporting Federal Spending Data*, which provides additional OMB and Treasury guidance in the form of detailed procedures for the reporting of federal spending data in accordance with the DATA Act. Specifically, this OMB memorandum requires that, on a quarterly basis, agency senior accountable officials (SAOs) "must provide reasonable assurance that their internal controls support the reliability and validity of the agency account-level and award-level data they submit to Treasury for publication on USAspending.gov."

On November 4, 2016, OMB issued OMB Memorandum M-17-04, *Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability*, which includes additional guidance on reporting requirements for agency SAOs. This guidance expanded on the SAO requirements to attest to the validity and reliability of the complete DATA Act submission, including the linkages (for example, award identification linkage) between financial and award data.

The CFPB's DATA Act Reporting Process

The CFPB's DATA Act reporting process involves multiple parties: Treasury's Bureau of the Fiscal Service, Administrative Resource Center (BFS ARC), the CFPB's Office of the Chief Financial Officer (OCFO), and the CFPB's Office of the Chief Procurement Officer (OCPO). The CFPB uses two systems for its spending data: Oracle Financials as its source system for all financial data and PRISM as its source system for contract data. The CFPB also uses a governmentwide data broker system (broker), created by Treasury.

- The CFPB maintains an agreement with BFS ARC to provide financial system services and relies on BFS ARC to meet DATA Act reporting requirements.
- BFS ARC uses Oracle Financials and PRISM to perform financial spending data reconciliations and to extract data for reporting to USAspending.gov.
- The OCPO and OCFO teams reconcile the CFPB's spending data recorded in its financial and contract systems, and senior officers provide assurance statements that support the SAO's certification of data submitted for posting on USAspending.gov.

The CFPB uses the broker to submit spending data to USAspending.gov. The broker is designed to standardize data formatting and help federal agencies validate data submissions. The broker uses agency spending data to populate broker files before the data are published to USAspending.gov. The broker files include

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

Files A and B contain summary-level financial data. File C contains required data at the award level. Files D1 and E contain detailed demographic information for award-level transactions. The CFPB does not have files D2 or F because it does not have financial assistance awards, such as grants or loans. These files may contain one or more of the 57 required standard governmentwide data elements, such as account code, subaccount code, and budget authority available amount.

Governmentwide Award Level Linkage Issues

The 2015 OMB memorandum, M-15-12, required all federal agencies to have award identification numbers within their source systems to link award and financial data. OMB's 2016 memorandum, MPM 2016-03, provides additional guidance, requiring agencies to have an identification number in their source systems beginning in January 2017. However, GAO reported that as of April 2017, some government agencies were unable to record data elements, such as unique award identifiers, in their source systems to link the data.² In the GAO report, agencies stated that data elements could not be

2. U.S. Government Accountability Office, *DATA Act: As Reporting Deadline Nears, Challenges Remain That Will Affect Data Quality*, GAO-17-496, April 2017.

recorded in their systems due to the use of different technologies and data elements within their legacy and current financial systems.

Prior to our audit, the CFPB acknowledged to us that it was unable to record unique award identifiers in its source system to link its data, and the agency documented the linkage limitation in its FY 2017 second quarter SAO data submission certification statement. During our audit work, we found that in order to implement the DATA Act reporting requirements, the CFPB revised its financial reporting procedures to ensure that its data were valid and reliable. The CFPB reviewed BFS ARC's reconciliation for accuracy and performed a reconciliation of reported transactions to the source system records. These procedures allowed the CFPB to verify the accuracy and completeness of the data used for publication on USAspending.gov, despite the missing linkages. Based on the financial reporting procedures the CFPB performed, including the reconciliations by the CFPB and BFS ARC, and the procedures we performed as described in attachment A, we determined that the CFPB's data were suitable to perform our testing. CFPB officials informed us that the agency worked with BFS ARC to correct linkage issues within its source systems starting in FY 2017 third quarter.

Results

All Data Were Complete, Timely, Accurate, and of Good Quality

We determined that all data within our sample that the CFPB submitted for publication on USAspending.gov were complete, timely, accurate, and of good quality. We assessed these characteristics using the framework provided in the FAEC guide. We randomly selected and analyzed a statistically valid sample of 86 transactions from a population of 112 total transactions in the CFPB's FY 2017 second quarter. We found no errors in our sample. Specifically, all data submitted were as follows:

- *Complete.* All data contained the applicable elements and were submitted for the proper reporting period.
- *Timely.* All data were reported within 30 days of the quarter's end.
- *Accurate.* Each transaction included the obligated amount and a document number containing a combination of unique identifiers, and all data submitted matched the accounting data in the CFPB's financial systems of record.
- *Quality.* All data were generally of good quality—that is, data were complete, timely, and accurate, and the CFPB's internal controls over source systems and the data submission gave us reasonable assurance that controls were designed, implemented, and operating effectively.

All Applicable DATA Act Standards Were Used

During our testing of the CFPB's spending data, we found that the CFPB implemented and used the governmentwide financial data standards as established by OMB and Treasury, as applicable. For the broker files tested, we generally found that the required elements were present in the file and that the transaction values were presented in accordance with the standards. For example, broker files contained such identifiers as main account code, subaccount code, and program activity.

Management's Response

In its response to our draft report, the CFPB concurred with our audit results and stated that it remains committed to transparency about the CFPB's spending.

Closing

The DATA Act aims to improve transparency by allowing taxpayers and policymakers to easily access consistent, reliable, and searchable federal spending data. We believe that the CFPB's submission of its spending data for posting on USAspending.gov can be relied on and is useful to the American public.

We provided the CFPB with a draft of our report for review and comment. We have included that response as attachment B.

We appreciate the cooperation that we received from the OCFO and the OCPO during our audit. Major contributors to this report were Kimberly Perteet, Senior Auditor and project lead; Monica Cook, Auditor; La' Toya Holt, Auditor; Jordan Keitelman, Auditor; Silvia Vizcarra, OIG Manager; and Cynthia Gray, Senior OIG Manager. Please contact me if you would like to discuss this report or any related issues.

Attachments

cc: Sartaj Alag, Chief Operating Officer and Associate Director, Division of Operations
David Gragan, Chief Procurement Officer and Assistant Director, OCPO
Joshua Galicki, Deputy Chief Procurement Officer, OCPO

Attachment 1

Scope and Methodology

The objectives of this audit were (1) to assess the completeness, timeliness, accuracy, and quality of the CFPB's FY 2017 second quarter financial and award data submitted for publication on USAspending.gov and (2) to assess the CFPB's implementation and use of the governmentwide financial data standards established by OMB and Treasury, as applicable.

To accomplish our objectives, we followed FAEC guidance for Inspector General reviews of agencies' DATA Act compliance.¹ We conducted background research about DATA Act requirements and how the CFPB reports associated data. Specifically, we reviewed the regulatory criteria related to the CFPB's responsibilities to report financial and award data under the DATA Act, OMB and Treasury guidance issued to agencies for DATA Act reporting, GAO work,² and our past work on the CFPB's implementation of the DATA Act.³ We also assessed the internal controls over source systems and the data submission. In addition, we interviewed staff from the CFPB's OCPO and OCFO about their processes to comply with the DATA Act. We also interviewed BFS ARC staff about their role in helping the CFPB meet the DATA Act requirements.

For our first objective, we obtained read-only access to the CFPB's broker files. We selected and analyzed a statistically valid sample of the agency's FY 2017 second quarter data, including associated sample error rates.⁴ Specifically, we selected a random sample of 86 of 112 transactions⁵ contained in broker file C, which contains award-level data linked to summary-level data in broker files A and B.

To determine the suitability of broker file C for sampling, we

- tested that broker file A matched the CFPB's SF 133, which is a governmentwide report that contains information on budgetary resources by fund

1. Council of the Inspectors General on Integrity and Efficiency, Federal Audit Executive Council, *Inspectors General Guide to Compliance Under the DATA Act*, February 2017.
2. U.S. Government Accountability Office, *DATA Act: As Reporting Deadline Nears, Challenges Remain That Will Affect Data Quality*, GAO-17-496, April 2017.
3. Office of Inspector General, *Evaluation of the CFPB's Implementation of the Digital Accountability and Transparency Act of 2014*, [OIG Report 2016-FMIC-C-015](#), November 30, 2016.
4. The DATA Act requires an assessment of a statistical sample of agency spending data.
5. Per the FAEC guide, *transaction* refers to summary-level data or award-level data.

- tested that the totals between broker file A and broker file B agreed
- tested broker files A and B to verify that data were reported in the proper period and that the Treasury Account Symbols, or account identification codes, in broker file A were present in broker file B
- tested that the Treasury Account Symbols in broker files B and C matched
- performed an internal controls assessment of the CFPB source systems and data submission, as discussed below
- assessed both the CFPB's and BFS ARC's reconciliation files and documentation used to confirm that the data submission is correct
- traced and verified the transactions in the CFPB's and BFS ARC's reconciliation reports to the transactions contained within broker file C in order to ensure the transactions within each party's reconciliation were consistent with the transactions reported to USAspending.gov in broker file C

We reviewed the CFPB's internal controls over its source systems to determine whether those controls were designed, implemented, and operating effectively. Specifically, we

- observed walkthroughs conducted by the CFPB Procurement and Financial Management teams of the validation and verification process for data used to populate files A, B, and C, which are submitted to the broker by BFS ARC on their behalf
- interviewed OCPO and OCFO officials about the systems used and the verification and validation checks instituted for each system
- obtained the CFPB's compliance statement for Federal Managers' Financial Integrity Act of 1982 and Federal Financial Management Improvement Act of 1996 requirements
- reviewed the CFPB's financial management and procurement process narratives, which include procedures to address the reporting requirements of the DATA Act

To assess the internal controls over the CFPB's DATA Act submission, we

- reviewed documentation of the CFPB's data management processes, procedures, and controls
- observed and reviewed steps the CFPB and BFS ARC performed to submit data and the remediation actions both entities used to verify underlying source data, given known limitations of the data broker
- obtained documentation of the SAO's quarterly assurance statement that internal controls support the reliability and validity of the agency's summary and award-level data reported for publication on USAspending.gov, along with qualifications regarding the missing data linkages
- reviewed the CFPB Chief Procurement Officer's and Financial Manager's quarterly certification statements and validation processes as well as BFS ARC's reconciliation reports used to provide assurance to the SAO
- verified the CFPB's reconciliation process to ensure that transactions in the file C reconciliation report (which contains raw data) agreed with transactions in broker file C.

We assessed the statistical sample to determine

- *Completeness.* We reviewed the 86 transactions to ensure all transactions that should have been recorded were recorded in the proper reporting period.
- *Timeliness.* We compared our 86 transactions to the dates the transactions posted in the financial system of record to ensure they were completed by April 30, 2017, the deadline of 30 days after the quarter ended.
- *Accuracy.* We verified that the 86 transactions agreed with the systems of record or other authoritative sources.
- *Quality.* Quality is not measurable with a numerical value. As such, to assess quality, we considered the results of testing for completeness, timeliness, and accuracy in addition to our assessments of internal controls over source systems and the data submission.

We also tested the award-level linkages for the 86 transactions in our sample to the additional award and awardee attribute broker files (D1 and E). Of the 5 transactions with proper linkages, we

- verified the validity of the detailed financial information and nonfinancial information in broker file D1 to the underlying source data
- traced transactions to broker file E using unique identifiers to verify that file E included additional nonfinancial elements

Although we evaluated the data elements for the 5 transactions with proper linkages, these data related specifically to the Bureau Fund, for which the CFPB determined that the data standards and related guidance were inapplicable. We did not conduct additional award and awardee attribute testing for the remaining 81 transactions because they did not have proper linkages.

For our second objective, we reviewed the CFPB's use of required data elements in the broker files and verified that transactions contained all applicable data elements required by the DATA Act. We also verified that the applicable transactions contained in the broker files were presented in accordance with the data standards applicable for each transaction.

Attachment 2

Management's Response



1700 G Street NW, Washington, DC 20552

October 13, 2017

Ms. Melissa Heist
Associate Inspector General for Audits and Evaluations
Board of Governors of the Federal Reserve System and
Consumer Financial Protection Bureau
20th and Constitution Avenue
Washington, DC 20551

Dear Ms. Heist,

Thank you for the opportunity to review and comment on the Office of Inspector General's draft report, titled *The CFPB Met DATA Act Submission Requirements*. We appreciate the OIG's engagement with the Consumer Financial Protection Bureau over the course of this review.

We are pleased that your audit found that the Bureau's spending data were complete, timely, accurate, and of good quality, and that all applicable DATA Act standards were used. The Bureau has worked hard to implement and ensure compliance with the DATA Act and we remain committed to transparency about our spending.

Thank you for your review.

Sincerely,

A handwritten signature in blue ink, which appears to read "Dana M. James". The signature is written in a cursive style.

Dana James
Acting Chief Financial Officer

consumerfinance.gov