



*Fiscal Year 2019 Digital Accountability and
Transparency Act Reporting Compliance*

November 7, 2019

Reference Number: 2020-10-003

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Phone Number / 202-622-6500

E-mail Address / TIGTACommunications@tigta.treas.gov

Website / <http://www.treasury.gov/tigta>



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HIGHLIGHTS

FISCAL YEAR 2019 DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT REPORTING COMPLIANCE

Highlights

Final Report issued on November 7, 2019

Highlights of Reference Number: 2020-10-003 to the Commissioner of Internal Revenue.

IMPACT ON TAXPAYERS

The Digital Accountability and Transparency Act of 2014 (DATA Act) requires Federal agencies, including the IRS, to disclose direct expenditures and link Federal contract, loan, and grant spending information to Federal agency programs. Effective implementation of the DATA Act is intended to provide consistent and reliable Governmentwide Federal agency spending data that are available to taxpayers at USAspending.gov.

WHY TIGTA DID THE AUDIT

The DATA Act requires TIGTA, in coordination with the Treasury Office of Inspector General, to review a statistically valid sample of financial and award data and assess 1) the completeness, accuracy, timeliness, and quality of those sample transactions and 2) the use of the Governmentwide financial data standards. This report is the result of TIGTA's review of the IRS's DATA Act submission of Fiscal Year 2019 first quarter spending data.

WHAT TIGTA FOUND

The IRS submitted its Fiscal Year 2019 first quarter spending data by March 2019, as required, for publication on USAspending.gov. Based on a standardized methodology used across Offices of Inspectors General, the IRS received the highest of three possible ratings for overall data quality. However, TIGTA determined that the quality of the spending data, specifically the award (procurement) attribute data, continues to need improvement. TIGTA's review of 86 sample transactions (of the

234 transactions reviewed Treasury-wide) found that additional improvements are needed to ensure the completeness, accuracy, timeliness, and overall quality of the data submitted.

The 86 sample transactions were comprised of 3,576 applicable data elements. TIGTA determined that 147 (4 percent) of the applicable data elements were incomplete and 440 (12 percent) of the applicable data elements were inaccurate. In addition, 300 (8 percent) of the applicable data elements were untimely.

The data quality issues were generally attributable to inconsistencies in interpretation of DATA Act element definitions by contracting officers and a lack of comprehensive quality review processes designed to ensure that contract attribute information is accurately entered into internal and external systems for DATA Act reporting.

In addition, the IRS was substantially compliant in implementing the Governmentwide financial data standards, and the IRS has taken a number of actions to improve internal controls related to DATA Act reporting since our previous review. However, due to the timing of the IRS's implementation of some actions, TIGTA will be unable to confirm their impact until our final mandatory DATA Act audit scheduled for completion in November 2021.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief Financial Officer and the Chief, Procurement, jointly establish procedures to guide the performance of planned quality assurance reviews, such as how frequently the reviews will be performed and how the sample size will be determined, and initiate the reviews.

In their response, IRS management agreed with our recommendation and plans to develop and initiate a quality assurance process.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 7, 2019

MEMORANDUM FOR COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney
Deputy Assistant Inspector General for Audit

SUBJECT: Final Audit Report – Fiscal Year 2019 Digital Accountability and
Transparency Act Reporting Compliance (Audit # 201810005)

This report presents the results of our review of Fiscal Year 2019 Digital Accountability and Transparency Act Reporting Compliance. To comply with the Digital Accountability and Transparency Act of 2014's (DATA Act)¹ requirements, the Office of Treasury Inspector General and the Treasury Inspector General for Tax Administration jointly selected a random, statistically valid sample of 234 transactions from the Department of the Treasury's DATA Act submission of Fiscal Year 2019 first quarter financial and award data and assessed 1) the completeness, accuracy, timeliness, and quality of those sample transactions and 2) the IRS's implementation and use of the Governmentwide financial data standards. This review is included in our Fiscal Year 2020 Annual Audit Plan and addresses the major management challenge of Achieving Operational Efficiencies.

Management's complete response to the draft report is included as Appendix VIII.

Copies of this report are also being sent to the IRS managers affected by the report recommendation. If you have any questions, please contact me or Heather M. Hill, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations).

¹ Pub. L. No. 113-101, 128 Stat. 1146 (2014).



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Abbreviations

CIGIE	Counsel of Inspectors General on Integrity and Efficiency
DATA Act	Digital Accountability and Transparency Act of 2014
DQP	Data Quality Plan
FPDS-NG	Federal Procurement Data System-New Generation
FY	Fiscal Year
GAO	Government Accountability Office
IRS	Internal Revenue Service
OIG	Office of Inspector General
OMB	Office of Management and Budget
TIGTA	Treasury Inspector General for Tax Administration



Fiscal Year 2019 Digital Accountability and Transparency Act Reporting Compliance

Background

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted on May 9, 2014,¹ and expands Section 3 of the Federal Funding Accountability and Transparency Act of 2006² to increase accountability and transparency in Federal spending. The DATA Act, in part, requires Federal agencies to report financial and award data in accordance with the established Governmentwide financial data standards and link Federal contract, loan, and grant spending information to Federal agency programs.

The DATA Act increases accountability and transparency in Federal spending by requiring Federal agencies to report financial and award data in accordance with established standards.

In May 2015, the Office of Management and Budget (OMB) and the Department of the Treasury (hereafter referred to as the Treasury Department) published 57 data definition standards and required Federal agencies to convey financial data in accordance with these standards for DATA Act reporting, beginning January 2017.³ The data elements include, for example, contract award description and current total amount of the award. The IRS submits its information for DATA Act reporting to the Treasury Department through its Treasury Information Executive Repository.⁴ The Treasury Department then submits the consolidated information of all Treasury Department bureaus and offices, including the Internal Revenue Service (IRS), for publication on USAspending.gov, where all taxpayers and Government policymakers can view the information. Agencies began reporting financial data on USAspending.gov in accordance with OMB/Treasury Department established data standards in May 2017.⁵

¹ Pub. L. No. 113-101, 128 Stat. 1146 (2014).

² Pub. L. 109-282, as amended by section 6202 of Public Law 110-252

³ Although the OMB and the Treasury Department issued final data definition standards guidance on May 8, 2015, additional data definition standards related to Federal award reporting were finalized on August 31, 2015, to improve comparability of data reported in connection with the Federal Funding and Accountability Transparency Act's Fiscal Years 2006 and 2008 requirements. For example, Section 2(b) of the Federal Funding and Accountability Transparency Act requires reporting of Federal award-level data to include award title, award amount, recipient, and purpose of the award, among other data elements. Appendix VII lists the 57 DATA Act elements.

⁴ The Treasury Information Executive Repository is a database containing a record of all month-end standard general ledger account balances at the lowest level of attribute detail for each Treasury Account Symbol. The Treasury Account Symbol is an identification code assigned by the Treasury Department, in collaboration with the OMB, to an individual appropriation, receipt, or other fund account. The Treasury Information Executive Repository is owned, operated, and maintained by the Treasury Department.

⁵ Initial agency data report covered the period January 2017 to March 2017 and was required to be submitted and certified by May 2017.



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Federal agency information submitted to USAspending.gov in accordance with DATA Act reporting requirements is comprised of seven data files.

File A: Summary financial information on Agency Appropriation Accounts. An appropriation is a provision of law authorizing the expenditure of funds for a given purpose.

File B: Summary financial information categorized by Object Class and Program Activity. Object Class is the classification of an expense by type, *e.g.*, personnel compensation, and travel and transportation. Program Activity is the classification of an expense by program, *e.g.*, prefilings and education.

File C: Transaction-level financial information on agency procurements and grants. The data include financial information about specific awards, *e.g.*, award funding source.

Files D1 and D2: Transaction-level awardee attribute information on agency procurements and grants, respectively. The data include attribute information about specific awards, *e.g.*, awardee name. It is important to note that procurements (D1) and grants (D2) have different attribute information for specific data elements required for DATA Act reporting.

File E: Additional transaction-level awardee attribute information on agency procurements and grants. The data include additional attribute information about specific awards, *e.g.*, top five company officer compensation.

File F: Transaction-level subawardee attribute information on agency procurements and grants.

DATA Act reporting is also accomplished through direct linkage with various Federal procurement and financial assistance systems. These systems include the System for Award Management, a platform through which entities applying to receive awards from the Federal Government must register, and the Federal Procurement Data System–Next Generation (FPDS-NG), a repository of data related to Government procurement and contracts. DATA Act information is also extracted from the Award Submission Portal, a platform that allows Federal agencies to submit assistance award (grants) data.

To aid agency implementation of the DATA Act's requirements, the OMB provided guidance to agencies.⁶ OMB guidance required all Federal agencies to link agency financial systems with award systems by the use of unique prime Award Identification Numbers for financial assistance

⁶ OMB, Memorandum M-15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable* (May 2015) and OMB, Controller Alert, *DATA Act Implementation and Offices for Financial Assistance Awards* (Dec. 2015).



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awards (grants) and contracts.⁷ Agencies were required to have the Award Identification Number linkage for all modifications (amendments) to awards made after January 1, 2017, for reporting to USAspending.gov. The Award Identification Number serves as the key to connect data across award systems and financial systems. The purpose of this linkage is to facilitate the timely reporting of award-level financial data and to reduce reporting errors.

Additionally, on June 6, 2018, the OMB released OMB M-18-16,⁸ which requires agencies subject to DATA Act reporting to develop a Data Quality Plan (DQP) by Fiscal Year (FY) 2019. Agencies are required to consider incremental risks to data quality in Federal spending data and any controls that would manage such risks, in accordance with OMB Circular A-123. Each plan should focus on the agency's determination of the importance and materiality of the 57 data elements with respect to that agency. This plan must be reviewed and assessed annually by the agency for three years or until the agency determines sufficient controls are in place to achieve the reporting objectives.

Audit requirements

The DATA Act requires a series of oversight reports by Federal Offices of Inspectors General (OIG) in consultation with the Government Accountability Office (GAO). Specifically, the OIGs are required to review: 1) a statistically valid sampling of the spending data submitted by the Federal agency and assess the completeness, accuracy, timeliness, and quality of the data sampled and 2) the implementation and use of the Governmentwide financial data standards. Under the DATA Act, the OIGs provided Congress with their first required reports in November 2017, a one-year delay from the statutory due date, with two subsequent reports, each following on a two-year cycle. This report is the second of the three mandatory OIG audits required by the DATA Act. The scope of this audit is the FY 2019 first quarter financial and award data (procurements and grants) for the IRS as part of the Treasury Department's publication on USAspending.gov.

The Council of Inspectors General on Integrity and Efficiency (CIGIE) developed a common methodological approach for the OIG community to use in performing its mandated work under the DATA Act.⁹ The CIGIE guide provides the following criteria to assess the overall quality of data:

- Completeness of Data Elements - For each of the required data elements that should have been reported, the data elements were reported in the appropriate File.

⁷ The Award Identification Number is the unique identifier of the specific award reported. Financial Assistance Instrument Identifiers are the unique identifiers for grants, and Procurement Instrument Identifiers are the unique identifiers for procurements.

⁸ OMB M-18-16, *Appendix A to OMB Circular No. A-123, Management of Reporting and Data Integrity Risk* (June 6, 2018).

⁹ CIGIE, *Federal Audit Executive Council Inspectors General Guide to Compliance under the DATA Act* (March 2019).



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- Accuracy of Data Elements - Amounts and other data related to recorded transactions were reported in accordance with specified requirements and agreed with the authoritative source records.
- Timeliness of Data Elements - For each of the required data elements that should have been reported, the data elements were reported in accordance with the required reporting schedule.

The overall quality of the data is determined using these three attributes, with the highest of the error rates determining the overall quality. Figure 1 shows the range of results and the associated quality level.

Figure 1: Range of Results and Associated Quality Level

Highest Error Rate	Quality Level
0% - 20%	HIGHER
21% - 40%	MODERATE
41% and Above	LOWER

*Source: CIGIE Federal Audit Executive Council Inspectors
General Guide to Compliance under the DATA Act.*

Because the required CIGIE methodology for this audit varied significantly from the approach used in the last DATA Act audit, completed in November 2017, the results reported in the two reviews are not directly comparable.

Prior Treasury Inspector General for Tax Administration (TIGTA) audits

We conducted two prior audits on DATA Act reporting; one was issued in March 2017, which evaluated the IRS’s readiness to implement DATA Act reporting requirements,¹⁰ and the other, issued in November 2017, was the first required report to evaluate the IRS’s compliance with DATA Act reporting.¹¹ In our audit report on DATA Act implementation readiness, we identified areas that required additional attention. Specifically:

¹⁰ TIGTA, Ref. No. 2017-10-018, *Status of Digital Accountability and Transparency Act Implementation Efforts* (Mar. 2017).

¹¹ TIGTA, Ref. No. 2018-10-006, *Fiscal Year 2017 Digital Accountability and Transparency Act Reporting Compliance* (Nov. 2017).



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- The IRS had not clearly identified the source for 18 of the required 57 data elements or documented how the 57 standardized reporting data elements are used in its business processes.
- The IRS had not finalized the accounting procedures needed to support the posting of transaction-level grant program information in its financial system.
- The IRS Office of Procurement and grant program offices manually entered data for 10 elements related to procurements required for DATA Act reporting. We determined that the IRS could improve the reliability of information related to these 10 elements if data entry were automated.

TIGTA recommended that the Chief Financial Officer update the data source inventory to include all required information and clearly document the data source of all required data elements. In addition, we recommended that the Chief Financial Officer finalize accounting procedures and associated controls to support the posting of transaction-level financial information for IRS grant programs. Finally, we recommended that the Chief, Procurement, should pursue methods of automating the capture of data for the 10 procurement-related elements required for DATA Act reporting. The IRS agreed with our recommendations.

In our November 2017 audit report on DATA Act Reporting compliance, we found that significant improvements were needed to ensure the completeness, accuracy, and overall quality of the procurement and grant information submitted. Specifically, of the 206 procurement and grant transactions TIGTA reviewed, 201 (more than 97 percent) had one or more data elements that were inaccurate. TIGTA recommended that the Chief Financial Officer, in coordination with the Chief, Procurement, and the National Taxpayer Advocate, develop and implement policies and procedures that: 1) clarify the definition of DATA Act elements and associated fields, 2) specify documentation which should be maintained, and 3) provide mandatory training to all contracting officers and grant program staff. TIGTA also recommended quality assurance procedures be enhanced. The IRS agreed with our recommendations.

Audit coordination

Because there is only one submission for publication on USAspending.gov for all Treasury Department bureaus and offices, including the IRS, TIGTA and the Treasury OIG agreed to perform a joint review of the Treasury Department's DATA Act submission of FY 2019 first quarter financial and award data. The Treasury Department's DATA Act submission population consisted of 4,065 transactions. These transactions were divided into two subpopulations: 1) the IRS and 2) all other Treasury Department bureaus and offices. The IRS subpopulation consisted of 1,490 transactions, and the subpopulation for all other Treasury bureaus and offices consisted of 2,575 transactions. TIGTA and the Treasury OIG jointly selected a random, statistically valid sample of 234 of the 4,065 transactions. TIGTA reviewed 86 IRS sample transactions, and the Treasury OIG reviewed the remaining 148 sample transactions for the other Treasury Department bureaus and offices. The Treasury OIG also assessed the overall completeness,



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accuracy, timeliness, and quality of summary financial data reported for all Treasury Department bureaus and offices in the first quarter of FY 2019 (Files A and B). Additionally, the Treasury OIG assessed the reconciliation process between the data in Files B and C for all Treasury Department bureaus and offices. Details on the results of this substantive testing will be reported separately by the Treasury OIG.

As part of our coordination with the Treasury OIG, we agreed to assist if any material differences were identified in the Treasury OIG's reconciliation and review of Treasury Department (including the IRS) files. The Treasury OIG did not identify any IRS differences and, as a result, did not contact us regarding the resolution of any differences of this type. Consequently, TIGTA's focus was on reviewing the financial (File C) and award (procurement (File D1) and grant (File D2)) information included in the IRS's submission to the Treasury Department and assessing it for completeness, accuracy, and timeliness. TIGTA and the Treasury OIG maintained close coordination during our separate DATA Act audits.

This review was performed at the Headquarters offices of the Office of the Chief Financial Officer; Chief, Procurement; and Taxpayer Advocate located in Washington, D.C. This review was also performed at the field offices of the Office of the Chief, Procurement, located in Atlanta, Georgia; Lanham, Maryland; New York City, New York; and Dallas, Texas, and the Wage and Investment Division field office located in Atlanta, Georgia, during the period November 2018 through October 2019. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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Results of Review

Additional Efforts Are Needed to Improve the Quality of IRS Spending Data

The IRS submitted its spending data by March 2019, as required, for publication on USAspending.gov. In addition, based on a standardized assessment methodology developed by the CIGIE, the IRS received the highest (green) of three possible ratings (green, yellow, or red) for data quality. However, TIGTA's review of 86 sample transactions found that additional improvements are needed to ensure the completeness, accuracy, timeliness, and overall quality of the financial and award attribute data submitted.¹² Specifically, we identified award (procurement) attribute data as most in need of improvement.

The 86 sample transactions we reviewed were comprised of 3,576 applicable data elements.¹³ We evaluated the elements based on the 2019 CIGIE Guide requirements that include an assessment of data completeness, accuracy, and timeliness. We determined the following:

- Completeness of Data Elements – 147 (4 percent) of the 3,576 applicable data elements were incomplete. The 147 incomplete elements were missing required information such as the award date and the award total amount.
- Accuracy of Data Elements – 440 (12 percent) of the 3,576 applicable data elements were inaccurate. The 440 data elements with inaccuracies reported data element information on USAspending.gov that did not match the supporting documentation, or for which supporting documentation was not provided.
- Timeliness of Data Elements – 300 (8 percent) of the 3,576 applicable data elements were untimely.

¹² TIGTA's sample of 86 transactions was randomly selected from the population of all IRS procurement and grant transactions. Our sample did not include any grant transactions.

¹³ Some DATA Act elements did not apply to all 86 transactions, such as 'Action Type' and 'Parent Award ID,' etc.



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Figure 2 shows the results of our review of the 86 IRS sampled transactions.

Figure 2: Evaluation of IRS Transactions

IRS Strata	Transaction Population	Transactions Examined	Elements Examined	Elements Incomplete	Elements Inaccurate	Elements Untimely
Procurements	1471	86	3576	147	440	300
Grants	19	0	0	0	0	0
Total	1490	86	3576	147	440	300
Exception Rate				4%	12%	8%

Source: TIGTA analysis of the IRS’s DATA Act transactions.

Based on criteria established in the 2019 CIGIE Guide, the overall quality of the data elements is determined using these three error rates, with the highest of the error rates determining overall quality. A higher quality (green) rating requires that the highest error rate fall between 0 percent and 20 percent. Our analysis determined that the highest error rate was inaccuracy in the IRS’s spending data at 12 percent. Therefore, the overall quality of the IRS data sampled is considered to be higher (green).

Sample testing results

We determined that the majority of the data elements that were incomplete, inaccurate, or untimely relate to File D (attribute) information, such as the primary place of performance address and potential total value of the award.

Incomplete Data

The incomplete elements we identified are attributable to information missing from required fields on File D and untimely submission of contract actions in the FPDS-NG. Untimely submission of contract data results in incompleteness because the data were not available for review at the time we obtained data from the system.

Inaccurate Data

The inaccuracies we identified are primarily the result of continued difficulty by contracting officers in properly determining the correct information to enter for these elements. For example, for the element “primary place of performance address,” contracting officers sometimes incorrectly entered the IRS office location where a product was delivered rather than the location where the product was actually produced as required by the element definition. Because the IRS lacks a comprehensive quality review process designed to ensure that contract attribute information is accurately entered, it is unable to identify these inaccuracies.



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Of the 86 sampled transactions, we determined that the following DATA Act elements listed in Figure 3 had the highest percentage of inaccuracies, *i.e.*, data element information listed on USA Spending.gov did not match the supporting documentation, or support was not provided.¹⁴

Figure 3: DATA Act Elements With Highest Percentage of Inaccuracies

DATA Act Element Name and Definition	Percentage Inaccurate
Ultimate Parent Legal Entity Name <i>The name of the ultimate parent of the awardee or recipient.</i>	52%
Primary Place of Performance Address <i>The location where the predominant performance of the award will be accomplished.</i>	52%
Potential Total Value of Award <i>Total amount that could be obligated on a contract, if the base and all options are exercised.</i>	35%
Current Total Value of Award <i>Total amount obligated to date on an award.</i>	35%
Period of Performance Start Date <i>The date on which, for the award referred to by the action being reported, awardee effort begins or the award is otherwise effective.</i>	33%
Period of Performance Potential End Date <i>For procurement, the date on which, for the award referred to by the action being reported if all potential predetermined or prenegotiated options were exercised, awardee effort is completed or the award is otherwise ended.</i>	28%
Action Date <i>The date the action being reported was issued/signed by the Government or a binding agreement was reached.</i>	28%

Source: TIGTA analysis of sampled IRS DATA Act transactions.

Untimely Data

The untimely elements we identified are attributable to IRS contracting officers entering contract actions in the FPDS-NG late. Some contract actions were not entered into the FPDS-NG before the reporting cutoff for FY 2019 first quarter spending data. Other contract actions were submitted by the reporting cutoff for FY 2019 first quarter spending, but were not submitted by

¹⁴ Some DATA Act elements did not apply to all of the 86 transactions tested. For example, Ultimate Parent Legal Entity Name in Figure 3 only applied to 27 of the 86 transactions.



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the three-day reporting window required by the Federal Acquisition Regulation.¹⁵ The IRS stated that it is in the process of completing enhancements to its contract writing system,¹⁶ which will require that DATA Act procurement element information in the FPDS-NG be finalized concurrent with the entry of information in the IRS's financial system. These enhancements, when complete and operating as described, should help significantly mitigate future instances of untimely/incomplete data elements.

We previously recommended that the IRS enhance quality assurance procedures to improve the accuracy of DATA Act procurement attribute information. The IRS agreed and established a charter outlining responsibility for performance of quality assurance reviews of DATA Act procurement attribute information; however, the reviews themselves have not yet been initiated. In addition, the IRS has not established procedures to guide the performance of these reviews, such as how frequently the reviews will be performed and how the sample size will be determined.

We also previously recommended that the IRS provide training to contracting officers to ensure an understanding of DATA Act attribute element definitions. Although this training was completed and the definitions of DATA Act attribute elements were included in training materials provided to contracting officers, the continued data inaccuracies indicate that additional training and guidance may be warranted. Finally, the lack of ongoing quality assurance reviews makes it difficult to accurately identify which elements may require additional training and/or supplemental instructions.

Without effective internal controls over award attribute data quality, including the performance of regular quality assurance reviews of data accuracy, the IRS will be unable to ensure that spending data it reports on USAspending.gov are consistent and reliable.

Recommendation

Recommendation 1: The Chief Financial Officer and the Chief, Procurement, should jointly 1) establish procedures to guide the performance of the planned quality assurance reviews, such as how frequently the reviews will be performed and how the sample size will be determined and 2) initiate the reviews.

Management's Response: IRS management agreed with our recommendation. The Chief Procurement Officer, working with the Chief Financial Officer, will develop and initiate a quality assurance process addressing the frequency of when the reviews will be performed, and a sample size will be determined to ensure that Data Act procurement attribute information in contract files is appropriate and accurate.

¹⁵ Federal Acquisition Regulation Part 4.6, *Contract Reporting*.

¹⁶ The IRS's contract writing system is a module within the Integrated Financial System. The Procurement for Public Sector module was implemented in October 2017.



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**Governmentwide Financial Data Standards Have Been Implemented
As Required**

In May 2015, the OMB and the Treasury Department published 57 data definition standards and required Federal agencies to convey financial data in accordance with these standards for DATA Act reporting, beginning January 2017. In addition, the DATA Act technical schema, developed by the Treasury Department, details the specifications for the format, structure, and transmission of the required data.

We determined that the IRS was substantially compliant in implementing the Governmentwide financial data standards. We previously reported that the IRS had not determined how it will collect and report grantee matching cash contributions under the Non-Federal Funding Amount data element. The IRS subsequently developed guidelines outlining how it will collect and report these contributions. The IRS also updated the data source inventory that it uses to track the 57 DATA Act data elements and to reflect the updated approach to the Non-Federal Funding Amount data element.

**The IRS Has Generally Improved Other Internal Controls Related to
Digital Accountability and Transparency Act Reporting**

Overall, the IRS has taken a number of actions to improve internal controls related to DATA Act reporting since our previous review. However, due to the timing of the IRS's implementation of some actions, we will be unable to confirm the effectiveness of these internal controls until our final mandatory DATA Act audit scheduled for completion in November 2021. Our assessment of key internal controls related to DATA Act reporting are listed below.

Auto-Population of the FPDS-NG With DATA Act Elements

We previously recommended that the Chief, Procurement, should pursue methods of automating the capture of data for 10 procurement-related elements required for DATA Act reporting. Automated control activities tend to be more reliable because they are less susceptible to human error and are typically more efficient. In July 2019, the IRS reported that it completed the automated capture of these 10 elements. The implementation of this corrective action will be evaluated as part of our final mandatory DATA Act audit.

The DQP

On June 6, 2018, the OMB released OMB M-18-16,¹⁷ which requires agencies subject to DATA Act reporting to develop a DQP by FY 2019. Agencies are required to consider incremental risks to data quality in Federal spending data and any controls that would manage such risks, in

¹⁷ OMB M-18-16, *Appendix A to OMB Circular No. A-123, Management of Reporting and Data Integrity Risk* (June 6, 2018).



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accordance with OMB Circular A-123, in their respective plans. Each plan should focus on the agency's determination of the importance and materiality of the 57 data elements with respect to that agency. This plan must be reviewed and assessed annually by the agency, for three years, or until the agency determines sufficient controls are in place to achieve the reporting objective.

In May 2019, the Treasury Department finalized development of a Department-wide DQP as required by OMB Memorandum M-18-16. The IRS stated that, with concurrence from the Treasury Department, the Treasury Department DQP will serve as the DQP for all Treasury Department offices, and the IRS will not prepare a separate plan. The IRS provided input into the development of the plan as requested. The DQP provides a framework for remediating data quality issues and documents remediation strategies to improve reporting. The development of the Treasury Department DQP was reviewed by the Treasury OIG as part of its mandatory DATA Act audit. IRS actions in support of DQP Department-wide initiatives will be reviewed as part of our final DATA Act mandatory audit.

FY 2019 A-123 Testing – DATA Act Compliance

OMB Circular A-123 requires agencies to provide annual assurance on internal control effectiveness to achieve specific internal control objectives including those related to external reporting requirements. In August 2019, the IRS completed an assessment of internal controls over compliance with the DATA Act. The assessment included a review of DATA Act reporting for a sample of 45 awards. The assessment results noted control deficiencies related to the completeness and accuracy of DATA Act information reported. Assessment recommendations included implementing focused reviews of select elements and an overall improvement in established monitoring and quality review practices. Implementation of these recommendations will be reviewed as part of our final DATA Act mandatory audit.

Data Act Submission Assurance Statement

OMB M-17-4¹⁸ requires that agency DATA Act Senior Accountability Officials or their designees must provide a quarterly assurance that their agency's internal controls support the reliability and validity of the agency account-level and award-level data reported for display on USAspending.gov. This includes controls over financial management systems. The IRS provided a DATA Act Submission Assurance Statement for the first quarter of FY 2019 as required. In this statement, the IRS addressed controls regarding its spending data, agency source systems, and DATA Act submission files (File A–Appropriation Account, File B–Object Class, File C–Award Financial, and File D2–Financial Assistance).

The IRS DATA Act Senior Accountability Official did not certify to the accuracy, reliability, and validity of File D1, which includes attribute information for its procurement awards. The award attribute information provided in File D1 includes data elements such as the award identification number, the Federal contract action obligation amount, and period of performance

¹⁸ OMB M-17-04, *Memorandum for Agency Senior Accountable Officials* (November 2016).



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dates. However, the Treasury Senior Accountability Official provided an assurance statement certifying the completeness, accuracy, and timeliness of agency data for all Treasury Department bureaus and offices (including the IRS) for File D1. The implementation of a program of ongoing quality reviews by the IRS, as previously discussed, would enhance its ability to provide information on File D1 data accuracy as part of its quarterly certification process.

Financial System Information

Our analysis did not identify any differences between financial information reported for the 86 transactions we sampled and information contained in the IRS's Integrated Financial System.

Annual Financial Statement Audit

Our discussions with IRS financial statement auditors from the GAO did not identify financial reporting control weaknesses that would materially affect the IRS's ability to timely and accurately report award and financial information. In the GAO's audits of the IRS's financial statements as of and for the fiscal years ended September 30, 2017, and 2018, the GAO rendered an unmodified opinion on the IRS's financial statements.¹⁹ The GAO found no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements that it tested.

The GAO did report a significant deficiency in internal control over financial reporting systems which concerns general controls relied upon by the administrative and custodial accounting systems. Specifically, the GAO found an issue with mandatory access controls related to the administrative accounting systems of the Integrated Financial System. With the exception of the issues discussed in our audit report, the GAO did not identify any other material weaknesses or significant deficiencies in internal control over financial reporting.

¹⁹ GAO, GAO-18-150, *Financial Audit: IRS's Fiscal Years 2018 and 2017 Financial Statements* (Nov. 9, 2018).



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Appendix I

Detailed Objectives, Scope, and Methodology

The overall objectives of this audit were to assess 1) the completeness, accuracy, timeliness, and quality of the IRS's FY 2019 first quarter financial and award data submitted for publication on USAspending.gov and 2) the IRS's implementation and use of the Governmentwide financial data standards established by the OMB and the Department of the Treasury. To accomplish our objectives, we:

- I. Obtained an understanding of the applicable regulatory criteria, systems, processes, and internal controls the IRS relies on to facilitate the reporting of financial and award data under the DATA Act.¹
- II. Assessed the systems, processes, and internal controls in place over data management and reporting under the DATA Act.
- III. Assessed the completeness, timeliness, quality, and accuracy of the financial and award data reported in the first quarter of FY 2019.
- IV. Reviewed a statistically valid random sample of the IRS's certified FY 2019 first quarter (October through December 2018) financial and award data submitted for publication on USAspending.gov, and assessed the data for completeness, timeliness, quality, and accuracy.

Sampling methodology

The DATA Act requires the Inspector General of each Federal agency to audit a statistically valid sample of the spending data submitted by its Federal agency. In coordination with the Treasury Inspector General, we selected a statistically valid, random sample of certified spending submitted for publication on USAspending.gov, specifically from the reportable award-level transactions included in the Treasury Department's certified data submission for File C. We met with TIGTA's contract statistician to discuss this audit and the associated sampling plan.

The following criteria were used to select the sample:

- Population size – the number of detailed award transactions included in the Treasury Department's quarterly certified data submission were determined by adding the total number of detail award transactions in submission File C, identified as 4,065.

¹ Pub. L. No. 113-101, 128 Stat. 1146 (2014).



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- Confidence level – the percentage of all possible samples that can be expected to include the true population parameter, set at 95 percent.
- Expected error rate – the estimated number of errors in the population to be sampled, set at 80 percent.
- Sample precision – the expected difference between the true population parameter and a sample estimate of that parameter, set at plus or minus 5 percent.
- Sample size – the number of transactions selected for this review was 234 transactions (86 IRS and 148 other Treasury Department bureau transactions). The sample size is based on a 95 percent confidence level, an expected error rate of 50 percent, and a desired sampling precision of 5 percent.
- Review methodology – TIGTA reviewed those transactions applicable to the IRS; the Treasury Inspector General reviewed all other Treasury Department bureau transactions.

Data reliability

We performed validation tests to ensure the reliability of the FY 2019 first quarter Treasury Submission File C (IRS transactions) data we extracted. This testing included evaluating whether all transactions reported contained all expected fields (including award identification number), had values within expected ranges, and had funding codes applicable to the IRS. Overall, we determined that the extracted data were reliable for the purposes of our substantive testing, which focused on an in-depth analysis of the accuracy of selected sample cases through the review of source documentation.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objectives: the IRS's procedures for creating, validating, and submitting the monthly Award Financial submission file; procedures for the reconciliation of award and financial information; and the process used for the quality review of award attribute information. We evaluated these controls by interviewing officials in the Offices of the Chief Financial Officer; Chief, Procurement; Taxpayer Advocate; and Wage and Investment Division, and reviewing the FY 2019 first quarter DATA Assurance Certification and associated corrective action report.



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Appendix II

Major Contributors to This Report

Heather M. Hill, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations)
LaToya R. Penn, Director
Anthony J. Choma, Audit Manager
Kanika Kals, Lead Auditor
Lauren Bourg, Senior Auditor
Trisa M. Brewer, Senior Auditor
Angela Garner, Senior Auditor
Paige Krivda, Senior Auditor
Gary Presley, Senior Auditor
Morgan Little, Auditor



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Appendix III

Report Distribution List

Deputy Commissioner for Operations Support
Deputy Commissioner for Services and Enforcement
Chief Financial Officer
Chief, Procurement
Commissioner, Wage and Investment Division
National Taxpayer Advocate
Director, Office of Legislative Affairs
Director, Enterprise Audit Management



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Appendix IV

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective action will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Reliability of Information – Potential; 440 (12 percent) of the 3,576 applicable data elements we tested from our sample of 86 IRS transactions included in the Department of the Treasury’s FY 2019 first quarter financial and award data submission were inaccurate (see page 7).

Methodology Used to Measure the Reported Benefit:

Department of the Treasury DATA Act¹ spending data submitted in March 2019 consisted of 4,065 transactions. These transactions included the IRS and all other Treasury Department bureaus and offices. The IRS subpopulation consisted of 1,490 transactions, and all other Treasury Department bureaus and offices subpopulations consisted of 2,575 transactions. Based on the formula provided in Data Act guidance, we selected a sample of 234 transactions and stratified the sample in two groups, one for the IRS and the other for all other Treasury Department bureaus. The IRS sample consisted of 86 transactions. The 86 sample transactions we reviewed were comprised of 3,576 applicable data elements. Out of those 3,576 applicable data elements, we found that 440 (12 percent) were inaccurate.

¹ Pub. L. No. 113-101, 128 Stat. 1146 (2014).



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Appendix V

IRS Exceptions Based on Applicable Elements

Data Element Name	Incomplete	Inaccurate	Untimely
Primary Place of Performance Address	5%	52%	9%
Ultimate Parent Legal Entity Name*	4%	52%	15%
Current Total Value of Award	5%	35%	9%
Potential Total Value of Award	5%	35%	9%
Period of Performance Start Date	5%	33%	9%
Action Date	5%	28%	9%
Period of Performance Potential End Date	5%	28%	9%
Period of Performance Current End Date	5%	24%	9%
Ultimate Parent Unique Identifier*	5%	23%	18%
Primary Place of Performance Congressional District	6%	21%	9%
Legal Entity Address	5%	19%	9%
NAICS Code	5%	17%	9%
NAICS Description	5%	16%	9%
Legal Entity Congressional District	5%	15%	9%
Parent Award ID Number*	0%	13%	13%
Federal Action Obligation	5%	13%	9%
Funding Office Name	5%	9%	9%
Funding Office Code	5%	9%	9%
Awardee/Recipient Legal Entity Name	5%	8%	9%
Award Modification / Amendment Number*	7%	7%	14%
Action Type*	7%	7%	14%
Primary Place of Performance Country Code	5%	7%	9%
Primary Place of Performance Country Name	5%	7%	9%
Award Description	5%	6%	9%
Awardee/Recipient Unique Identifier	5%	5%	9%
Object Class	0%	5%	0%
Appropriations Account	0%	5%	0%
Obligation	0%	5%	0%
Program Activity	0%	5%	0%
Legal Entity Country Code	5%	5%	9%
Legal Entity Country Name	5%	5%	9%
Award Type	5%	5%	9%
Award ID Number (PIID/FAIN)	5%	5%	9%
Funding Agency Name	5%	5%	9%
Funding Agency Code	5%	5%	9%
Funding Sub Tier Agency Name	5%	5%	9%
Funding Sub Tier Agency Code	5%	5%	9%
Awarding Agency Name	5%	5%	9%
Awarding Agency Code	5%	5%	9%
Awarding Sub Tier Agency Name	5%	5%	9%
Awarding Sub Tier Agency Code	5%	5%	9%
Awarding Office Name	5%	5%	9%
Awarding Office Code	5%	5%	9%
Ordering Period End Date*	0%	0%	0%

Source: TIGTA analysis of 3,576 applicable elements based on criteria established by the CIGIE.

*Some 'Not Applicable' DATA Act elements identified and not included in calculation.



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Appendix VI

IRS Exceptions Rates Per Sample

Sample Record	Applicable Elements	Incomplete		Inaccurate		Untimely	
		Number	Percent	Number	Percent	Number	Percent
1	41	0	0%	2	5%	0	0%
2	42	1	2%	8	19%	0	0%
3	41	0	0%	2	5%	0	0%
4	41	0	0%	0	0%	0	0%
5	41	0	0%	0	0%	0	0%
6	41	0	0%	1	2%	0	0%
7	41	0	0%	3	7%	0	0%
8	41	0	0%	2	5%	0	0%
9	39	0	0%	0	0%	0	0%
10	43	0	0%	0	0%	0	0%
11	39	0	0%	3	8%	0	0%
12	39	0	0%	1	3%	0	0%
13	39	0	0%	3	8%	0	0%
14	39	0	0%	1	3%	0	0%
15	39	0	0%	3	8%	0	0%
16	39	0	0%	0	0%	0	0%
17	39	0	0%	0	0%	0	0%
18	39	0	0%	4	10%	0	0%
19	41	0	0%	3	7%	0	0%
20	45	0	0%	4	9%	0	0%
21	45	0	0%	4	9%	39	87%
22	45	0	0%	4	9%	0	0%
23	45	0	0%	5	11%	0	0%
24	45	0	0%	4	9%	0	0%
25	45	0	0%	4	9%	0	0%
26	41	0	0%	2	5%	0	0%
27	43	0	0%	1	2%	0	0%
28	45	0	0%	4	9%	0	0%
29	43	0	0%	4	9%	0	0%
30	43	0	0%	5	12%	0	0%
31	41	36	88%	36	88%	36	88%
32	39	0	0%	6	15%	0	0%
33	39	0	0%	2	5%	0	0%
34	41	0	0%	2	5%	0	0%
35	43	38	88%	38	88%	38	88%
36	41	0	0%	2	5%	0	0%
37	43	0	0%	1	2%	0	0%
38	39	0	0%	1	3%	0	0%
39	39	0	0%	0	0%	0	0%
40	39	0	0%	0	0%	0	0%
41	39	0	0%	1	3%	0	0%
42	45	0	0%	10	22%	39	87%
43	43	0	0%	5	12%	0	0%
44	41	0	0%	2	5%	0	0%
45	41	0	0%	1	2%	0	0%



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Sample Record	Applicable Elements	Incomplete		Inaccurate		Untimely	
		Number	Percent	Number	Percent	Number	Percent
46	39	0	0%	2	5%	0	0%
47	39	0	0%	1	3%	0	0%
48	41	36	88%	40	98%	36	88%
49	41	0	0%	4	10%	0	0%
50	41	0	0%	0	0%	0	0%
51	41	0	0%	0	0%	0	0%
52	39	0	0%	3	8%	0	0%
53	39	0	0%	0	0%	0	0%
54	39	0	0%	0	0%	0	0%
55	39	0	0%	4	10%	0	0%
56	39	0	0%	1	3%	0	0%
57	39	0	0%	2	5%	0	0%
58	39	0	0%	4	10%	0	0%
59	41	0	0%	5	12%	0	0%
60	41	36	88%	36	88%	36	88%
61	41	0	0%	2	5%	0	0%
62	41	0	0%	14	34%	0	0%
63	45	0	0%	6	13%	0	0%
64	41	0	0%	3	7%	0	0%
65	41	0	0%	5	12%	0	0%
66	45	0	0%	20	44%	39	87%
67	45	0	0%	5	11%	0	0%
68	45	0	0%	4	9%	0	0%
69	43	0	0%	7	16%	0	0%
70	43	0	0%	6	14%	0	0%
71	43	0	0%	0	0%	0	0%
72	45	0	0%	6	13%	0	0%
73	43	0	0%	3	7%	0	0%
74	43	0	0%	5	12%	0	0%
75	43	0	0%	5	12%	37	86%
76	43	0	0%	4	9%	0	0%
77	41	0	0%	2	5%	0	0%
78	41	0	0%	15	37%	0	0%
79	41	0	0%	6	15%	0	0%
80	44	0	0%	5	11%	0	0%
81	44	0	0%	5	11%	0	0%
82	44	0	0%	5	11%	0	0%
83	44	0	0%	4	9%	0	0%
84	41	0	0%	5	12%	0	0%
85	43	0	0%	5	12%	0	0%
86	44	0	0%	7	16%	0	0%
Total Errors		147		440		300	
Average Error Rate¹		4%		12%		8%	

Source: TIGTA analysis of sampled IRS DATA Act transactions.

¹ 'Average Error Rate' was calculated by taking an average of the percentages for completeness, accuracy, and timeliness.



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Appendix VII

*Digital Accountability and
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57 Data Elements
1. Appropriations Account
2. Budget Authority Appropriated
3. Object Class
4. Obligation
5. Other Budgetary Resources
6. Outlay
7. Program Activity
8. Treasury Account Symbol (excluding sub-account)
9. Unobligated Balance
10. Action Date
11. Action Type
12. Award Description
13. Award Identification Number
14. Award Modification/Amendment Number
15. Award Type
16. Business Type
17. Catalog of Federal Domestic Assistance Number
18. Catalog of Federal Domestic Assistance Title
19. North American Industrial Classification System Code
20. North American Industrial Classification System Description
21. Ordering Period End Date
22. Parent Award Identification Number
23. Period of Performance Current End Date
24. Period of Performance Potential End Date
25. Period of Performance Start Date
26. Primary Place of Performance Address



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57 Data Elements
27. Primary Place of Performance Congressional District
28. Primary Place of Performance Country Code
29. Primary Place of Performance Country Name
30. Record Type
31. Amount of Award
32. Current Total Value of Award
33. Federal Action Obligation
34. Non-Federal Funding Amount
35. Potential Total Value of Award
36. Awardee/Recipient Legal Entity Name
37. Awardee Recipient Unique Identifier
38. Highly Compensated Office Name
39. Highly Compensated Officer Total Compensation
40. Legal Entity Address
41. Legal Entity Congressional District
42. Legal Entity Country Code
43. Legal Entity Country Name
44. Ultimate Parent Legal Entity Name
45. Ultimate Parent Unique Identifier
46. Awarding Agency Code
47. Awarding Agency Name
48. Awarding Office Code
49. Awarding Office Name
50. Awarding Sub Tier Agency Code
51. Awarding Sub Tier Agency Name
52. Funding Agency Code
53. Funding Agency Name
54. Funding Office Code
55. Funding Office Name
56. Funding Sub Tier Agency Code
57. Funding Sub Tier Agency Name

Source: Department of the Treasury DATA Act Data Standards.



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Appendix VIII

Management's Response to the Draft Report



CHIEF FINANCIAL OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

October 24, 2019

MEMORANDUM FOR HEATHER M. HILL
ACTING ASSISTANT INSPECTOR GENERAL FOR AUDIT
(MANAGEMENT SERVICES AND EXEMPT ORGANIZATIONS)

FROM: Ursula S. Gillis 
Chief Financial Officer

SUBJECT: Discussion Draft Audit Report – Fiscal Year 2019 Digital
Accountability and Transparency Act Reporting Compliance
(Audit # 201810005)

Thank you for the opportunity to respond to the draft report from your review of the IRS's compliance with the Digital Accountability and Transparency Act (DATA Act) of 2014 (P.L. 113-101). We agree with the recommendation listed in the draft report and will implement the corrective action detailed in the attachment.

Compliance with this Act focuses primarily on the completeness, accuracy, timeliness, quality and use of governmentwide financial data standards. The IRS has maintained a high degree of financial integrity and confidence in its publicly displayed financial information, evidenced by achieving 19 consecutive unmodified audit opinions.

Since your last audit, the IRS focused primarily on enhancing the completeness, accuracy, timeliness and quality of its data by authoring standard operating procedures, providing training, adding enhancements to automate the data file to FPDS-NG and establishing working groups focused on implementing quality assurance reviews. We are pleased that TIGTA acknowledged our data quality improvement to 88% accurate, showing a major improvement across all files required to be submitted under the DATA Act.

You reviewed 57 DATA Act elements and reported that the IRS was substantially compliant in implementing the governmentwide financial data standards and received the highest of three possible ratings for overall data quality. The IRS takes its compliance requirements seriously and is committed to ensuring our DATA Act submissions comply fully. While authoring standard operating procedures and performing training, we determined that quality assurance reviews needed to be implemented. Therefore, we established a charter between the Chief Financial Officer



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and Procurement offices outlining responsibility for performing quality assurance reviews of DATA Act procurement attribute information.

Moving forward, the IRS will continue to enhance its DATA Act-related quality assurance reviews, processes, systems and education.

If you have any questions, please contact William H. Maglin II, Associate Chief Financial Officer for Financial Management, at 202-803-9730.

Attachment

cc: Legislative Affairs



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Attachment

RECOMMENDATION

The Chief Financial Officer and the Chief, Procurement, should jointly, 1) establish procedures to guide the performance of the planned quality assurance reviews such as how frequently the reviews will be performed and how the sample size will be determined and, 2) initiate the reviews.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The Chief Procurement Officer, working with the Chief Financial Officer, will develop and initiate a quality assurance review process addressing the frequency of when reviews will be performed and the sample size, to ensure DATA Act procurement attribute information in contract files is appropriate and accurate.

IMPLEMENTATION DATE

September 30, 2020

RESPONSIBLE OFFICIAL

Chief Procurement Officer

CORRECTIVE ACTION MONITORING PLAN

N/A