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MEMORANDUM FOR SENIOR ACCOUNTABLE OFFICIALS OVER THE QUALITY OF
FEDERAL SPENDING INFORMATION

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SUBJECT: Open Government Directive – Framework for the Quality of Federal Spending
Information

Transparency and accountability are two fundamental objectives of this Administration. As the stewards of taxpayer dollars, agencies should be transparent about how Federal funds are spent and be held accountable for ensuring that the funds are spent properly and judiciously.

The Open Government Directive, M-10-06, issued on December 8, 2009, instructs executive departments and agencies to take specific actions to implement the principles of transparency, participation, and collaboration. The Directive required agencies to be accountable for the quality of Federal spending information that is publicly disseminated through such public venues as USASpending.gov and other similar websites, and to work to improve the quality and integrity of that information.

Challenges exist, however, with the quality of the Federal spending information. Such challenges include duplication of data, missing transactions and data elements, and inaccurate or untimely data. This document outlines a data quality framework that agencies should adopt in improving the quality of federal spending information that is publicly disseminated. Agencies should take steps to ensure that the data disseminated complies with applicable standards on information quality¹ and that adequate internal controls are in place to ensure the integrity of the data released to the public.

Federal spending information is designed to inform the public on how and where tax dollars are being spent to provide transparency to the Federal government's operations. Agencies should coordinate internally and leverage existing processes to the greatest extent practical when developing and implementing the data quality framework.

¹ The Office of Management and Budget (OMB) established government-wide standards "for ensuring and maximizing" the quality of information (Section 515 of the Treasury and General Government Appropriations Act, 2001 (Pub. L. No. 106-554, 44 U.S.C. § 3516 note), commonly known as the "Information Quality Act" (IQA)) disseminated by Federal agencies. The standards are available at: <http://www.whitehouse.gov/omb/assets/omb/fedreg/reproducible2.pdf>.

Federal spending information includes financial² and associated performance or programmatic data disseminated to the public. This memorandum focuses on the financial data, but, in many cases, the underlying concepts may be applicable to performance and programmatic data as well. Additional guidance on the application of this framework to performance and programmatic data is forthcoming.

Data Quality Framework for Federal Spending Information

Agencies should ensure that information on Federal spending is objective and of high quality. Accordingly, agencies should place an internal controls³ environment over the preparation and dissemination of financial data. This must include implementing an organizational structure, policies, processes, and systems in order to achieve the following three objectives: (1) effectiveness and efficiency of the operations producing and disseminating financial information, (2) reliability of the financial information reported, and (3) compliance with applicable laws and regulations.

The data quality framework for Federal spending information should encompass the five sections below. The concepts and phrases used in this framework can be further understood in reviewing OMB's Circular No. A-123, *Management's Responsibility for Internal Control* (A-123).

Governance

The Senior Accountable Official, as designated by your respective agencies, should coordinate and collaborate across multiple offices. The Senior Accountable Official should leverage the Senior Management Council, or similar governance body, for this coordination and collaboration. The Senior Management Council as addressed in OMB Circular A-123, is a cross-functional governance body within your departments and agencies responsible for assessing the effectiveness of internal controls and monitoring the corrections of deficiencies identified in those controls.

Under this framework, the Senior Management Council should play a critical role identifying aspects of the collection, analysis, and dissemination processes that present a threat to the accuracy, completeness, and timeliness of Federal spending data. It should identify criteria and measures for assessing the quality of agency spending data and the data collection, analysis, and dissemination processes. Using these criteria, it should also review and report on the quality of agency data systems, identify and correct weaknesses in Federal spending data quality, and establish and update agency guidance.

Risk Assessment

To improve the quality of Federal spending information, agencies should, via the governance framework above, use a risk-based approach in reviewing the existing processes and systems used to compile the information and assess the existence of risks in the current environment. Since Federal spending information can widely vary, agencies will need to separately identify those risks. Examples of risks could include, but are not limited to, privacy, confidentiality, and security violations or restrictions; errors; or incomplete data. For those processes or systems that are identified as posing the most risk of misstating or misrepresenting Federal spending information, agencies should redesign or improve those processes or systems. Some significant circumstances that could affect the level of risk include:

- a. Complexity or magnitude of programs, operations, transactions

² For purposes of the framework, Federal spending information includes, but is not limited to, financial data (budgetary and accounting) that has acquisition, program, and/or performance data linked to and reported with that financial data, which is disseminated to the public.

³ The OMB's Circular No. A-123, *Management's Responsibility for Internal Control* (A-123) defines management's overall responsibility for internal control.

- b. Significant new or changed programs or operations
- c. Use of estimates
- d. Inadequate policy over data processes
- e. Extent of manual processes or applications
- f. Decentralized versus centralized reporting
- g. New personnel or significant personnel changes
- h. New or revamped information systems or technology
- i. New or amended laws, regulations, or accounting standards
- j. Findings from Third-party reviews (e.g., Government Accountability Office or Inspector General reports)
- k. Information which, when published individually or combined with other public data, could harm national security, invade personal privacy, or unduly influence market conditions

Each agency should identify key data elements that involve the greatest risk of data quality problems, as well as those data elements of particular interest to the public. Based on the results of each agency’s risk assessment, agencies should establish appropriate controls over the information, with greater controls over higher risk areas than lower risk areas.

General Governing Principles and Control Activities

Governing Principles

Agencies should implement control activities to ensure the quality and integrity of the data, while also leveraging existing processes and activities. There are several key governing principles of data quality that agencies should aim to achieve.

- a. *Presentation and disclosure:*
 - i. Present information in a logical and coherent format with all relevant information included
 - ii. Place information in proper context, so it is clear and understandable
 - iii. Cross-reference information to the same data in other datasets to ensure accuracy
- b. *Existence and occurrence:*
 - i. Report information that resulted from activities or events that occurred
 - ii. Make available adequate⁴ and well documented support of activities or events
 - iii. Ensure that the support for the information is consistent with government-wide guidance⁵
- c. *Rights and obligations:*
 - i. Own and be responsible for the information reported and thus ensure adequate internal controls over that data
- d. *Completeness:*
 - i. Present all required information
 - ii. Implement processes to ensure data completeness, such as using control totals⁶
- e. *Valuation:*

⁴ The definition of “adequate support” is determined by each individual agency.

⁵ For example, OMB Circular A-123, A-123 Appendix A, general information quality standards, and the Federal Acquisition Regulation.

⁶ Agencies should conduct an analysis of the differences between the control totals of the information within the agency’s systems and the information reported publicly.

- i. Assign the information a correct value
- ii. Verify information for reliability consistency within the agency⁷ and with external sources⁸

While these principles are typically followed for financial data, the underlying concepts can likely be applied to performance and programmatic data as well. Additional guidance on the practical application of these principles to performance and programmatic data is forthcoming. As an initial step, the principles should be applied to financial information. Each principle, however, may not apply to all data.

Control Activities

Agencies should perform or use control activities to mitigate risks of misstating, misrepresenting, or losing its information. Several examples of policies, procedures, and mechanisms that agencies should have in place include:

- a. Proper segregation of duties (separate personnel with the authority to initiate a transaction, process the transaction, and review the transaction)
- b. Physical controls and security protocols over assets (limited access to inventories or equipment)
- c. Physical controls and security protocols over access to systems, including information systems
- d. Controls over data center operations
- e. Management of systems and information contained therein, including software acquisition and maintenance
- f. Appropriate documentation regarding these controls

Controls should also be designed to ensure that transactions are properly authorized and processed accurately and that the data is valid and complete. Due to the rapid changes in information technology, controls must also be updated to remain effective.

Communications

Agencies should establish a communications strategy to engage with the public either through websites, social media, or other collaborative efforts. This communication strategy should be incorporated in the overall Open Government Plan. It is important that agencies communicate relevant, reliable, and timely information within and outside their organizations. Agencies are required not only to provide more information at a quicker pace, but also to solicit feedback and collaborate with the public via websites or social media.

Monitoring

Agencies should monitor their data quality for accuracy, timeliness, and completeness. As required by OMB⁹, existing reviews, processes, testing, and risk mitigation activities should be leveraged to the greatest extent possible. Through reviews and testing, agencies should identify deficiencies in the data

⁷ For example, multiple systems capturing the same data elements should produce the same information

⁸ For example, obligational data in the general ledger should be consistent with obligational data reported to Treasury and the OMB, or contract data reported and Federal Procurement Data System should be consistent with similar information reported on public websites

⁹ OMB Circular No. A-123, Appendix A. Internal Control over Financial Reporting, OMB Circular No. A-11, Section 230.5, Assessing the completeness and reliability of performance data, OMB Memorandum Conducting Acquisition Assessments under OMB Circular A-123, M-09-15 Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,

M-10-08 Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates,

quality, as well as the governance, policies, risk assessment, systems and processes, communications, or monitoring. As a result, agencies shall implement and document corrective actions to address the identified deficiencies.

Agencies should develop performance measures to track the accuracy, timeliness, and completeness of Federal spending information. Performance measures may be posted publicly and will assist agencies in monitoring the effectiveness of its current systems and processes and inform on potential changes to the controls.

Data Quality Plans

Each agency must submit to OMB its data quality plan that implements and is consistent with the framework required above. As required by A-123, agencies should already have internal control programs and plans they can leverage for their data quality plans. This data quality plan is the initial step in an iterative process. The plan submitted should encompass the current processes implemented at the agencies. Additional implementation guidance and tools will be published to assist agencies with data quality improvement efforts. As the government-wide long-term strategy is developed and implemented, agencies' data quality plans shall evolve accordingly.

Each data quality plan must be certified¹⁰ by the Senior Accountable Official. The certification should include the following language:

“In connection with the plans detailing information disseminated, as required by the Open Government Directive, the undersigned [TITLE] hereby certifies that the information contained in the attached plan materially represents the identity and other relevant information over the quality and integrity of Federal spending information.”

The data quality plan should include two sections.

Section 1: Implementation of the Data Quality Framework

Section 1 shall describe how the agency will implement the data quality framework outlined in this guidance specifically focused on Federal spending data as follows:

- a. **Governance Structure.** Describe the governance structure and process for providing oversight and improvement of data quality. As noted above, agencies are strongly encouraged to leverage existing governance structures like the Senior Management Council to coordinate agency-wide efforts. Provide the names and titles of the chair and members of the governance body and of the supporting staff to the governance body, frequency of meetings, and the agenda setting process.
- b. **Risk Assessment.** Describe the risk assessment process utilized by the agency and state the high risk areas identified in the assessment; e.g., whether security or privacy issues may arise when the public links related information that has been published separately.
- c. **General Governing Principles and Control Activities.** Describe the policies and procedures implemented relevant to ensure the quality and integrity of Federal spending information. Provide a schedule for review and updating of these policies and procedures. Describe how the policies and procedures address the increased volume of information made publicly available and

¹⁰ Certification includes a signature and date.

the swiftness by which the information is disseminated; e.g., moving from a quarterly or annual dissemination to a monthly dissemination.

- d. **Communications.** Describe the policies and procedures implemented that govern communications with the public and the solicitation of public feedback on Federal spending information; e.g., public website soliciting feedback or collaboration with the public. In addition, identify the central office responsible for disseminating the Federal spending information and how that office interacts with the governance body providing oversight for data quality.
- e. **Monitoring.** Describe the process to develop performance measures and provide the performance metrics currently being used to monitor the quality of spending information. In addition, identify the Federal spending information data sets currently made available to the public and any upcoming data sets that will be made available within the next six months.

Section 2: USASpending.gov Data

Section 2 should describe how the agency data quality plan and control processes, discussed in Section 1, will be applied specifically to Federal spending information submitted for USASpending.gov.

The plan should address the following categories of data separately to accommodate the different types of risks associated with each category.

- a. *Grants:* Mandatory grants, discretionary grants, and cooperative agreements should be reported under the general category of grants
- b. *Loans:* Direct loans, loan guarantees, and defaulted guaranteed loans should be reported under the general category of loans
- c. *Contracts:* Federally awarded contracts should be reported under the general category of contracts
- d. *Other Assistance:* Insurance, direct assistance payments, or other types of assistance should be reported under the general category of other assistance

Within each data category listed above, the agency should discuss how it compiles, reviews, and monitors the quality of data provided to USASpending.gov. If improvements are required, the agency should include a timeline with major milestones to complete such actions.

- a. *Compile*
 - i. List the specific subcategories of awards applicable to your agency (i.e., contracts, direct loans, loan guarantees, defaulted guaranteed loans, mandatory grants, discretionary grants, cooperative agreements, insurance, direct assistance, or other types of assistance) and whether your agency is currently reporting on all types
 - ii. Provide the steps for compiling and reporting the data, by the four spending categories defined above (grants, loans, contracts, and other assistance)
 - iii. Provide the amount of time elapsed between the execution of the transaction and reporting that transaction to USASpending.gov; e.g., execution and reporting of a transaction occurs within the same month, or with a one month lag, etc
- b. *Review*
 - i. Describe the general steps performed during the review process, including identifying the management personnel responsible for reviewing the data prior to submission

- ii. Describe the process to ensure consistency of Federal spending information submitted to USASpending.gov with similar data reported through other venues; (e.g., reported CFDA numbers are consistent with those reported in CFDA programs on www.cfda.gov, obligation/funding amount agrees with obligated balances reported to Treasury and the OMB via FACTS II/SF-133 on a quarterly basis)
- iii. Describe the process to ensure completeness of the Federal spending information; e.g., use of control totals

c. *Monitor*

- i. Provide metrics used internally to monitor the timeliness, completeness, and accuracy of data provided to USASpending.gov
- ii. Provide deficiencies already identified by your agency regarding USASpending.gov information – missing data, erroneous data, delayed reporting, etc

In addition to the plan described above, agencies should complete a template in OMB's MAX system describing the current quality of their Federal spending information in USASpending.gov. Agencies will be separately notified when the template and detailed instructions for populating the template are available on MAX, but no later than March 1st. The template will be required to be updated quarterly until target data quality levels are achieved and sustained.

Submission

Agency data quality plans are due to OMB by April 14, 2010 to Gary Stofko at gstofko@omb.eop.gov. OMB will review the plans and provide initial feedback by April 30, 2010. OMB and agencies will have ongoing discussions on the plans working toward a target of May 14, 2010 to finalize the plans. OMB will require periodic updates to the plans and use portions of the plans to facilitate measurement of progress in the agency's data quality improvement efforts through the potential dashboards that will be publicly available.