



April 2016

DATA ACT

Section 5 Pilot Design Issues Need to Be Addressed to Meet Goal of Reducing Recipient Reporting Burden

Accessible Version

GAO Highlights

Highlights of [GAO-16-438](#), a report to congressional addressees

Why GAO Did This Study

The DATA Act directs OMB or a designated federal agency to establish a pilot program to develop recommendations for simplifying federal award reporting for grants and contracts. The grants portion will test six ways to reduce recipient reporting burden while the procurement portion will initially focus on centralizing contractor reporting of certified payroll. The act requires GAO to review DATA Act implementation as it proceeds.

This report (1) describes OMB's approach to the DATA Act pilot requirements, (2) assesses whether current plans and activities will likely allow OMB and its partners to meet the requirements under the act, and (3) evaluates the extent to which designs for the grants and procurement portions of the pilot are consistent with leading practices. GAO reviewed available pilot documentation; assessed them against leading practices for pilot design; and interviewed staff at OMB, HHS, and GSA, as well as groups representing recipients of federal grants and contracts. GAO will conduct a follow-on review focused on OMB's implementation of its pilot designs.

What GAO Recommends

GAO recommends that OMB (1) clearly document how the procurement portion of the pilot will contribute to the design requirements under the DATA Act and (2) ensure that the design of the procurement portion of the pilot reflects leading practices. OMB, HHS, and GSA did not comment on our recommendations. GAO incorporated technical comments from OMB and HHS where appropriate.

View [GAO-16-438](#). For more information, contact Michelle A. Sager at (202) 512-6806 or sagem@gao.gov.

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What GAO Found

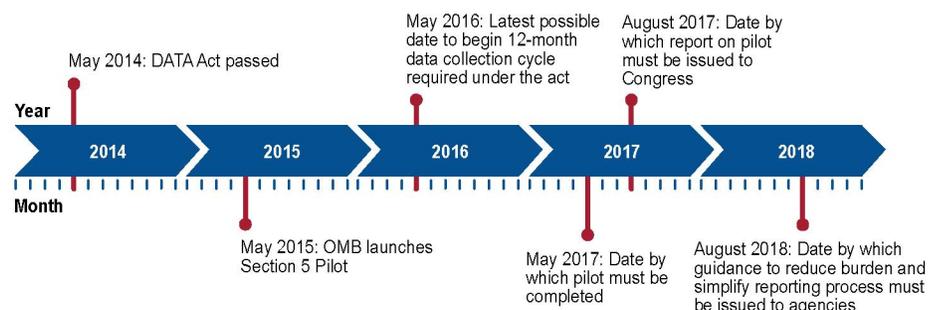
As required by the Digital Accountability and Transparency Act of 2014 (DATA Act), the Office of Management and Budget (OMB) is conducting a pilot program, known as the Section 5 Pilot, aimed at developing recommendations for reducing recipient reporting burden for grantees and contractors. OMB partnered with the Department of Health and Human Services (HHS) to design and implement the grants portion of the pilot, and with the General Services Administration (GSA) to implement the procurement portion. OMB launched the Section 5 Pilot in May 2015 and expects to continue pilot-related activities until at least May 2017.

If implemented according to HHS's proposed plan, the grants portion of the pilot will likely meet the requirements established under the act. In contrast, GAO has concerns with how the procurement portion of the pilot will contribute to the Section 5 Pilot's design requirements. For example, OMB has not fully described how it will select pilot participants that will result in a diverse group of contractors as required by the act. OMB staff stated that they intend to select participants for testing the procurement pilot by using a nongeneralizable sample of contractor data, but they have not provided a detailed, documented sampling plan.

The design of the grants portion of the pilot partially adhered to leading practices. Although five out of the six grants test models had clear and measurable objectives, only one had specific details about how potential findings could be scalable to be generalizable beyond the context of the pilot. HHS officials said they have updated their plan to address these concerns but that plan was not provided in time to allow GAO to analyze it for this review.

The design of the procurement portion of the pilot did not reflect leading practices. For example, the plan did not include specific information on the methodology, strategy, or types of data to be collected. Further, the plan we reviewed did not address the extent to which the proposed pilot approach would be scalable to produce recommendations that could be applied government-wide. The design also did not indicate how data will be evaluated to draw conclusions. Finally, while OMB has solicited general comments related to contractor reporting pain points, it has not released specific details on the design to stakeholders despite their repeated requests for that information.

Section 5 Pilot Activities, Requirements, and Reporting Time Frames



Source: GAO analysis of Public Law 113-101, 128 Stat. 1146. | [GAO-16-438](#)

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Figure 1: Section 5 Pilot Activities, Requirements, and Reporting Time Frames

3

Abbreviations

ACF	Administration for Children and Families
CAOC	Chief Acquisitions Officers' Council
CDER Library	Common Data Element Repository Library
DATA Act	Digital Accountability and Transparency Act of 2014
FAR	Federal Acquisition Regulations
FFATA	Federal Funding Accountability and Transparency Act of 2006
FFR	Federal Financial Report
GSA	General Services Administration
HHS	Department of Health and Human Services

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SME
Treasury

Office of Management and Budget
Office of Federal Procurement Policy
Subject-matter expert
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April 19, 2016

Congressional Addressees:

The federal government awards hundreds of billions of dollars in grants and contracts annually. To help ensure compliance with applicable laws and regulations, the recipients of these funds are required to report spending and other information. However, grant recipients and federal contractors often face challenges related to duplicative and burdensome reporting.

Effective implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act) offers the promise of addressing some of the challenges of duplicative and burdensome reporting as it requires the Office of Management and Budget (OMB) and Department of the Treasury (Treasury) to establish standardized government-wide financial data standards.¹ A key lesson learned from our prior reports on the American Recovery and Reinvestment Act of 2009 is that standardized data could decrease the burden on federal fund recipients and increase the accuracy of the data reported.² In addition, section 5 of the Federal Funding Accountability and Transparency Act of 2006 (FFATA), as amended by the DATA Act, provides another opportunity for simplifying reporting for federal contracts, awards, and subawards. It directs OMB, or a federal agency designated by OMB, to establish a pilot program to develop recommendations for eliminating unnecessary duplication in financial reporting and reducing compliance costs for federal award recipients.³

¹Pub. L. No. 113-101, § 3. 128 Stat. 1146, 1148-1149 (May 9, 2014). The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006 (FFATA). Pub. L. No. 109-282, 120 Stat. 1186 (Sept. 26, 2006), *codified at* 31 U.S.C. § 6101 note. We refer to language added to FFATA by the DATA Act as DATA Act requirements.

²See, for example, GAO, *Federal Data Transparency: Opportunities Remain to Incorporate Lessons Learned as Availability of Spending Data Increases*, [GAO-13-758](#) (Washington, D.C.: Sept. 12, 2013).

³FFATA, § 5(b). We refer to the pilot required by this provision as the “Section 5 Pilot.”

This report is our latest work in response to a statutory provision to review DATA Act implementation.⁴ This report (1) describes the administration’s approach to the Section 5 Pilot requirements, (2) assesses whether current activities and plans that were available during the review period will likely allow OMB and its partners to meet requirements and time frames established under the Section 5 Pilot, and (3) evaluates the extent to which the pilot design are consistent with leading practices.

To address these objectives, we assessed pilot activities by reviewing design documentation from the Department of Health and Human Services (HHS) and OMB’s Office of Federal Procurement Policy (OFPP). Our reviews were based on the latest design plans available at the time—specifically, HHS’s draft plan dated November 16, 2015, and OFPP’s working draft dated November 28, 2015. We interviewed OMB, HHS, and General Services Administration (GSA) officials responsible for implementing section 5 of the act. We also interviewed officials from organizations representing key nonfederal stakeholders, including state governments, private-sector contractors, and other federal fund recipients. To identify leading practices for pilot design, we reviewed past work evaluating and assessing pilots as well as relevant studies from academia and other entities. We plan to conduct a review on the implementation of the pilot and the extent to which its design will allow OMB to develop recommendations for reducing recipient reporting burden later this year. Additional details regarding our objectives, scope, and methodology are provided in appendix I.

We conducted this performance audit from May 2015 to April 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁴See GAO, *DATA Act: Data Standards Established, but More Complete and Timely Guidance Is Needed to Ensure Effective Implementation*, [GAO-16-261](#) (Washington, D.C.: Jan. 29, 2016); *Federal Data Accountability: Preserving Capabilities of Recovery Operations Center Could Help Sustain Oversight of Federal Expenditures*, [GAO-15-814](#) (Washington, D.C.: Sept. 14, 2015); and *DATA Act: Progress Made in Initial Implementation but Challenges Must be Addressed as Efforts Proceed*, [GAO-15-752T](#) (Washington, D.C.: July 29, 2015).

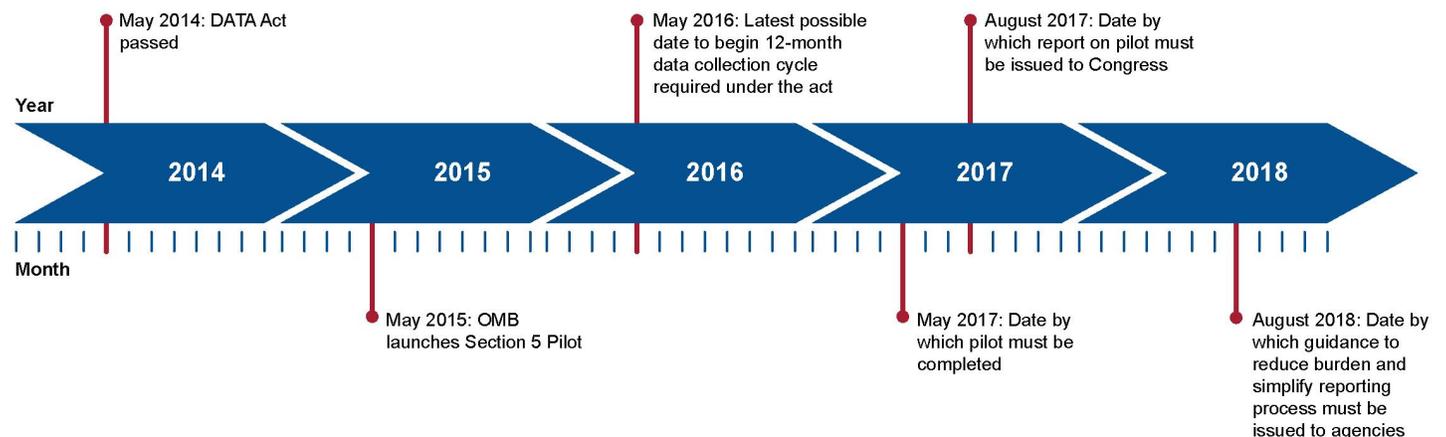
Background

The DATA Act became law in May 2014 and holds considerable promise for shedding more light on how federal funds are spent. To improve the transparency and quality of the federal spending data made available to the public, the DATA Act directed OMB and Treasury to establish government-wide data standards that include common data elements for reporting financial and payment information by May 2015. Under the act, federal agencies must begin reporting financial spending data using these standards by May 2017 and publicly post spending data in a machine-readable format by May 2018.

Section 5 Pilot Requirements for Pilot to Simplify Federal Award Reporting

The DATA Act also requires that OMB, or an agency it designates, establish a pilot program to facilitate the development of recommendations to (1) standardize reporting elements across the federal government, (2) eliminate unnecessary duplication in financial reporting, and (3) reduce compliance costs for recipients of federal awards.⁵ The act established reporting requirements and timeframes for implementation of the pilot. See figure 1 for a timeline of these deadlines.

Figure 1: Section 5 Pilot Activities, Requirements, and Reporting Time Frames



Source: GAO analysis of Public Law 113-101, 128 Stat. 1146. | GAO-16-438

⁵FFATA, § 5(b). Section 3 of the DATA Act amended or added several sections to FFATA, including FFATA's section 5 which contains the requirement for the Section 5 Pilot.

The DATA Act also sets specific requirements related to the pilot’s design. First, the pilot must collect data during a 12-month reporting cycle.⁶ The pilot must also include a diverse group of recipients such as awardees receiving a range of awards as long as the total value of the awards falls within the statutory range.⁷ To the extent practicable, the pilot is to include recipients who receive federal awards from multiple programs across multiple agencies.⁸ Finally, the pilot must include a combination of federal contracts, grants, and subawards with an aggregate value between \$1 billion and \$2 billion.⁹

In addition, OMB must review the information recipients are required to report to identify common reporting elements across the federal government, unnecessary duplication in financial reporting, and unnecessarily burdensome reporting requirements for recipients of federal awards. This review is to be done in consultation with relevant federal agencies and recipients of federal awards, including state and local governments and institutions of higher education.¹⁰

Leading Practices for Effective Pilot Design

A well-developed and documented pilot program can help ensure that agency assessments produce information needed to make effective program and policy decisions. Such a process enhances the quality, credibility, and usefulness of evaluations in addition to helping to ensure that time and resources are used effectively. We have identified five leading practices that, taken together, form a framework for effective pilot design. To identify these practices, we reviewed our prior work as well as academic literature related to the design of pilot and evaluation programs.¹¹ By

⁶FFATA, § 5(b)(3).

⁷FFATA, § 5(b)(2)(B).

⁸FFATA, § 5(b)(2)(C).

⁹FFATA, § 5(b)(2)(A).

¹⁰FFATA, § 5(a).

¹¹For example, see GAO, *Small Businesses: IRS Considers Taxpayer Burden in Tax Administration, but Needs a Plan to Evaluate the Use of Payment Card Information for Compliance Efforts*, [GAO-15-513](#) (Washington, D.C.: June 30, 2015); *Tax Administration: IRS Needs to Strengthen Its Approach for Evaluating the SRFMI Data-Sharing Pilot Program*, [GAO-09-45](#) (Washington, D.C.: Nov. 7, 2008); and Wolfensohn Center for Development, *Scaling Up: A Framework and Lessons for Development Effectiveness from Literature and Practice* (Washington, D.C.: The Brookings Institution, October 2008).

following these leading practices, agencies can promote a consistent and effective pilot design process. We shared these practices with OMB, HHS, and GSA staff, who found them to be reasonable and appropriate, and applicable to the Section 5 Pilot.

1. *Establish well-defined, appropriate, clear, and measurable objectives.*

Such objectives should have specific statements of the accomplishments necessary to meet the objectives. Clear and measurable objectives can help ensure that appropriate evaluation data are collected from the outset of pilot implementation so that data will subsequently be available to measure performance against the objectives. Broad study objectives should be translated into specific, researchable questions that articulate what will be assessed.

2. *Clearly articulate assessment methodology and data gathering strategy that addresses all components of the pilot program and includes key features of a sound plan.*

Key features of a clearly articulated methodology include a strategy for comparing the pilot implementation and results with other efforts, a clear plan that details the type and source of the data necessary to evaluate the pilot, and methods for data collection including the timing and frequency.

3. *Identify criteria or standards for identifying lessons about the pilot to inform decisions about scalability and whether, how, and when to integrate pilot activities into overall efforts.*

The purpose of a pilot is generally to inform a decision on whether and how to implement a new approach in a broader context. Therefore, it is critically important to consider how well the lessons learned from the pilot can be applied in other, broader settings. To assess scalability, criteria should relate to the similarity or comparability of the pilot to the range of circumstances and population expected in full implementation. The criteria or standards can be based on lessons from past experiences or other related efforts known to influence implementation and performance as well as on literature reviews and stakeholder input, among other sources. The criteria and standards should be observable and measurable events, actions, or characteristics that provide evidence that the pilot objectives have been met. Choosing well-regarded criteria against which to make comparisons can lead to strong, defensible conclusions.

-
4. *Develop a detailed data-analysis plan to track the pilot program's implementation and performance and evaluate the final results of the project and draw conclusions on whether, how, and when to integrate pilot activities into overall efforts.*

A detailed data-analysis plan identifies who will do the analysis as well as when and how data will be analyzed to measure the pilot program's implementation and performance. The results will show the successes and challenges of the pilot, and in turn, how the pilot can be incorporated into broader efforts. Some elements of a detailed data-analysis plan include talking to users, managers, and developers; evaluating the lessons learned to improve procedures moving forward; and other appropriate measures.

5. *Ensure appropriate two-way stakeholder communication and input at all stages of the pilot project, including design, implementation, data gathering, and assessment*

Appropriate two-way stakeholder communication and input should occur at all stages of the pilot, including design, implementation, data gathering, and assessment. Failure to effectively engage with stakeholders, and understand and address their views can undermine or derail an initiative. To that end, it is critical that agencies identify who the relevant stakeholders are, and communicate early and often to address their concerns and convey the initiative's overarching benefits.

OMB Is Conducting a Pilot Focused on Reducing Grantee and Contractor Reporting Burden to Meet Its Requirements under Section 5

OMB has established a Section 5 Pilot with two primary focus areas—one on federal grants and another on federal contracts (procurement). OMB's Office of Federal Financial Management is responsible for the grants portion of the pilot and has designated the Department of Health and Human Services (HHS) to serve as its executing agent. On the contracting side, OMB's OFPP is responsible for leading the procurement portion and is working with various entities including 18F and the Chief Acquisitions Officers' Council (CAOC).¹² Specifically, 18F is designing the system to be tested as part of the pilot. GSA's Office of Government-wide Policy is responsible for providing federal register notices; and its Integrated Award Environment provides guidance and technical considerations. OMB launched a number of pilot-related initiatives in May 2015 and expects to continue activities until at least May 2017.

Grants Portion of the Pilot Will Test Six Ways to Reduce Grantee Reporting Burden

As the executing agent for the grants portion of the pilot, HHS has developed six "test models" that will evaluate different approaches to potentially reducing grantee reporting burden. These six models are the specific grants tools, forms, or processes that will be tested and analyzed under the pilot to determine if adopting these changes will actually contribute to the program's objectives of reducing reporting burden, duplication, and compliance costs.

Taken as a whole, the six test models examine a variety of grant reporting issues that HHS has identified as presenting challenges. HHS officials told us that they have received comments through the National Dialogue, a website for grant recipients and contractors to discuss issues including compliance costs, reporting burden, eliminating duplication, and standardizing processes. In addition, the officials obtained feedback on areas of concern from grantees involved in earlier HHS efforts to streamline grants reporting. They used that information to inform the development of the six test models.

Officials from advocacy groups representing grant recipients and federal contractors told us that they initially expected the grants portion of the pilot to be an extension of the Grants Reporting Information Project

¹²18F is an organization within GSA whose mission is to transform the way the government builds and buys information technology, with an emphasis on public-facing digital services. 18F is a fee-driven organization, largely operating interagency agreements to provide services including consultation and design/build for digital services.

(GRIP) proof of concept that was launched following the enactment of the American Recovery and Reinvestment Act of 2009 rather than the six test models.¹³ HHS officials told us they would have liked to more fully replicate the GRIP, however, that would have required broader participation from agencies than was available for the Section 5 Pilot.

The following provides high-level summaries of each of the six test models. For additional details, see appendix II.

- HHS intends to assess whether an online and searchable repository for data standards will facilitate grant reporting. To do this, HHS developed the Common Data Element Repository (CDER) Library, which is intended to be an authorized source for data elements and definitions for use by the federal government and recipients reporting grant information.¹⁴

The CDER Library is also intended to encourage the use of common definitions for grants-related terms by nonfederal stakeholders and federal agencies. As of March 2016, the publicly-available version of the CDER Library contained 112 data elements from a variety of sources, including the Federal Acquisition Regulation (FAR), OMB Circular A-11, and the Uniform Grant Guidance. It also included several data elements standardized in accordance with DATA Act requirements.¹⁵

- HHS has developed a version of the CDER Library, accessible only to federal agencies, that contains a much more detailed database of more than 9,000 elements. This federal-agency-only version of the CDER Library also identifies which grant reporting forms these data elements come from so that users can see how many forms require the same data element and which agencies request that information

¹³In a proof of concept involving nine grant recipients and two federal agencies, the GRIP captured data elements from OMB's standardized grant expenditure reporting form, Standard Form 425, as well as subrecipient and vendor expense data. The GRIP also tested whether such a system could lessen reporting burden and improve the accuracy of the data submitted by fund recipients. For more information, see Recovery Accountability and Transparency Board, *Grants Reporting Information Project (GRIP)*, (Washington, D.C.: June 2013).

¹⁴See <https://repository.usaspending.gov/poc-tool/>.

¹⁵As of March 2016, the CDER Library contained 15 data elements that were finalized by OMB and Treasury on May 8, 2015. According to HHS officials, the remaining 42 data elements that were finalized later in the summer of 2015 have not yet been included. For more information on data standards established under the DATA Act, see [GAO-16-261](#).

from grantees. HHS officials told us that they believe the CDER Library has the potential to be a powerful tool for streamlining definitions and forms.

- HHS intends to test whether it will be possible to use a consolidated Federal Financial Report (FFR) to allow grantees to submit multiple reporting forms into one system. The FFR, reported on the Standard Form 425, is used for reporting grants expenditures for the recipients of federal assistance. HHS believes that a consolidated FFR will allow participants to submit complete information once instead of through multiple entry points. A consolidated FFR could provide a single point of data entry, earlier validation of FFR data, and potential future streamlining of the grants close-out process.

According to HHS officials, this test model is intended to be a continuation of the GRIP launched during the American Recovery and Reinvestment Act of 2009. The aim of that effort was to determine the feasibility of developing a centralized government-wide collection system for federal agencies and recipients of federal awards.

- HHS is examining ways to reduce duplicate and redundant information contained in Single Audit forms.¹⁶ The Single Audit Act requires states, local governments, and nonprofit organizations expending \$750,000 or more in federal awards in a year to obtain an audit in accordance with the requirements set forth in the act. HHS intends to test whether some grant forms related to the single audit could be combined.¹⁷
- HHS plans to examine whether a consolidated Notice of Award coversheet might reduce reporting burden by allowing grant recipients to locate required

¹⁶A Single Audit consists of (1) an audit and opinions on the fair presentation of the financial statements and the Schedule of Expenditures of Federal Awards; (2) gaining an understanding of and testing internal control over financial reporting and the entity's compliance with laws, regulations, and contract or grant provisions that have a direct and material effect on certain federal programs (i.e., the program requirements); and (3) an audit and an opinion on compliance with applicable program requirements for certain federal programs. Congress passed the Single Audit Act, as amended, to promote, among other things, sound financial management, including effective internal controls, with respect to federal awards administered by nonfederal entities.

¹⁷HHS intends to seek ways to consolidate the Single Audit Data Collection and Schedule of Expenditures of Federal Awards forms under this test model.

reporting data in one place, rather than attempting to find information on coversheets that differ by agency.¹⁸

- HHS added a new section to the Grants.gov website, called Learn Grants, intended to make it easier for stakeholders to find, learn about, and apply for federal grants.¹⁹ The Learn Grants website provides links to grant policies, processes, funding, and other grant lifecycle information. HHS officials said they want to use this test model to determine whether the Learn Grants site could effectively engage stakeholders and provide training early in the grants lifecycle process that, in turn, would have a positive effect on recipient compliance during post-award activities.

Procurement Portion of the Pilot Will Focus on Centralizing Certified Payroll Reporting

The procurement portion of the pilot will be focused on examining the feasibility of centralizing the reporting of certain required information. Depending on the contract, there may be many types of information contractors must report. OFPP staff told us the pilot will initially focus on the reporting of certified payroll. This is one specific FAR requirement only applicable to contracts for construction within the United States.²⁰ Specifically, OFPP has identified opportunities to improve upon the current unstandardized reporting format under which some employers report data

¹⁸The Notice of Award is a document that contains information that grant recipients need in order to perform routine administrative operations. These documents often differ in format and content across agencies as well as departments within agencies. HHS officials have come to understand that these coversheets have become a burden when grant recipients with funding from various government sources need to search for information across awards.

¹⁹See <http://www.grants.gov/web/grants/learn-grants.html>.

²⁰The Davis-Bacon Act requires contractors and subcontractors working on federally funded contracts in excess of \$2,000 to pay at least locally prevailing wages to laborers and mechanics. The act covers both new construction and the alteration or repair of existing public buildings and works. The Department of Labor sets prevailing wage rates for various job categories in a local area on the basis of periodic surveys it conducts of contractors, unions, public officials, and other interested parties. Congress has extended this requirement beyond projects funded directly by the federal government by including Davis-Bacon Act prevailing wage provisions in numerous related laws under which federal agencies assist construction projects through grants, loans, guarantees, insurance, and other methods. Examples of related laws include the Federal-Aid Highway Acts, the Housing and Community Development Act of 1974, and the Federal Water Pollution Control Act. In addition to paying no less than locally prevailing wages, contractors for construction projects that are subject to the Davis-Bacon Act must pay their workers weekly and submit weekly certified payroll records. OFPP's pilot would test whether a centralized portal would simplify this reporting process.

electronically while others use manual paper processes. Further, OFPP intends to identify which data elements would be included in reporting, the method of data transmission, and other related details.

This narrow approach stands in contrast to the grants portion of the pilot where HHS has a broader, more comprehensive plan to explore several areas where grantee reporting burden might be reduced. OFPP staff explained that its decision to focus on certified payroll reporting arose out of feedback from the procurement community. They also noted that the Section 5 Pilot is one of a number of government-wide initiatives to reduce contractor burden and streamline procurement processes, such as GSA's Integrated Award Environment initiative to integrate acquisition systems into one streamlined environment.

To better understand the issue of certified payroll reporting and its potential suitability as a subject for the procurement portion of the Section 5 Pilot, the CAOC engaged GSA's 18F through an interagency agreement to interview contractors, contracting officers, business owners, government employees, and subject-matter experts (SME). As a result of that effort, 18F identified major categories of burdens and constraints related to certified payroll reporting and potential recommendations on how to address them.²¹

OFPP staff said they once again worked with 18F in winter 2016 to gather requirements for building a prototype system to centralize the reporting of certified payroll data. The 18F staff we spoke with noted that they will build a prototype to explore potential solutions for reducing contractor burden through user research and testing. OFPP staff will develop and evaluate metrics for the pilot. OFPP intends to test the system in summer 2016.

²¹In addition to the absence of standardized reporting formats, requirements, and processes, 18F found that small businesses are less able to bear the burden of Davis-Bacon reporting compliance because they have less administrative support and financial reserves. Further, 18F found that contractors lack plain-language guidance and timely feedback to help them understand and successfully comply with reporting requirements.

National Dialogue Sought Feedback from Grantees and Contractors on Ways to Simplify Federal Award Reporting

In May 2015, OMB, CAOC, GSA, and HHS launched the National Dialogue, a website for grant recipients and federal contractors to discuss issues including compliance costs, reporting burden, eliminating duplication, and standardizing processes. OMB staff told us that they used the National Dialogue as a feedback mechanism for the grants and procurement portions of the pilot. This was one of the first publicly announced pilot-related activities. The website will accept comments through May 2017. OMB and GSA staff told us that they plan to actively review and address the input they receive.

The website is intended to be a useful tool for obtaining information about issues of concern to their respective communities. Discussions related to grantee reporting have been significantly more active than those focused on procurement. Although the comments vary widely in topic, there are a number of substantive suggestions for how grantee reporting burdens can be reduced. While HHS officials told us that the dialogue was intentionally designed so that feedback would be submitted anonymously, some commenters have self-identified the institution they represent, including the Council on Governmental Relations, Association on American Universities, Association of Public and Land-grant Universities, and Coalition for Government Procurement.

The Grants Portion of Section 5 Pilot Is Generally On Track to Meet DATA Act Requirements but the Procurement Portion Is Not

The Design of the Grants Portion of the Pilot Is Generally On Track to Meet DATA Act Requirements

If HHS effectively implements its stated plans for the grants portion of the Section 5 Pilot, it is likely that the grants portion of the pilot will comply with the act. These requirements call for the grants portion's design to include the following:

DATA Act Requirement 1: Collect data during a 12-month reporting cycle.²² HHS's November 2015 design documentation shows that it will begin collecting data for these six test models by May 2016. This would allow for data to be collected on these test models during a 12-month reporting cycle before May 2017, when the pilot is required to terminate. We believe these timeframes should provide sufficient time for HHS to incorporate public comments by May 2016 and allow for a full 12-month data collection cycle.

DATA Act Requirement 2: Include a diverse group of federal award recipients and, to the extent practicable, recipients who receive federal awards from multiple programs across multiple agencies.²³ HHS officials told us that they have developed a detailed plan to select participants, which will include state and local governments, universities, and other types of grant recipients. HHS officials explained that the grants portion of the pilot will include recipients who received a range of federal funding amounts and will not be limited to one agency or grant program.

HHS officials initially told us that they could not provide us with the revised plan because it was still under review by OMB. We did receive a copy of the revised plan at the end of March 2016, but because of the timing we were unable to fully review it in time for the release of this report. We will provide our assessment of the plan as part of future work as we continue to monitor the design and implementation of the Section 5 Pilot.

DATA Act Requirement 3: Include a combination of federal contracts, grants, and subawards, with an aggregate value of not less than \$1 billion but not more than \$2 billion.²⁴ HHS officials told us that they are still determining how to meet the requirement for total award value because they want to ensure the pool of pilot participants is as diverse and large as possible while still being legally compliant. Specifically, one of their selection considerations is the award value of grants received by awardees. Further, HHS officials have explored strategies to ensure that they do not exceed the maximum dollar amount threshold. HHS officials told us that

²²FFATA, § 5(b)(3).

²³FFATA, § 5(b)(2)(B), (C).

²⁴FFATA, § 5(b)(2)(A).

they expect to make decisions related to how to meet this requirement in early 2016.

The Design of the Procurement Portion May Not Contribute to Pilot's Ability to Meet DATA Act Requirements

We have concerns about the extent that the design of the procurement portion of the pilot reflects the requirements specified in the DATA Act. OFPP's plans to address those statutory design requirements discussed below reflect the status of the procurement portion of the pilot described by OFPP staff and related documents we reviewed.

DATA Act Requirement 1: Collect data during a 12-month reporting cycle. The design of the procurement portion of the pilot is at risk of not including data collected during a 12-month reporting cycle in a meaningful way. To meet this requirement, OFPP and GSA would need to begin collecting data no later than May 9, 2016.

When we spoke with OFPP staff, they stated that by launching the National Dialogue in May 2015, they believe they will have met the act's requirements that data collection take place during a 12-month reporting cycle. Further, staff also considered comments received from other efforts including the *Open Dialogue on Improving How to Do Business with the Federal Government* conducted in 2014 to meet this requirement.²⁵

However, neither of these dialogues included comments that specifically mentioned the issue of certified payroll. As a result, we do not believe those comments provide meaningful and relevant data on the effectiveness of a centralized portal for certified payroll reporting.

As a result of design and development delays, OFPP will not be able to collect meaningful and useful data for the procurement portion of the pilot until summer 2016, when it expects to complete the development of a centralized portal through which participants will submit certified payroll data. OFPP started exploring ways to streamline certified payroll reporting in spring 2015.

²⁵The dialogue was conducted by the CAOC, in coordination with the Federal Acquisition Regulatory Council, the Chief Information Officers Council, and OFPP. This dialogue was part of an effort to improve the economy and efficiency of the federal acquisition system by identifying impactful steps that can be taken to make it easier for agencies to do business with the best companies and enter into contracts that allow these companies to provide their best solutions for the taxpayer.

OFPP said that due to staffing challenges, work on designing a prototype for a system to be tested under the pilot did not begin until late February 2016. At that time, the CAOC signed an agreement with GSA's 18F to begin what it expected to be a 10-week design period. Cognizant staff expect this design work will take place between March and May 2016. However, a contractor cannot begin building an actual "production" version of the system to be tested under the pilot until 18F designs the prototype, which is expected to be completed by the beginning of May 2016. Therefore, this leaves at most a few weeks to develop the centralized reporting portal before May 9, 2016—the date which the pilot must begin for meaningful and useful data to be collected in a full 12-month period. OFPP staff told us that they do not intend to begin testing a centralized reporting portal until late summer 2016.

According to OFPP and GSA staff, they were faced with delays due to bid protests related to the contracting mechanism GSA intends to use to select a contractor to build the portal to be tested under the pilot.²⁶ However, as of March 2016, these bid protests have been resolved and no longer present a barrier in awarding the contract. While we agree that these protests could pose a barrier to awarding the contract to develop the testing portal, we do not believe that OFPP needed to wait until they were resolved before moving forward with 18F's development of a prototype for the portal.

Given the resolution of these bid protests, OFPP staff said that they are working with 18F to assess the feasibility of expediting project timelines to launch the prototype sooner than expected so that they could potentially collect 10 months of data through the certified payroll reporting portal. Given the weekly or bi-weekly reporting of certified payroll, this approach may result in a sufficient amount of meaningful and useful data on which OFPP can base conclusions related to its hypothesis. However, it is important that OFPP clearly conveys and documents its rationale for how its approach will contribute to the collection of meaningful and useful data consistent with the timeframes established under the act.

²⁶OFPP and GSA intend to use a blanket purchase agreement to purchase the build out of the certified payroll prototype system initiated by 18F to begin testing under the procurement portion of the pilot. In 2015, GSA selected 16 companies to form a pool of contractors eligible to compete for orders from the federal government to provide these types of services. Following the award of the multiple blanket purchase agreements, three contractors filed bid protests with GAO regarding their nonselection and a fourth contractor filed a complaint in federal court, which was later dismissed. The last unresolved protest was withdrawn by the contractor on March 9, 2016.

DATA Act Requirement 2: Include a diverse group of federal award recipients and, to the extent practicable, recipients who receive federal awards from multiple programs across multiple agencies. OFPP and GSA do not yet have a detailed plan for selecting participants that will result in a diverse group of recipients with awards from multiple programs and agencies. However, there is some documentation related to OFPP's approach for selecting participants in the project plan and in a Federal Register notice issued on November 24, 2015.²⁷ For example, the draft plan identifies the Federal Procurement Data System-Next Generation as the mechanism that will be used for identifying which contracts and contractors to include in the pilot.²⁸ OFPP staff also told us that they intend to cover both large and small industries. While valuable information, these documents do not clearly convey how the procurement portion of the pilot would specifically contribute to meeting the act's requirement regarding diversity of participants.

OFPP staff told us that for the purposes of meeting the pilot requirements they consider any individual or group that provided information to the National Dialogue to be a participant in the pilot. However, as previously mentioned, individuals and groups that have commented on the National Dialogue did not provide any comments related to certified payroll. Therefore, it is unclear how they could be considered pilot participants.

Additionally, OFPP staff were unable to tell us how they plan to count commenters that are not contract awardees, but instead are organizations representing groups of federal contractors. It is unclear how OFPP can ensure the universe of commenters is diverse because it does not control who comments on the dialogue.

OFPP staff stated that they also intend to select participants for testing their prototype system using a nongeneralizable sample of contractor

²⁷80 Fed. Reg. 73,187.

²⁸The Federal Procurement Data System-Next Generation provides information on government contracting actions, procurement trends, and the achievement of socioeconomic goals, such as small business participation. Since 1978, the system has been the primary government-wide contracting database and currently serves as the backbone for other contracting data systems such as USAspending.gov—a searchable database of information on federal contracts and other government assistance such as grants and cooperative agreements. For more information, see GAO, Federal Contracting: Observations on the Government's Contracting Data Systems, [GAO-09-1032T](#) (Washington, D.C.: Sept. 29, 2009).

data reported through the Federal Procurement Data System-Next Generation. However, they did not provide us with specific information on how they would ensure that the sample met all requirements under the act, nor did they provide a detailed, documented sampling plan equivalent to the grants portion of the pilot. As a result, it will be important for OFPP to clearly document its rationale for how its approach will allow for the inclusion of a diverse group of federal contractors, as required by the act.

DATA Act Requirement 3: Include a combination of federal contracts, grants, and subawards, with an aggregate value of not less than \$1 billion but not more than \$2 billion. OFPP staff told us OMB could meet this dollar range requirement through the grants and procurement portions of the pilot collectively. Under such an approach, it would be important for each portion of the pilot to know how much it is contributing to meet the required award range. Our understanding of the grants portion of the pilot suggests that it has a plan for doing this. Less apparent are the specifics of how the procurement portion of the pilot would do so.

Design of Grants Portion of the Pilot Partially Adheres to Leading Practices While Design of the Procurement Portion Does Not

We assessed the designs of the grants and procurement portions of the pilot against leading practices that we identified from our prior work and other sources. In continuation of our constructive engagement approach for working with agencies implementing the DATA Act, we shared the results of our analysis with HHS and OFPP staff who told us that they will consider our input as they continue to update and revise their plans.

Design of the Grants Portion of the Pilot Partially Reflects Leading Practices

HHS's November 2015 design for the grants portion of the pilot generally applied leading practices. As noted above, while we have received a revised plan for the design of the grants portion, we were unable to fully review it in time for the release of this report. We will provide our

assessment of that plan in a forthcoming review that will focus on the pilot's implementation.

DATA Act Grants Test Models

Under the Office of Management and Budget's (OMB) direction, the Department of Health and Human Services (HHS) intends to develop recommendations for reducing grantee reporting burden by testing different areas. HHS will develop and test:

- An online repository for data elements and definitions that is intended to be an authoritative source for data elements and definitions, called the Common Data Element Repository (CDER) Library.
- A federal agency-only version of the CDER Library containing more than 9,000 grants data elements that identify which specific grant forms these data elements come from, so that users can see how many forms require the same data element and which agencies request that information.
- A consolidated Federal Financial Report form to allow grantees to submit information once into one system rather than through multiple entry points.
- Combined grants forms related to the Single Audit.
- A consolidated Notice of Award cover sheet for Single Audits.
- An addition to the Grants.gov website called Learn Grants to make it easier for stakeholders to search for, learn about, and apply for federal grants.

Source: GAO analysis of design documents for the grants portion of the Section 5 Pilot. | GAO-16-438

Leading Practice 1: Establish Well-Defined, Appropriate, Clear, and Measurable Objectives. Each of the six grants test models at least partially met the leading practice that pilots have well-defined, appropriate, clear, and measurable objectives. For example, one of the Single Audit test models has the clearly defined objective of testing whether two forms containing duplicative information can be combined to reduce recipient reporting burden. This objective is measurable and appropriately linked to the purposes of the Section 5 Pilot overall, which include eliminating unnecessary duplication in financial reporting and reducing compliance costs for recipients of federal awards. In another example, one of the CDER Library test models has a clearly established objective of determining whether access to an authoritative source for common data element definitions would help grant recipients complete necessary forms accurately and in a timely manner. The CDER Library test model also identifies specific metrics that would allow them to measure whether they are able to achieve its stated objectives.

In our initial review of these test models, we provided feedback to HHS that the other CDER Library test did not have a clear, fully established objective. In response, HHS officials explained that the objective of that test model is to compare data elements and forms used across the federal government with the goal of consolidating these forms and ultimately passing on reporting efficiencies to grant recipients.

Leading Practice 2: Clearly Articulate an Assessment Methodology. Five of the six test models did not clearly articulate an assessment methodology. In contrast, for the Learn Grants test model, HHS described how it planned to use webinars, conference presentations, and other events to increase awareness inside and outside of government about the grants-related resources available on Grants.gov. The plan also includes a detailed timeline for executing the test model, as well as HHS's methodology for conducting pre- and post-tests of pilot participants. HHS officials told us that they worked with a federal SME with previous experience working on Grants.gov to help develop and refine the assessment methodology.

The remaining five test models have less clearly articulated assessment methodologies. For example, for the consolidated FFR test model, HHS said it will survey grant recipients on their experiences when submitting their reports into one system rather than multiple entry points; but we

found that the plans lacked detail about how surveys will be designed and administered. In addition, the plan did not provide specific information about the participants HHS intends to survey, nor did it provide details regarding how HHS will compare survey results for recipients in the pilot versus those not participating in the pilot.

In meetings with senior HHS officials, we raised these and similar concerns about the Notice of Award test model and one of the CDER Library models. For the other CDER Library test model, we found that HHS's plans did not identify the data sources or metrics that would be used in the assessment methodology. In those feedback meetings, HHS officials said many of the concerns have been addressed in the revised plan.

Leading Practice 3: Ensure Scalability of Pilot Design. HHS documented an overall structure for how each test model is integrated into the overall grants portion of the pilot. However, the documented design lacks specific details about how HHS intends to evaluate the performance of each test model to inform decisions about scalability. Specifically, five of the six test models include either no or few specifics about how any observed reduction in burden could be generalizable beyond the context of the pilot. For example, HHS's plan for the consolidated FFR test model indicates that it will be tested using grantees who receive awards from the Administration for Children and Families (ACF), a subunit of HHS.

However, the plan does not specify how ACF will select participants or how results from ACF grant recipients can be applied government-wide. HHS officials told us that ACF has a list of potential participants. Given the size and complexity of ACF's grant recipients, the officials believed that these participants would provide a good basis for scalability should the FFR test model prove to be successful. According to HHS officials, they have developed a comprehensive sampling plan for selecting participants for each of the six test models. They will reach out to selected participants to begin data collection in May 2016. We have recently been provided with the draft sampling plan and will provide our assessment of it in our forthcoming review on the implementation of the Section 5 Pilot.

Leading Practice 4: Develop a Plan to Evaluate Pilot Results. The design for five of HHS's six test models provides some level of detail on how it plans to evaluate pilot results. For instance, HHS's Learn Grants test model provides a description of a methodology to measure knowledge about the grants lifecycle. It will compare a group of recipients that has access to certain grant resources contained in a public on-line portal to

another group of recipients that does not. HHS's plans indicate that the results from both tests will be analyzed to evaluate knowledge gained by participants to draw conclusions about the effectiveness of the Learn Grants tab on the Grants.gov website.

However, the documented pilot design lacks specific detail on how HHS plans to analyze the data it gathered and how it will draw conclusions about integrating the pilot activities into overall grant reporting efforts. For example, both CDER Library test models reference an analysis plan for evaluating to see if burden has been reduced. The plans do not indicate how HHS would determine if a particular time threshold represents a true reduction in burden and whether that burden is measured in minutes, hours, or some other unit of analysis.

Similarly, the Single Audit and Notice of Award test models indicate that HHS will use results from surveys and focus groups, including documenting benefits and challenges raised by participants; yet HHS's plans for these two test models do not specify how HHS will compile these results and distill them into actionable recommendations. HHS officials told us that their revised planning documents are to include this additional level of detail to address our concerns.

Leading Practice 5: Ensure Appropriate Two-Way Stakeholder Communication. HHS has engaged in two-way stakeholder communications for all six of its test models. It also has taken a number of actions to obtain input from grant recipients including posting questions on the National Dialogue to solicit feedback on how to ease grantee reporting burden. Further, HHS has been involved in a number of outreach activities including presentations at conferences, town hall events, and webinars to identify areas of reporting burden and duplication, and to collect ideas to streamline reporting. HHS also used these forums to provide updates on the progress of the design and specific information on the six test models. HHS supplemented input received through the National Dialogue with feedback from SME to help design the test models. An HHS official told us they identified SMEs based on their experience working with federal grants, grant recipients, and systems being tested.

HHS officials provided several examples of how they engaged in two-way communication with stakeholders when developing their test models. For example, HHS consulted with a federal official who used to work for Grants.gov to help develop the Learn Grants test model and the pre- and post-test evaluations associated with it. For the FFR test model, HHS

consulted with officials who work in ACF and the Payment Management System. HHS also worked with other SMEs from across the federal government to develop other test models. According to a HHS official, SMEs were asked to critically assess the methodology for each of the models with the intent of making each model more effective.

More recently, in January 2016, HHS pre-tested proposed Section 5 Pilot test models and obtained feedback on ways to improve them with advocacy groups representing those in the grants recipient communities including state and local governments as well as research universities. Also included were representatives from the auditing and software development industries. HHS officials told us that they have made significant revisions in response to the pre-tests and feedback to their documented design.

However, HHS has additional opportunities to foster two-way dialogue with recipients of federal funds. Officials from advocacy groups representing federal funding recipients told us that they are still waiting for information about how their membership can be more engaged in the pilot process. For example, an official from the National Association of State Auditors, Comptrollers, and Treasurers told us that following a webinar for their membership hosted by the Association of Government Accountants in November 2015 on the Section 5 Pilot, they collected the names of more than 20 state and local government representatives who were interested in participating in the grants portion of the pilot. This official said the names were given to HHS, but the association has not received any information on how these volunteers can participate in the pilot. HHS officials said that once they receive OMB approval on their sampling methodology for selecting participants, they will be able to reach out to those who expressed interest in being a part of the pilot.

We provided our assessment of the design of the grants portion of the pilot to HHS officials, who told us that they generally concurred with our analysis and had updated their plan to address many of these concerns. As noted above, we did not have time to review this update in this report because we did not receive the plan in time. For details of our assessment of the design of the six grants test models, see appendix II.

Design of the Procurement Portion of the Pilot Is Generally Not Meeting Leading Practices

Based on our review of the working draft plan for the procurement portion of the pilot dated November 2015, related documents, and interviews with cognizant staff, we found that the design did not reflect leading practices for pilot design. Further, while the plan included some information regarding responsibilities of stakeholders involved in the procurement

portion of the pilot, specific roles and deliverables were not clearly described for all phases of the pilot. For example, the written draft plan listed broad areas of responsibilities—such as “manage funding” or “Federal Register Notice”—but did not detail what stakeholders would be working on related to those activities.

OFPP staff described additional actions to supplement the information contained in the draft plan.²⁹ This information included their decision to initially focus the design of the procurement pilot on testing the feasibility of centralizing certified payroll reporting by contractors subject to the Davis-Bacon and related acts because of public feedback on the need to reduce duplicate reporting. However, even after taking this additional information into account, we found that the design was neither well-developed nor documented in accordance with leading practices to allow for the development of effective recommendations to simplify reporting for contractors, as described below.

Leading Practice 1: Establish Well-Defined, Appropriate, Clear, and Measurable Objectives. The working draft plan provided by OFPP does not include specifics pertaining to the proposed focus of certified payroll reporting. OFPP staff told us that they believe submitting certified payroll information through a centralized portal would reduce contractor reporting burden. They explained that this topic was selected because they learned that it was a particular pain point for contractors as a result of various outreach efforts including 18F’s discovery process. The draft plan also does not provide specifics regarding the particular objectives and hypothesis that will be tested by the pilot. OFPP staff stated that, consistent with their view of agile practices, they intend to further refine their approach as 18F develops its prototype and additional work proceeds with the pilot.

Leading Practice 2: Clearly Articulate an Assessment Methodology. The draft plan we reviewed did not include detailed information on the methodology, strategy, or types of data planned to be collected. The draft plan referenced an information-gathering effort conducted by GSA’s 18F to discover challenges and develop recommendations for burden reduction. However, OFPP staff could not provide any evidence that this

²⁹We first discussed the design of the procurement portion of the pilot with OFPP staff in November 2015. At that meeting, we requested interviews with GSA 18F staff working on the procurement portion of the pilot. They were not able to meet with us until February 2016.

effort resulted in specific methodologies or data-collection strategies related to centralizing certified payroll reporting.

According to 18F staff, a second phase of the procurement portion of the pilot will begin in March 2016. OFPP staff said that during this phase, 18F will research, design, and test a prototype that will become a basis for the centralized portal that will be tested under the pilot. This prototype will be vetted in workshops with stakeholders who will test, among other things, the metrics, functionality, and accessibility of the prototype and any needed changes. 18F expects the second phase to be completed by May 2016, after which OFPP will begin the third phase of the pilot later this summer. In that phase, a contractor will develop a centralized portal based on 18F's design that could be used to test the submission and review of certified payroll data.

Additionally, OFPP staff told us that they intended to collect data in accordance with FAR requirements and would compare the information collected in the portal with that being submitted through other methods. However, OFPP was not able to provide specific details on its pilot methodology, such as how it intends to compare results of contractors that use the prototype and those that do not, identify the type and source of data necessary to evaluate the pilot, and establish the timing and frequency of the data to be collected. Without these details, the procurement methodology design does not address all components of a pilot program nor does it include key design features that would meet leading practices.

Leading Practice 3: Ensure Scalability of Pilot Design. The draft design of the procurement portion of the pilot that we reviewed did not address the issue of scalability or efforts to ensure that conclusions and recommendations resulting from the pilot could be applied government-wide. However, OFPP staff indicated that they plan to develop a sampling approach that will allow them to collect data from a population that is representative of federal contractors. Specifically, they said that they will select a diverse group of participants by potentially pulling data from the Federal Procurement Data System-Next Generation. Using that database, they expect to be able to select a range of small and large contractors that are required to report certified payroll under Davis-Bacon and related acts. However, without documentation providing details of a sampling methodology, measures, and a data analysis plan, the design cannot ensure the scalability of the results or findings from the pilot.

Leading Practice 4: Develop Plan to Evaluate Pilot Results. The draft procurement plan does not indicate how data will be evaluated to track program performance, how final results will be evaluated, or conclusions drawn. OFPP staff told us that although they believe it is early in the process to have finalized evaluation plans, they are considering a number of options for evaluating whether a centralized certified payroll portal would cost more or less than current reporting approaches. Specifically, they said that they expect to have some quantifiable data to allow for straightforward analysis and will evaluate the qualitative data from the certified payroll portal as well as the National Dialogue. However, the absence of a detailed data analysis plan suggests that OFPP lacks a sound approach to evaluate pilot results.

Leading Practice 5: Ensure Appropriate Two-Way Stakeholder Communication. OFPP's plans for obtaining stakeholder input and fostering two-way dialogue have not yet been developed to engage public participation and feedback on its approach for designing and implementing the procurement portion of the pilot. Similar to the approach taken by HHS, OFPP staff told us that they used comments posted on the National Dialogue to inform the design of the procurement portion. However, as previously mentioned, we have concerns about the usefulness of that approach because none of the three comments they received on the dialogue were related to certified payroll. OFPP staff said they also used comments posted on the 2014 open dialogue on improving procurement processes to inform their pilot design.

From commentary posted on both sites, OFPP identified certified payroll reporting as a pain point that could be further explored through the pilot project. OFPP staff told us that they engaged GSA's 18F to conduct the discovery phase of the pilot design to better understand areas of significant reporting burden related to certified payroll with a select group of stakeholders that included contractors, federal agency officials, and contracting officers. A Federal Register notice was also issued on November 24, 2015 to solicit public comments on the reporting burden of the procurement portion of the pilot under the Paperwork Reduction Act.³⁰

Although OFPP obtained stakeholder input to identify areas of focus for the design of the procurement portion of the pilot, it has not engaged them to solicit

³⁰80 Fed. Reg. 73,187.

input on other stages of the pilot, including design, implementation, data gathering, and assessment. Further, OFPP has not released specific information about the design of the pilot, nor has it made information about pilot participation available to stakeholders despite repeated requests for information from those participating in monthly calls hosted by the Association for Government Accountants and Treasury.

In addition to being a leading practice for pilot design, our previous work examining grants management streamlining initiatives found that stakeholder communication is not just “pushing the message out,” but should also facilitate a two-way, honest exchange and allow for feedback from relevant stakeholders. We found that a lack of opportunities to provide timely feedback resulted in poor implementation and prioritization of streamlining initiatives and limited recipients’ use and understanding of new systems.³¹ As such, it will be important for OFPP to engage with the procurement community on its pilot design so that it can be improved based on public input. In addition, more effective two-way communications could also be a strategy for recruiting participants for the procurement portion of the pilot.

Conclusions

In crafting the DATA Act, Congress sought to reduce the burden and cost of reporting for the recipients of federal funds. Toward that end, OMB, partnering with other federal agencies, has taken steps to design the Section 5 Pilot that will explore potential ways to reduce the burden and cost of reporting on federal funds for both the federal grantee and procurement communities. However, we found uneven progress in the grants and procurement portions of the pilot. OMB and HHS have made considerable progress designing an overall approach that will examine a variety of potential ways to simplify reporting for grant recipients. In addition to generally being on track to meet the specific requirements set out in the act, we found that the proposed design of the grants portion of the pilot partially adheres to leading practices.

In contrast, our review of the design of the procurement portion of the pilot raises several concerns. In the absence of a detailed design and risk management plans for executing the pilot moving forward, it is unclear

³¹GAO, *Grants Management: Improved Planning, Coordination, and Communication Needed to Strengthen Reform Efforts*, [GAO-13-383](#) (Washington, D.C.: May 23, 2013).

how the design of the procurement portion will reflect the requirements set forth by section 5 of the act. Because of project delays to date, it will be especially important for OMB to communicate to Congress and interested stakeholders how it plans to address key aspects of these requirements, such as the collection of meaningful and useful data over a 12-month reporting cycle and including a diverse group of participants with federal contracts totaling from \$1 billion to \$2 billion.

Moreover, the design we reviewed for the procurement portion of the pilot did not reflect leading practices to allow for the development of effective recommendations to simplify reporting for contractors. Moving forward, given the tight timelines set out in the act, it will be important for OMB to redouble its focus on the design and implementation of the procurement portion. Without a sound design that applies leading practices, the recommendations to Congress for reducing reporting burden for contractors coming out of this effort may be late, of limited use, or incomplete.

Recommendations for Executive Action

1. To help ensure and more clearly convey how the procurement portion of the pilot will contribute to meeting the Section 5 Pilot design requirements, we recommend that the Director of OMB determine and clearly document (1) how it will collect certified payroll data over a 12-month reporting cycle, (2) ensure the diversity of pilot participants, and (3) how the inclusion of federal contracts will contribute to an aggregate amount of \$1 billion to \$2 billion.
2. To enable the development of effective recommendations for reducing reporting burden for contractors, the Director of OMB should ensure that the procurement portion of the pilot reflects leading practices for pilot design.

Agency Comments and Our Evaluation

We provided a draft of this report to OMB, HHS, and GSA for review and comment. OMB and HHS provided technical comments that we have incorporated throughout the report, as appropriate. OMB and HHS did not offer a view on our recommendations. GSA did not have any comments.

We are sending copies of this report to the Director of OMB, Secretary of HHS, Administrator of GSA, and appropriate congressional addressees. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me on (202) 512-6806 or by email at sagerm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Michelle Sager". The signature is written in a cursive, flowing style.

Michelle A. Sager
Director, Strategic Issues

List of Congressional Addressees

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

The Honorable Jason Chaffetz
Chairman
The Honorable Elijah E. Cummings
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Mark Meadows
Chairman
The Honorable Gerald E. Connolly
Ranking Member
Subcommittee on Government Operations
Committee on Oversight and Government Reform
House of Representatives

The Honorable Will Hurd
Chairman
The Honorable Robin Kelly
Ranking Member
Subcommittee on Information Technology
Committee on Oversight and Government Reform
House of Representatives

The Honorable Mark R. Warner
United States Senate

Appendix I: Objectives, Scope, and Methodology

This review (1) describes the administration’s approach to the Section 5 Pilot; (2) assesses whether current activities and plans will likely allow the Office of Management and Budget (OMB) and its partners to meet requirements and time frames established under the Section 5 Pilot; and (3) evaluates the extent to which the design for the pilot is consistent with leading practices.

To describe the administration’s approach to the pilot, we assessed documents related to pilot activities and interviewed OMB, Department of Health and Human Services (HHS), and General Services Administration (GSA) officials and staff responsible for implementing the Section 5 Pilot. Specifically, we reviewed documentation from HHS and OMB’s Office of Federal Procurement Policy (OFPP). Our reviews were based on the latest design plans available at the time.¹ We also interviewed officials from organizations representing key non-federal stakeholders including state and local governments, private-sector contractors, and other federal fund recipients.

To assess whether the Section 5 Pilot design would be likely to meet the statutory design requirements, we reviewed section 5 of the Federal Funding Accountability and Transparency Act of 2006, as added by the Digital Accountability and Transparency Act of 2014 (DATA Act) to understand the deadlines and design requirements. We reviewed the draft design documents to assess OMB and its partners’ plans for meeting these requirements. To supplement our review of those plans, we also spoke with cognizant staff implementing these pilots at OMB, HHS, and GSA.

To identify and analyze leading practices for pilot design, we reviewed our past work evaluating and assessing pilots.² Additionally, we also relied on

¹We reviewed HHS’s draft plan—“*Integrated Approach to the HHS Section 5 Grants Pilot*”—dated November 16, 2015 and OFPP’s working draft plan—“*Barriers & Burden Reduction Project Plan*”—dated November 28, 2015.

²For example, see GAO, *Small Businesses: IRS Considers Taxpayer Burden in Tax Administration, but Needs a Plan to Evaluate the Use of Payment Card Information for Compliance Efforts*, [GAO-15-513](#) (Washington, D.C.: June 30, 2015); *Tax Administration: IRS Needs to Strengthen Its Approach for Evaluating the SRFMI Data-Sharing Pilot Program*, [GAO-09-45](#) (Washington, D.C.: Nov. 7, 2008); and Wolfensohn Center for Development, *Scaling Up: A Framework and Lessons for Development Effectiveness from Literature and Practice* (Washington, D.C.: The Brookings Institution, October 2008).

our technical guidance on designing evaluations.³ Further, we reviewed relevant studies from academia as well as other entities, such as the Brookings Institution and the Federal Demonstration Partnership. We reviewed reports from organizations that have expertise on conducting pilot programs and experience in scaling pilot results that could be applied government-wide. We also shared these leading practices with the agencies in this review during our audit work.

To assess the extent to which the Section 5 Pilot design adhered to these leading practices, we reviewed documented designs and plans for both the grants and procurement portions of the pilot. To evaluate the grants portion of the pilot, we focused on a draft design document from November 2015. HHS officials told us that they have updated that plan. Because we did not receive this update until the end of March 2016, we did not have time to include its content for this report. As such, our assessment is based on the November 2015 plan. We intend to review the updated plan as we continue our work on DATA Act implementation. We have supplemented our assessment with information HHS officials provided to us during subsequent interviews, as appropriate. For the procurement portion, we reviewed a working draft plan from November 2015. While it is unclear whether there has been an updated version, we have also provided additional details from discussions with OFPP officials, as appropriate.

To evaluate the grants and procurement portions of the pilot, we applied the five leading practices we identified to OMB and HHS's design documents. Each of those assessments were subsequently verified by another individual. We determined that the design met the criteria when we saw evidence that all aspects of a leading practice were met. When we were unable to assess whether all aspects of a leading practice were met without additional information, we determined that the design partially met the criteria. Finally, when we saw no evidence of a leading practice, we determined that the criteria was not met. In continuation of our constructive engagement approach on the DATA Act for working with agencies implementing the act, we provided HHS and OMB with feedback on the design of the grants and procurement portions of the pilot during our review. These officials generally accepted our feedback

³GAO, Designing Evaluations: 2012 Revision, [GAO-12-208G](#) (Washington, D.C.: January 2012).

and, in some instances, noted that they have or would make changes to their design as a result of our input.

We conducted this performance audit from May 2015 to April 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Detailed Results of the Assessment of Design of the Grants Portion of the Section 5 Pilot Compared to Leading Practices

This appendix provides detailed information regarding our assessment of the pilot design for the grants portion of the Section 5 Pilot. We assessed each of the Department of Health and Human Services’s (HHS) six test models against the five leading practices for pilot design described in the report. Using HHS’s November 2015 design plans and relevant supporting information available during the preparation of this report, we determined whether each test model met, partially met, or did not meet those leading practices.¹

Table 1: Common Data Element Repository (CDER) Library - Part 1 Test Model

CDER is an online repository for federal grants-related data standards, definitions, and context. This test model will evaluate the extent to which the CDER enables grantees to fill out forms more quickly, accurately, and completely.

- **Hypothesis:** If grantees are provided with definitions of data elements using CDER, then they will be able to accurately complete forms in a timely manner.
- **Methodology:** Specifically, grant recipients will use the CDER to complete the SF-424 cover sheet.² After completion of the cover sheet, the recipient will be asked to fill out a short survey about his or her experience using CDER. Questions will focus on whether or not the CDER reduced burden.
- **Metrics:** Time to complete forms/survey results.

Leading Practice	GAO Assessment	Assessment Rationale
Establish well-defined, appropriate, clear, and measurable objectives	Meets	There are two objectives for the test model and they are clear, well defined, and measurable.
Clearly articulate assessment methodology	Does Not Meet	The documented design we reviewed lacks explanation as to how burden differences related to completing the SF-424 cover sheet will be tied to CDER access (and not prior knowledge, for example). The test model also lacks specifics about the forms, participants, and control factors. For example, there are no details on the forms, environment in which they are filled, or people who are filling them in test groups.
Ensure scalability of pilot design	Does Not Meet	There are no criteria or standards to evaluate performance nor is it clear who the participants will be to assess scalability.

¹We determined that a grants test model met the criteria when we saw evidence that all aspects of the leading practice were met. We determined that a test model partially met the criteria when, without additional details, we were unable to assess whether all aspects of the leading practice were met. We determined that a test model did not meet criteria when we saw no evidence of the leading practice.

²The SF-424 is a standard form required for use as a cover sheet for submission of preapplications and applications, and related information under discretionary programs.

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Leading Practice	GAO Assessment	Assessment Rationale
Develop plan to evaluate pilot results	Partially meets	The proposed data analysis plan in the CDER Part 1 model assesses differences in burden (time to complete forms with or without exposure to the CDER), but does not describe how the survey will be analyzed.
Ensure appropriate two-way stakeholder communication	Partially meets	The documented design we reviewed mentions reaching out to interested parties, but does not specify who is included in the definition of interested parties. In addition to not specifying specific parties, it is unclear how the two-way dialogue will function.

Source: GAO analysis of Section 5 Pilot design documents. | GAO-16-438

Table 2: Common Data Element Repository (CDER) Library - Part 2 Test Model

This second part of the CDER test model will focus on identifying duplicate forms and data elements across the federal government. In this test model, a separate, internal CDER effort managed by HHS will highlight grants forms that contain the same or similar data elements as a tool for reducing the number of duplicate federal forms.

- **Hypothesis:** If duplication across forms can be identified using CDER, then agencies can update/reduce forms to reduce grantee burden. Agencies can use CDER to identify changes in data element definitions and update forms to comply with the DATA act and standardize reporting elements. Applying standard definitions of data elements will eliminate disparate data definitions across forms for the same data elements.
- **Methodology:** Agencies can use CDER to identify changes in data element definitions and duplicative fields across forms and then consult Paperwork Reduction Act requirements to update or reduce forms required by grantees and therefore reduce grantee burden. Specifically, HHS will use CDER to view data element similarities between government forms to determine which forms could be consolidated. Data elements in every form will be compared to each other to determine the percentage of duplication. Forms with a high duplication percentage will then be analyzed further to determine recommendations. The analysis will start with the SF-424 family of forms and continue to other forms based on subject-matter expert (SME) feedback.
- **Metrics:** Number of duplicative or revised fields across forms.

Leading Practice	GAO Assessment	Assessment Rationale
Establish well-defined, appropriate, clear, and measurable objectives	Partially meets	The objective is identified, but not well defined. Specifically, it identifies what agencies can do with the CDER agency view instead of explaining the test model's objectives. For example, the project plan states that with the help of this test model, agencies will be able to identify duplicative data elements and then reduce burden by eliminating duplicate reporting. However, it is unclear how that will be achieved through the information provided for this test model.
Clearly articulate assessment methodology	Does Not Meet	There is no identification of data sources, metrics, or how duplication and reduction components will be identified.
Ensure scalability of pilot design	Partially meets	There are no specified criteria for assessing scalability but there is a plan to analyze the results to help with broader implementation. Furthermore, there is no mention of scalability in the test model. Reaching out to SMEs could allow HHS to understand the applicability of this test model government-wide, but specific SMEs have not been identified.
Develop plan to evaluate pilot results	Partially meets	The documented design mentions a review of analysis, but does not contain a detailed data analysis plan.

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Leading Practice	GAO Assessment	Assessment Rationale
Ensure appropriate two-way stakeholder communication	Meets	The documented design we reviewed discusses outreach to contractors and SMEs. HHS conducted a pretest with these SMEs in January 2016.

Source: GAO analysis of Section 5 Pilot design documents. | GAO-16-438

Table 3: Consolidated Federal Financial Reporting (FFR) Test Model

This test model will examine the effects of allowing grantees to submit the consolidated FFR form to one system, rather than in multiple entry systems. This single point of data entry may enable earlier validation of consolidated FFR data and a potential future streamlining of the close-out process.

- **Hypothesis:** If grantees do not have to enter the same data on two different forms through two different reporting avenues, then grantee burden will be reduced and data accuracy will be improved.
- **Methodology:** HHS will survey Administration for Children and Families (ACF) grant recipients on their experiences when submitting a consolidated FFR via the Payment Management System and compare that to survey results for ACF grant recipients not reporting on a consolidated FFR. This will identify reductions in burden for both grant recipients and the federal government. Specifically, the consolidated FFR will allow grant recipients to submit their FFR form (SF-425) in one system, rather than in multiple entry systems. This will allow for a single point of data entry, easier validation of FFR data, and a potential future streamlining of the close-out process.
- **Metrics:** Survey results.

Leading Practice	GAO Assessment	Assessment Rationale
Establish well-defined, appropriate, clear, and measurable objectives	Meets	The documented design identifies three objectives as well as a goal that could be measured through its stated methodology.
Clearly articulate assessment methodology	Partially meets	The documented design lacks details on methodology. While there is mention of the use of surveys, there needs to be more detail on how it will collect survey data and how it will use the data to compare pilot and control group results. The design does not specify other important items such as the number of surveys, participants, and questions.
Ensure scalability of pilot design	Partially meets	The documented design did not specify how participants would represent all parts of government, but does mention scalability in the context that the test model should satisfy the statute. Additionally, it is unclear what criteria or standards will be used to assess scalability.
Develop plan to evaluate pilot results	Does not meet	The documented design includes a general approach to obtain data through surveys, but does not have a detailed plan to analyze the data or how to track and evaluate the test.
Ensure appropriate two-way stakeholder communication	Meets	The documented design we reviewed discusses the use of subject-matter experts (SME), specific pilot participants, and other grant recipients. HHS conducted a pre-test with these SMEs in January 2016.

Source: GAO analysis of Section 5 Pilot design documents. | GAO-16-438

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Table 4: Single Audit Test Model

A Single Audit consists of (1) an audit and opinions on the fair presentation of the financial statements and the Schedule of Expenditures of Federal Awards (SEFA); (2) gaining an understanding of and testing internal control over financial reporting and the entity's compliance with laws, regulations, and contract or grant provisions that have a direct and material effect on certain federal programs (i.e., the program requirements); and (3) an audit and an opinion on compliance with applicable program requirements for certain federal programs.³ This test model will explore ways to reduce the need to report the same information on duplicative forms.

- **Hypothesis:** If grantees do not have to report the same information on duplicative forms—for example, the SEFA compared to the Single Audit Report Package and Data Collection Form—then grantee burden will be reduced.
- **Methodology:** HHS will facilitate a Single Audit professional-led guided discussion regarding changes to the Single Audit reporting process. Specifically, HHS will test this hypothesis through the use of two focus groups. HHS will coordinate with advocacy groups to determine the schedule of upcoming events/conferences for potential test model testing sites. The first focus group will consist of individuals at the respective events/conferences participating in the test model. OMB will provide HHS with a draft version of the consolidated Long Form Single Audit Data Collection (SF-SAC). HHS will host a guided discussion with recipients subject to Single Audit. HHS will also provide a copy of the draft Long Form SF-SAC to the recipients participating in the discussion prior to the session. During the guided discussion, participants will be able to raise any questions or comments regarding the new form. HHS will then provide the respective participants with a survey to obtain participant feedback on the use of the draft consolidated Long Form SF-SAC. For the second focus group, HHS will select a sample of recipients that are obligated to perform a Single Audit. These participants will complete the Short Form SF-SAC, which includes all elements from the Uniform Grants Guidance. Additionally, HHS will require these participants to complete a separate data collection form simulating the new, Long Form SF-SAC. Participants will be surveyed about the effectiveness and burden of the Long Form SF-SAC.
- **Metrics:** Focus group feedback and survey results.

Leading Practice	GAO Assessment	Assessment Rationale
Establish well-defined, appropriate, clear, and measurable objectives	Meets	The objective is clear, well-defined, and measurable. There is currently duplication on the forms and the test is to see whether there is the possibility to consolidate to reduce burden.
Clearly articulate assessment methodology	Partially meets	Other than the use of a focus group that will discuss their experience with filling out the form SF-SAC, there are no other methodological details in the documented design. For example, the plan does not detail a strategy for comparing results with other efforts.
Ensure scalability of pilot design	Does not meet	The documented design does not detail the criteria or standards that will be used to assess whether the pilot results will be applicable to grantees across the federal government.
Develop plan to evaluate pilot results	Partially meets	The documented design includes some information regarding collecting focus group and survey results. For example, HHS will document the benefits and challenges associated with consolidating forms. However, the documented design does not detail how HHS will compile and use the results from the focus group and surveys to make recommendations.

³Congress passed the Single Audit, as amended, 31 U.S.C. ch. 75, to promote, among other things, sound financial management, including effective internal controls, with respect to federal awards administered by nonfederal entities. The Single Audit Act requires states, local governments, and nonprofit organizations expending \$750,000 or more in federal awards in a year to obtain an audit in accordance with the requirements set forth in the act.

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Leading Practice	GAO Assessment	Assessment Rationale
Ensure appropriate two-way stakeholder communication	Partially meets	The documented design we reviewed indicates stakeholder outreach and access to grant recipients through conferences and other events. However, it is unclear how a diverse group of participants will be identified. Depending on who attends the conferences and events, participants could end up being homogeneous. In other words, there is no guarantee the current method will yield an array of diverse participants.

Source: GAO analysis of Section 5 Pilot design documents. | GAO-16-438

Table 5: Single Audit Common Notice of Award (NOA) Test Model

This test model will examine the feasibility of developing a common NOA to reduce reporting burden and facilitate access to standardized data needed to populate Single Audit information collection.

- **Hypothesis:** If grantees have a common NOA Cover Sheet for federal awards, then grantee burden may be reduced by facilitating access to standardized data needed to populate Single Audit information collections.
- **Methodology:** HHS will use a common NOA cover sheet and compare grantee reporting burden using the common NOA to grantees who do not. HHS will test this hypothesis through the use of a focus group. Specifically, Grants.gov will provide HHS with a standardized NOA, which it will use in this Test Model. HHS will coordinate with advocacy groups to conduct this test at events/conferences. HHS will create a data collection mechanism based off of information contained in the NOA. Test participants will be separated into two groups; group one will get the standardized NOA, while group two will get varying NOAs. The participants will then switch groups and repeat the exercise using the other NOA format. HHS will then administer a survey to test participants to obtain feedback on the concept of the standardized NOA.
- **Metrics:** Form completion time and survey results.

Leading Practice	GAO Assessment	Assessment Rationale
Establish well-defined, appropriate, clear, and measurable objectives	Meets	There is a clear, well-defined, measurable objective. Specifically, the documented design states that the model will test whether standardizing NOA's will reduce recipient burden using the amount of time it takes to fill out the form as the primary metric.
Clearly articulate assessment methodology	Partially meets	While the documented plan details plans on the use of a focus group, it is not clear how the methodology will prove or disprove the hypotheses. For example, it is unclear how the focus group will address compliance costs.
Ensure scalability of pilot design	Does not meet	The documented design does not detail the criteria or standards that will be used to assess whether the pilot results will be applicable to grantees across the federal government.
Develop plan to evaluate pilot results	Partially Meets	The documented design states that HHS will collect information such as survey results and focus group results to determine benefits and challenges associated with creating and using a standardized common NOA. However, the documented design does not detail how this information will be used after it is collected.

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Leading Practice	GAO Assessment	Assessment Rationale
Ensure appropriate two-way stakeholder communication	Partially meets	The documented design we reviewed states that they will conduct stakeholder outreach and access grant recipients by using conferences and other events. This method could lead to interaction with a diverse group of stakeholders, but could also lead to a homogenous group depending on who attends these conferences and events. Furthermore, the design was unclear on how HHS would select the conferences and events.

Source: GAO analysis of Section 5 Pilot design documents. | GAO-16-438

Table 6: Learn Grants Test Model

Learn Grants is a tab on the Grants.gov website that summarizes and provides links to new and important grants information such as policies, processes, funding, and other information needed throughout the grants lifecycle. This portal also promotes the standardization of grants terminology and data.

- **Hypothesis:** If grantees are supplied with grants lifecycle information in one website, then they will have increased access to grants resources and knowledge of the grants lifecycle process.
- **Methodology:** HHS will administer a knowledge test on the grants lifecycle process before and after participants are exposed to Learn Grants. HHS will compare the results of the two tests for each participant. HHS will derive the knowledge test from information existing on the Learn Grants portal. HHS will coordinate with advocacy groups to determine schedule and participants attending upcoming events/conferences and conduct the test model at the respective event/conference. In the first scenario, the participants would be asked to complete the knowledge test without access to Learn Grants. HHS will compile the results from both knowledge tests and compare results.
- **Metrics:** Knowledge test accuracy.

Leading Practice	GAO Assessment	Assessment Rationale
Establish well-defined, appropriate, clear, and measurable objectives	Meets	The documented design establishes that the objective is to increase access to grants resources and knowledge about the life cycle. The objective is clear, well defined, and through web analytics, measurable.
Clearly articulate assessment methodology	Meets	The testing methodology to understand increased access is clear. Furthermore, making the website available to anyone and advertising that the website exists through webinars and presentations will increase access to the general public and agencies across the government.
Ensure scalability of pilot design	Meets	Various questions to answer and the method for answering those questions are included in the documented design and meet statutory requirements. Scalability is addressed because the Learn Grants site is already publicly available to anyone that knows about the site. However, there could be more details on how HHS will assess differences in the effectiveness of the information provided on Learn Grants by controlling for different types of grant recipients for comparison purposes.
Develop plan to evaluate pilot results	Meets	The documented design details a planned pretest and posttest of Learn Grants users to test knowledge. This will measure the success of the website in terms of accessibility and impact. Moreover, the evaluation of the tests will assess potential knowledge gains or losses.

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Leading Practice	GAO Assessment	Assessment Rationale
Ensure appropriate two-way stakeholder communication	Partially meets	The documented design we reviewed details stakeholder outreach and access to grant recipients using conferences and other events, however, the details for that interaction are not available. It is uncertain whether a diverse group of participants would result from this participant selection method.

Source: GAO analysis of Section 5 Pilot design documents. | GAO-16-438

Appendix III: Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact named above, J. Christopher Mihm (Managing Director), Peter Del Toro (Assistant Director), Shirley Hwang (analyst-in-charge), Aaron Colsher, Kathleen Drennan, Jason Lyuke, Kiran Sreepada, and David Watsula made major contributions to this report. Other key contributors include Lisette Baylor, Brandon Booth, Jenny Chanley, Robert Gebhart, Donna Miller, Carl Ramirez, Andrew J. Stephens, and Tatiana Winger. Additional members of GAO's DATA Act Internal Working Group also contributed to the development of this report.

Appendix IV: Accessible Data

Accessible Text

Accessible Text for Figure 1: Section 5 Pilot Activities, Requirements, and Reporting Time Frames

May 2014: DATA Act passed

May 2015: OMB launches Section 5 pilot

May 2016: Latest possible date to begin 12-month data collection cycle required under the act

May 2017: Date by which pilot must be completed

August 2017: Date by which report on pilot must be issued to Congress

August 2018: Date by which guidance to reduce burden and simplify reporting process must be issued to agencies

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