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FEDERAL CONTRACTING

Observations on the Government's Contracting Data Systems

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GAO

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Highlights of [GAO-09-1032T](#), a testimony before the Subcommittee on Contracting Oversight, Homeland Security and Governmental Affairs Committee, U.S. Senate

Why GAO Did This Study

The federal government relies heavily on contractors to carry out its missions, with fiscal year 2008 spending on contractor products and services of approximately \$518 billion. Federal contracting data systems provide information on how these funds are being spent and how well the contractors are performing.

GAO's testimony, which is based on prior reports, describes three governmentwide contracting data systems and the weaknesses GAO has identified with these systems.

What GAO Recommends

While GAO is not making recommendations in this testimony, GAO in the past has made recommendations to help improve governmentwide contracting data systems, such as the electronic submission of data to the Federal Procurement Data System – Next Generation (FPDS-NG). The relevant government agencies have generally concurred with these recommendations and in many cases have taken actions to improve the systems. The result has been improved system reliability, but additional improvements can be made.

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FEDERAL CONTRACTING

Observations on the Government's Contracting Data Systems

What GAO Found

Three governmentwide contracting data systems that GAO has reviewed are:

- The Federal Procurement Data System – Next Generation (FPDS-NG), which provides information on government contracting actions, procurement trends, and achievement of socioeconomic goals, such as small business participation.
- The Past Performance Information Retrieval System (PPIRS), which consolidates federal contractor performance information collected by individual agencies.
- The Excluded Parties List System (EPLS), which maintains information on businesses or individuals that have been excluded from receiving contracts or other federal funds for a variety of reasons, including a serious failure to perform to the terms of the contract.

The Congress, executive branch agencies, and the public rely on FPDS-NG for a broad range of data on agency contracting actions and spending, while contracting officers and other agency officials use PPIRS and EPLS to check the past performance or eligibility of prospective contractors. Contractors rely on other contracting data systems to identify and compete for business opportunities. GAO uses contracting data systems to prepare reports to the Congress on a variety of contracting issues and trends if it can establish that the data in the system are sufficiently reliable for the purposes of each report.

GAO has identified several weaknesses in contracting data systems through past audit work. First, the data entered are not always accurate. GAO's past work has found that FPDS-NG, in particular, often contains inaccurate data. Second, agencies do not always document required information or input it into the systems. For example, GAO estimated that PPIRS contained performance information for less than a third of relevant contracts. Finally, technical limitations may also reduce the effectiveness of contracting data systems. For example, GAO found cases where agencies awarded contracts to excluded parties even after checking EPLS because of inadequacies in the system's search function.

When considering improvements to governmentwide contracting data systems, it is important to note that many, including FPDS-NG, PPIRS, and EPLS, depend on the efforts of multiple agencies. With PPIRS, for example, one government agency sets policy, another is responsible for maintaining the system, a third funds the system, and numerous individual agencies are responsible for entering the actual data. It is therefore important not only to correctly diagnose the problems with contracting data systems, but also to develop solutions that can be implemented by the appropriate responsible agencies.

Chairman McCaskill, Ranking Member Bennett, and Members of the Subcommittee:

Thank you for inviting me here today to discuss the government's contracting data systems. As you know, the federal government relies heavily on contractors to carry out its missions, with annual spending on contractor products and services of approximately \$518 billion in fiscal year 2008. Federal contracting data systems provide the means for obtaining information on how these funds are being spent and how well the contractors are performing. Today I would like to discuss three governmentwide contracting data systems on which GAO has reported and the weaknesses that GAO has identified with these systems. I also will describe our experiences as users of these systems.

In preparing this statement, we reviewed prior GAO work on governmentwide contracting data systems as well as work for which we used such systems to conduct an audit. This statement is based on prior GAO work that was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits 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.

Federal Contracting Data Systems and Their Uses

There are a number of governmentwide contracting data systems that contain different information.¹ Three systems we have reviewed are:

- The Federal Procurement Data System – Next Generation (FPDS-NG), which provides information on government contracting actions, procurement trends, and achievement of socioeconomic goals, such as small business participation.² While the Office of Management and Budget (OMB) was responsible for establishing the system and the U.S. General Services Administration (GSA) administers the system, more than 60 government departments, agencies, and other entities ranging from the

¹ Acquisition Central, which can be accessed at www.acquisition.gov, lists over a dozen shared systems relevant to the federal acquisition community and the government's business partners.

² FPDS-NG can be accessed at www.fpds.gov. Reporting requirements for FPDS-NG are in Federal Acquisition Regulation (FAR) subpart 4.6; FPDS-NG data are described in FAR § 4.602.

Department of Defense (DOD) to the National Capital Planning Commission submit contract data to FPDS-NG. Since 1978, FPDS-NG has been the primary governmentwide 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.

- The Past Performance Information Retrieval System (PPIRS), which consolidates federal contractor performance information collected by individual agencies.³ OMB sets policy on the information to be collected, GSA is responsible for overseeing PPIRS, and DOD manages the system. Effective July 1, 2002, all federal contractor past performance information captured through disparate systems is to be centrally available for use by all federal agency contracting officials through PPIRS. Agencies are required to consider past performance information as an evaluation factor in certain procurements.⁴
- The Excluded Parties List System (EPLS), which is operated by GSA and maintains information on businesses or individuals that are excluded (i.e., suspended, debarred, or proposed for debarment) from receiving contracts or certain other federal funds for a variety of reasons, including for a conviction of or indictment for a criminal offense, or a serious failure to perform to the terms of the contract.⁵ Agencies are required to check EPLS to ensure that a prospective contractor is not an excluded party.⁶

The users and uses of these systems vary. For example, the Congress, executive branch agencies, and the public rely on FPDS-NG for a broad range of data on agency contracting actions and spending, while contracting officers and other agency officials use PPIRS and EPLS to check the past performance or eligibility of prospective contractors. Contractors rely on other contracting data systems to identify and

³ PPIRS can be accessed at www.ppirs.gov. Policies and responsibilities for recording and maintaining contractor performance information are contained in FAR subpart 42.15. FAR § 42.1503(c) requires submission of past performance reports electronically to the PPIRS.

⁴ Past performance must be evaluated in selecting contractors for negotiated competitive procurements expected to exceed the simplified acquisition threshold, which is generally \$100,000, unless the contracting officer documents the reason past performance is not an appropriate evaluation factor for the acquisition. FAR § 15.304(c)(3).

⁵ EPLS can be accessed at www.epls.gov. FAR subpart 9.4 provides for the listing of contractors debarred, suspended, proposed for debarment, or declared ineligible, i.e., excluded from government contracting pursuant to statutory, executive order, or regulatory authority other than FAR.

⁶ FAR § 9.405(d).

compete for business opportunities.⁷ GAO uses contracting data systems to prepare reports to the Congress on a variety of contracting issues and trends. In doing so, we first establish that the data in the system are sufficiently reliable for the purposes of each report. If we determine that the data in a system are not sufficiently reliable, we decline to use the data and identify alternative sources of evidence.

GAO Has Identified Weaknesses in Federal Contracting Data Systems

We have identified weaknesses in three contracting data systems through our past audit work. These weaknesses fall generally into three categories: poor data quality, limited data submission, and inadequate system capabilities.

Data Quality

Our past work has found that federal contracting data systems, particularly FPDS-NG, contain inaccurate data. FPDS-NG is the primary government contracting data system for obligation data. Despite its critical role, GAO and others have consistently reported on FPDS-NG data quality issues over a number of years.⁸ In September 2005, we reported our concerns about the accuracy and timeliness of data in FPDS-NG to the Director of OMB.⁹ In that report and others, we made recommendations to improve FPDS-NG. For example, in order to improve the accuracy and timeliness of the data, we recommended that OMB work with agencies to enable them to electronically submit contract information to FPDS-NG and confirm the agencies' review and verification of the accuracy and completeness of their FPDS-NG data. OMB concurred, and in July 2008, GSA reported that more than 99 percent of the data in FPDS-NG were

⁷ For example, Federal Business Opportunities (www.fedbizopps.gov) is the government's official Web site for posting proposed contract actions and solicitations. Contractors provide input to the Central Contractor Registration (www.bpn.gov/ccr), which is the government's primary registrant database through which prospective vendors must be registered prior to the award of a contract, basic agreement, basic ordering agreement, or blanket purchase agreement.

⁸ See, e.g. GAO, *Reliability of Federal Procurement Data*. [GAO-04-295R](#). (Washington, D.C.: Dec. 30, 2003).; GAO, *OMB and GSA: FPDS Improvements*. [GAO/AIMD-94-178R](#). (Washington, D.C.: Aug. 19, 1994).; GAO, *The Federal Procurement Data System—Making It Work Better*. [GAO/PSAD-80-33](#). (Washington, D.C.: Apr. 18, 1980). ; GAO, *The Federal Procurement Data System Could Be an Effective Tool for Congressional Surveillance*. [GAO/PSAD-79-109](#). (Washington, D.C.: Oct. 12, 1979).

⁹ GAO, *Improvements Needed to the Federal Procurement Data System-Next Generation*, [GAO-05-960R](#) (Washington, D.C.: September 27, 2005).

being submitted to the system electronically and that the agencies submitting the data had reviewed and verified the accuracy and completeness of their data for fiscal year 2007.¹⁰ Submitting data electronically has improved the reliability of FPDS-NG, and while we have found some FPDS-NG data sufficiently reliable for specific reports since our last review of the system in 2005, recent GAO reports illustrate that the quality of some FPDS-NG data remains a concern. For example:

- In our May 2008 report on the Department of State’s use of interagency contracting, we found that it was not always possible to identify interagency contracts in FPDS-NG because of how these contracts are coded.¹¹
- In our June 2009 review of time-and-materials (T&M) contracts¹² for commercial services, we found issues with the quality of the data reported in FPDS-NG.¹³ For instance, some contracts were incorrectly coded as T&M contracts while others were incorrectly coded as having acquired commercial services.

Data Submission

In other cases, rather than data being entered incorrectly, we found that required information was simply not entered at all. Specifically, our past work has found that agencies do not always fully document required information or input it into contracting data systems. For example:

- In our April 2008 review of complex service acquisitions at the Department of Homeland Security (DHS), we found that the FPDS-NG field identifying major programs was typically blank.¹⁴ Thus, we were unable to use the system to identify contracts associated with major DHS investments.

¹⁰ Information on the accuracy and completeness of FPDS-NG data is not readily available through the FPDS-NG website.

¹¹ GAO, *Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State*, GAO-08-578 (Washington, D.C.: May 8, 2008).

¹² Under time-and-materials contracts, payments to contractors are based on the number of labor hours billed at a fixed hourly rate—which includes wages, overhead, general and administrative expenses, and profit—and the cost of materials if applicable.

¹³ GAO, *Contract Management: Minimal Compliance with New Safeguards for Time-and-Materials Contracts for Commercial Services and Safeguards Have Not Been Applied to GSA Schedules Program*, GAO-09-579 (Washington, D.C.: June 24, 2009).

¹⁴ GAO, *Department of Homeland Security: Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions*, GAO-08-263 (Washington, D.C.: April 22, 2008).

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- In our October 2008 review of contracting in Iraq and Afghanistan, we could not rely solely on FPDS-NG as a primary source of data because not all contract actions were entered into the system.¹⁵
 - In April 2009, we estimated that only 31 percent of eligible contracts for the agencies we reviewed had a documented performance assessment in PPIRS. Furthermore, information that could provide key insights into a contractor's performance, such as information on contract terminations for default, was not systematically documented by the agencies.¹⁶

With respect to PPIRS, we recommended in 2009 that OMB's Office of Federal Procurement Policy (OFPP), in conjunction with agency chief acquisition officers, establish governmentwide roles and responsibilities for managing PPIRS data and develop tools and metrics for agencies to manage and monitor the documentation of contractor performance. OFPP agreed and subsequently took steps to revise the Federal Acquisition Regulation (FAR) to require agencies to establish procedures for reporting past performance information, identify those responsible for preparing evaluations, and input past performance reports into PPIRS electronically.

System Capabilities

Technical limitations can reduce the effectiveness of a contracting data system. In 2005, we found that the data in EPLS may be insufficient to identify suspended or debarred contractors and recommended that GSA modify the EPLS database to require contractor identification numbers for all actions entered into the system.¹⁷ GSA agreed with and implemented our recommendation. However, in 2009 we continued to find that system searches could fail to reveal a suspension or debarment action. For example, we identified agencies that conducted "exact name" EPLS searches but still awarded contracts to an excluded party. These agencies did not use correct spelling or punctuation in their searches. Unlike other search engines, an exact name search in EPLS must literally be exact in

¹⁵ GAO, *Contingency Contracting: DOD, State, and USAID Contracts and Contractor Personnel in Iraq and Afghanistan*, GAO-09-19 (Washington, D.C.: October 1, 2008).

¹⁶ For example, a \$280-million Army munitions contract was awarded to a contractor that had previously been terminated for default on several different contracts. The contracting officer told us that this information, if available, would have factored into the contract award decision. Subsequently, this contractor defaulted under the new contract. GAO, *Federal Contractors: Better Performance Information Needed to Support Agency Contract Award Decisions*, GAO-09-374 (Washington, D.C.: April 23, 2009).

¹⁷ GAO, *Federal Procurement: Additional Data Reporting Could Improve the Suspension and Debarment Process*, GAO-05-479 (Washington, D.C.: July 29, 2005).

terms of spelling and punctuation or an excluded party will not be revealed. For example, a party listed as “Company XYZ, Inc.” in EPLS would not be identified if an agency left out the comma in the name and instead conducted a search for “Company XYZ Inc.” Other agencies we identified provided proof that they conducted searches by DUNS identification numbers¹⁸ but their searches similarly did not reveal any exclusions, even though the companies the agencies were looking for were listed in EPLS with DUNS numbers.¹⁹ We recommended that GSA strengthen the search capabilities of EPLS. As a result, GSA added a pop-up warning to its online EPLS search feature informing users of the search limitation GAO identified and requiring users to formally acknowledge the warning in order to use the “exact name” search function.

Concluding Observation

Complete, accurate, and timely government contracting information is essential for tracking how public funds are being spent governmentwide, as well as how well contractors are performing their responsibilities. As such, it is critical that the government’s contracting data systems are responsive to the needs of the Congress, federal agencies, and public that use them. Agencies have made progress in improving the data in federal contracting data systems, but additional improvements can be made. We acknowledge that improving these systems is a challenging task. When considering improvements to government contracting data systems, it is important to note that many systems, including FPDS-NG, EPLS, and PPIRS, depend on the efforts of multiple agencies. In the case of PPIRS, for example, OFPP sets overall past performance policy; GSA is responsible for overseeing the system; and the DOD funds and manages the technical support of the system. The data contained in the system are the responsibility of each agency that provides input, which is submitted through one of at least five past performance information systems. It is therefore important not only to correctly diagnose the problems with contracting data systems, but also to develop solutions that can be implemented by the appropriate responsible agencies.

¹⁸ A DUNS number is a unique nine-digit sequence used as a standard for identifying businesses.

¹⁹ GAO, *Excluded Parties List System: Suspended and Debarred Businesses and Individuals Improperly Receive Federal Funds*, GAO-09-174 (Washington, D.C.: February 25, 2009).

Chairman McCaskill and Ranking Member Bennett, this concludes my prepared statement. I would be happy to respond to any questions you or other members of the subcommittee may have at this time.

GAO Contacts and Acknowledgement

For further information about this statement, please contact William T. Woods at (202) 512-4841 or woodsw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this statement include Katherine Trimble, Assistant Director; Marie P. Ahearn, Robert Swierczek; and E. Brandon Booth.

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