



GAO

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United States General Accounting Office
Washington, DC 20548

December 30, 2003

The Honorable Joshua B. Bolten
Director, Office of Management and Budget

Subject: *Reliability of Federal Procurement Data*

Dear Mr. Bolten:

The purpose of this letter is to convey our serious and continuing concerns with the reliability of the data contained in the Federal Procurement Data System (FPDS) and to recommend steps to help improve data reliability as the successor system, FPDS-Next Generation (FPDS-NG), is implemented.

Reliable information is critical to informed decision making and to oversight of the procurement system. FPDS has been the federal government's central database of information on federal procurement actions since 1978. Congress and executive branch agencies rely on FPDS to assess the impact that governmentwide acquisition policies and processes are having on the system generally, as well as with respect to specific geographical areas, markets, and socio-economic goals.

Yet despite the importance of the data, we continue to find that FPDS data are inaccurate and incomplete. Although we have not fully assessed the extent of reporting errors, we have found sufficient problems to warrant concern about the current reliability of FPDS information. We are pleased that the administration is moving forward with plans to modernize that system through FPDS-NG.

The examples following reflect a few of the many instances in which we either have been unable to assess fully the implementation of procurement programs or have had to limit our reliance on FPDS data:

- In our 2003 review¹ of the simplified acquisition procedures test program, we found gross errors in the FPDS data. For example, use of the test program by the reported three largest users in fiscal year 2001 was either overstated or understated by millions of dollars. We found similar inaccuracies with the Department of Defense's data system,² which feeds information into FPDS.

¹ U.S. General Accounting Office, *Contract Management: No Reliable Data to Measure Benefits of the Simplified Acquisition Test Program*, [GAO-03-1068](#) (Washington D.C.: Sept. 30, 2003).

² The Department of Defense uses the Defense Contract Action Data System (DCADS) to supply data to FPDS.

Because of the unreliability of the data, we could not determine the extent to which executive branch agencies used the test program or assess the benefits realized.

- In our 2001 review³ of the HUBZone program, we found that the value of contracts awarded to HUBZone firms could have been hundreds of millions of dollars different than reported. The FPDS categorized 1,034 contracts worth \$325 million as HUBZone awards even though the Small Business Administration (SBA) had not certified the awardees of those contracts as HUBZone firms. Conversely, FPDS data did not report as HUBZone awards 1,712 contracts worth \$589 million with firms that may have been SBA-certified at time of contract award. Although the Federal Procurement Data Center (FPDC) caught some of these inconsistencies through edit checks, FPDC officials said that they had neither the knowledge to correct the data nor the authority to require agencies to correct them.
- In our 2003 review of task and delivery orders,⁴ we found multiple orders reported as single transactions. For instance, an order reported as \$11,443,000 in FPDS should have been reported as 87 separate transactions at or over \$25,000 and one cumulative transaction for contracts below \$25,000.

As a result of numerous errors in these and other data elements of FPDS, we could not determine the extent to which agencies had implemented regulations effectively, nor could we assess the impact of acquisition policies governmentwide.

Our concerns about the reliability of FPDS data are not new. In 1980, we reported that FPDS failed to alert users that the system contained known errors. In 1994, we reported that the FPDC, which manages FPDS, did not have standards detailing the appropriate levels of accuracy and completeness of FPDS data.⁵

Our work and that of agency inspectors general indicates that many of the errors in FPDS are due to data entry mistakes by agency contracting personnel. In some cases, those processing the data did not have a complete understanding of the information requirements. In other cases, there was inadequate verification of the information entered into agency feeder systems, which, in turn, was transferred into FPDS. When we discussed these problems with agency officials during the course of our reviews, they cited a lack of training, high personnel turnover, the complexity of the agency systems, and frequent changes to FPDS data entry requirements as reasons for the errors.

FPDS-NG became operational effective October 1, 2003. As we understand the design of the system, FPDS-NG should, if implemented effectively, eliminate many of

³ U.S. General Accounting Office, *Small Business: HUBZone Program Suffers from Reporting and Implementation Difficulties*, [GAO-02-57](#) (Washington D.C.: Oct. 26, 2001).

⁴ U.S. General Accounting Office, *Contract Management: Civilian Agency Compliance with Revised Task and Deliver Order Regulations*, [GAO-03-983](#) (Washington D.C.: Aug. 29, 2003).

⁵ U.S. General Accounting Office, *The Federal Procurement Data System—Making It Work Better*, [GAO/PSAD-80-33](#) (Washington D.C.: Apr. 18, 1980); and U.S. General Accounting Office, *FPDS Improvements*, [GAO/AIMD-94-178R](#) (Washington, D.C.; Aug. 19, 1994).

the sources of the errors in the current FPDS. At the heart of the new system are data entry methods that rely less on manual inputs and more on electronic “machine-to-machine” approaches. For example, most agencies are expected to have computerized contract writing systems that will allow for direct submission of data to FPDS. Reliability of data is expected to improve because agency submissions to FPDS-NG will be based on data already in the contract writing systems, reducing or eliminating separate data entry requirements. The system provides for immediate data verification to detect errors. If errors are detected, agency procurement officials will have the opportunity to correct them immediately while the information is still readily available.

Information in FPDS-NG can only be as reliable as the information agencies enter through their own systems. In the long term, data reliability should improve as agencies fund and implement electronic contract writing systems. But not all agencies have done so. In the short term, as the transition to FPDS-NG occurs, agencies that do not have contract writing systems capable of interfacing directly with FPDS-NG need to review their procurement data feeder systems and take steps to improve the reliability of the information contained in those systems.

RECOMMENDATIONS

We recommend that the Director of OMB:

- Ensure that agencies allocate the resources necessary to implement contract writing systems capable of electronic transfer of information to FPDS-NG,
- Require agencies that have not yet implemented electronic contract writing systems to report regularly to OMB on their plans to ensure reliability of the information reported to FPDS-NG.
- Request that major agencies, in consultation with GSA, conduct regular reviews of their procedures for collecting and reporting information to FPDS-NG. Agencies should conduct such reviews annually until a satisfactory level of reliability is achieved, and periodically thereafter.

AGENCY COMMENTS

We provided a draft of this letter to the Office of Management and Budget for comment. An OMB official commented orally that OMB generally agreed with the recommendations. We also sought comments from the General Services Administration, which funds and manages the Federal Procurement Data Center. An official from GSA told us by email that GSA concurred with the recommendations and hoped they would lead to more accurate reporting of procurement information to FPDS-NG.

SCOPE AND METHODOLOGY

The information in this letter is based on previous GAO reviews and additional work conducted from June to November 2003, in accordance with generally accepted government auditing standards. In conducting that work, we reviewed relevant GAO workpapers and GAO and inspector general reports. We also held discussions with officials at OMB and GSA and reviewed relevant documents concerning FPDS and FPDS-Next Generation. We did not conduct an in-depth review of either FPDS or FPDS-NG.

This letter contains a recommendation to the Director of OMB. The head of a federal agency is required under 31 U.S.C. 720 to submit a written statement of actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Reform not later than 60 days after the date of this letter and to the Senate and House Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this letter.

We are sending copies of this letter to the Chairs and Ranking Members of the Senate Governmental Affairs Committee, the House Government Reform Committee, and other interested congressional committees, as well as to the Administrator of General Services. We will provide copies to others upon request. This letter also will be available on GAO's home page at <http://www.gao.gov>. Please contact me at (202) 512-8214 or Hilary Sullivan at (214) 777-5652 if you or your staff has questions. Major contributors to this letter were Robert Ackley, Thomas Barger, William Bricking, John Clary, Barbara Johnson, Ronald Salo, and Robert Swierczek.

Sincerely yours,



William T. Woods
Director
Acquisition and Sourcing Management

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