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PROCUREMENT, LOGISTICS,  
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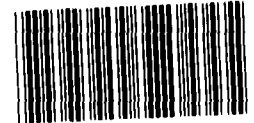
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B-205885

SEPTEMBER 23, 1982

RELEASED

The Honorable Geraldine Ferraro  
Chairwoman, Subcommittee on Human  
Resources  
Committee on Post Office and Civil  
Service  
House of Representatives



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Dear Madam Chairwoman:

**Subject: Analysis of Internal Control Systems to Ensure  
the Accuracy, Completeness, and Timeliness of  
Federal Procurement Data (GAO/PLRD-82-119)**

Your letter of May 28, 1981, asked us to obtain information from the Federal Procurement Data Center (FPDC) to determine if contracting has increased. In addition, you asked us to use sampling techniques in determining whether all contracts for services are being properly reported to FPDC. We provided the results of our review to your Office on November 24, 1981. At that time, you asked us to identify the Federal Procurement Data System (FPDS) codes that were assigned to specific Naval Air Rework Facility service contracts and what FPDC decided regarding reporting contracts by action date versus report date. We provided this information to your Office on May 17, 1982.

Also, as discussed with your Office on November 24, 1981, we asked each agency participating in FPDS to provide a detailed description of its system of internal controls which it uses to assure the accuracy, completeness, and timeliness of data submitted to FPDS for contract actions over \$10,000. This report summarizes the results of our efforts on that request.

BACKGROUND

FPDS, in conformance with Public Law 93-400, was established in February 1978 to provide a uniform system for collecting, developing, and disseminating procurement data throughout the Federal Government. As the official Federal procurement data base, this computerized system provides required recurring and special reports to the President, the Congress, executive agencies, and the general public. Accurate, complete, and timely data is essential because FPDS provides data for (1) measuring and assessing the effect of Federal procurement on the

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Nation's economy, (2) measuring and assessing the extent to which small business firms and minority business enterprises are sharing in Federal procurement, and (3) making procurement policy and management decisions.

Since its inception, FPDC has had six directors or acting directors. Excluding contractor support of automatic data processing services, FPDC has been allocated eight professional staff positions in addition to that of the director. However, of the eight professional positions allotted, two staff members were on detail away from FPDC during fiscal year 1981. One of the detailed staff members has since returned and one has resigned, leaving FPDC with one vacancy. Because of its enormous task in providing Government-wide procurement data and its relatively small number of professional staff, FPDC must rely heavily on each agency to provide accurate, complete, and timely data.

FPDS relies on the integrity of procurement personnel throughout each participating agency in the United States and U.S. agencies operating overseas to submit accurate, complete, and timely data for individual contract actions over \$10,000. For this reason, stringent internal controls, properly enforced, are needed at the agency level to ensure complete, accurate, and timely reporting. Without proper internal controls, the value of FPDS as an aid in decisionmaking is reduced.

#### AGENCY INTERNAL CONTROLS

We received responses from 58 participating agencies to our request that agencies provide a detailed description of their systems of internal controls. As you requested, we limited our review to obtaining information from FPDC on its operations and agency submissions and to reviewing each agency's description of its internal controls. We did not attempt to determine the validity of each description, or whether the system, as described, was followed and/or enforced. Thus, an agency's system description, which appears adequate, may actually provide FPDC with unreliable data because the agency does not adhere to its system; just as an agency whose system description was weak may, through the diligence of its personnel, provide reliable data.

Our review of the agencies' descriptions identified weaknesses in the systems that could adversely affect the agencies' ability to provide accurate, complete, and timely data. Such weaknesses include a lack of

--designated personnel and written guidelines at the agency level for FPDS reporting (39 systems, or 67 percent);

- established time frames for original submission of data at the agency level, error corrections, and/or submission of data to FPDC (41 systems, or 71 percent);
- formal review of data against original source documents, edit checks, and error/omission listings (20 systems, or 34 percent);
- internal audit or inspector general review of agency FPDC reporting (43 systems, or 74 percent); and
- procedures designed to detect contract actions over \$10,000 which have not been reported (37 systems, or 64 percent).

In addition, many agencies have not adopted or modified their internal systems to conform with FPDC data edits. <sup>1/</sup> Thus, inaccuracies, which should be corrected at the agency level, remain undetected until FPDC identifies them. For the first quarter of fiscal year 1982, approximately 9 percent of the original actions submitted to FPDC (approximately \$2 billion) failed to pass FPDC initial test edits. Delayed detection of errors increases data manipulation requirements and adversely affects timeliness.

Our analysis of 58 of the participating agencies' systems of internal control identified 12 systems which, if properly implemented, would provide reliable data (see enclosure). These 12 agencies are the Department of Defense (DOD) and 11 civilian agencies. DOD, as the single largest contributor to FPDS, submitted 78 percent of the total dollars reported during fiscal year 1981. DOD's submissions, coupled with the submissions of the 11 civilian agencies, accounted for 83 percent of the total dollars reported during 1981. The remaining 46 systems accounted for approximately 17 percent of the total dollars reported to FPDC in fiscal year 1981. If GAO had limited its analysis to civilian agencies (excluding DOD), the reliability of 81 percent of the civilian dollars reported to FPDC would have been questionable.

FPDC must also take corrective action. Our review of FPDC records and discussions with FPDC personnel revealed a lack of internal controls needed to document FPDC procedures/agreements/discussions with agency officials regarding timeliness of agency submissions and error corrections and to provide corporate

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<sup>1/</sup>Computer analysis of system data to ensure reliability and accuracy.

knowledge within the center itself. We also noted that FPDC did not have complete records of agency initial submissions, error corrections, and FPDC test edits, all of which inhibited FPDC's ability to identify data problems and to work with agency officials toward resolution. FPDC officials acknowledged the need for improvement and have improved record maintenance.

The Office of Federal Procurement Policy (OFPP), in its recent proposal for a uniform Federal procurement system, recognized the need to improve the quality and type of data collected by FPDS and intends to give this priority attention. In addition, OFPP intends to explore with agencies opportunities for using FPDS to support day-to-day agency management and operations. We intend to monitor these efforts as part of our future work in evaluating the development and implementation of the Uniform Procurement System.

During this review, we held discussions with headquarters procurement officials of each of the agencies reviewed. Many of the agency officials mentioned planned or recently implemented improvements which they believe will strengthen the reliability of their data submissions to FPDC. In addition, on April 7, 1982, we issued a report, "Less Sole-Source, More Competition Needed on Federal Civil Agencies' Contracting" (PLRD-82-40), which, among other observations, cited the need for improving the reliability of FPDC data and recommended specific actions for correcting problems identified with the data. To date, the majority of agency responses to our recommendations dealing with the reliability of FPDC data have been positive.

At your request, we did not obtain agency comments on this report. Unless you publicly announce its contents earlier, we plan no further distribution until 30 days after the report is issued to you. At that time, we will send copies to the head of each agency participating in FPDS for their use in examining the adequacy of their internal control systems and to identify and correct any problems of the type discussed in this report.

This completes our work in response to your May 28, 1981, letter. If we can be of further assistance, please let us know.

Sincerely yours,



Donald J. Horan  
Director

Enclosure

POTENTIAL WEAKNESS IN AGENCIES' SYSTEMS  
FOR ENSURING COMPLETE, ACCURATE, AND TIMELY  
SUBMISSIONS TO THE FEDERAL PROCUREMENT DATA CENTER

<u>Agency</u>	<u>Completeness of reporting</u>	<u>Completeness of data elements</u>	<u>Accuracy</u>	<u>Time- liness</u>
ACTION				X
Administrative Conference of the United States				X
Department of Agriculture	X	X	X	X
Agency for Inter- national Development	X	X	X	X
American Battle Monuments Commission	X	X	X	X
Civil Aeronautics Board				
Department of Commerce	X	X	X	X
Commodity Futures Trading Commission	X	X	X	X
Consumer Product Safety Commission				
Department of Defense				
Department of Education	X	X	X	X
Department of Energy	X	X	X	
Environmental Protection Agency	X	X	X	X
Equal Employment Oppor- tunity Commission				
Federal Communication Commission	X	X	X	X
Federal Election Commission	X	X	X	X
Federal Emergency Management Agency	X			X

<u>Agency</u>	<u>Completeness of reporting</u>	<u>Completeness of data elements</u>	<u>Accuracy</u>	<u>Time- liness</u>
Federal Maritime Commission				
Federal Mediation and Conciliation Service				
Federal Trade Commission		X	X	X
General Services Admin- istration	X	X	X	X
Department of Health and Human Services	X	X	X	X
Department of Housing and Urban Development	X			X
Department of the Interior	X	X	X	
International Communica- tion Agency				
Interstate Commerce Commission	X	X	X	X
Department of Justice	X		X	
Department of Labor	X		X	
Merit Systems Protection Board	X	X	X	X
National Aeronautics and Space Administration				
National Capital Planning Commission				X
National Endowment for the Arts	X		X	X
National Endowment for the Humanities	X	X	X	X
National Gallery of Art			X	X
National Labor Relations Board	X			X
National Mediation Board				X
Nuclear Regulatory Commission				

<u>Agency</u>	<u>Completeness of reporting</u>	<u>Completeness of data elements</u>	<u>Accuracy</u>	<u>Time- liness</u>
National Science Foundation				
National Transportation Safety Board	X	X	X	X
Occupational Safety and Health Review Commission			X	X
Office of Personnel Management	X			X
Pennsylvania Avenue Development Corporation				X
Railroad Retirement Board	X		X	X
Securities and Exchange Commission	X		X	X
Selective Service System	X		X	X
Small Business Administration				
Smithsonian Institute	X		X	X
Department of State	X			X
Department of Transportation	X		X	X
Tennessee Valley Authority				
Department of the Treasury	X	X	X	
U.S. Arms Control and Disarmament Agency				X
U.S. Commission on Civil Rights	X		X	X
U.S. International Trade Commission	X	X	X	X
Veterans Administration	X		X	X
Water Resources Council	X	X	X	X
Executive Office of the President (note a)				

<u>Agency</u>	<u>Completeness of reporting</u>	<u>Completeness of data elements</u>	<u>Accuracy</u>	<u>Time- liness</u>
Board for International Broadcasting	X		X	
Federal Mine Safety and Health Review Commission	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Total	<u>37</u>	<u>22</u>	<u>35</u>	<u>40</u>

a/Not responsive.