



December 2014

FEDERAL SUBCONTRACTING

Linking Small Business Subcontractors to Prime Contracts Is Not Feasible Using Current Systems

Why GAO Did This Study

In fiscal year 2013 the federal government awarded about \$460 billion on contracts, many of which involve subcontracts. Federal regulations require prime contractors to report on their subcontracting with small businesses.

The Joint Explanatory Statement for the National Defense Authorization Act for Fiscal Year 2014 mandated that GAO review the feasibility of linking small business subcontractors to particular prime contracts when there is a subcontracting plan that pertains to multiple contracts. This report (1) assesses the feasibility of using contract reporting systems to link small business subcontractors to particular contracts and (2) identifies actions executive agencies are taking that might help facilitate linking small business subcontractors to prime contracts.

To address these objectives, GAO reviewed four government-wide contract reporting systems and extracted data using contract information from previously reviewed defense programs to attempt to link small business subcontractors to prime contracts. In addition, GAO met with officials who are responsible for the management of, or are users of, the contract systems to validate the methodologies used and determine actions being taken to facilitate linking small business subcontractors to prime contracts.

GAO is not making any recommendations in this report.

View [GAO-15-116](#). For more information, contact William T. Woods at (202) 512-4841 or woodsw@gao.gov.

FEDERAL SUBCONTRACTING

Linking Small Business Subcontractors to Prime Contracts Is Not Feasible Using Current Systems

What GAO Found

The contract reporting systems GAO reviewed contain relevant information on subcontracting plans, subcontracts, and subcontractors, but no single system was designed to link small business subcontractors to prime contracts. Linking small business subcontractors to prime contracts when there is a subcontracting plan that pertains to multiple contracts is especially difficult because these plans do not specify the particular contracts to which they apply. Despite the limited data, GAO was able to link a few small business subcontractors to prime contracts, but multiple steps were required. GAO queried subcontract reporting systems regarding 199 contracts and found that 37 reported subcontract data, including contracts with a subcontracting plan that pertains to multiple contracts. GAO selected a nongeneralizable sample of 12 of these 37 contracts and was able to identify a number of small business subcontractors.

Data in Contract Reporting Systems on Subcontracting Plans, Subcontracts, and Subcontractors

| Contract reporting system | Subcontracting plan identified | First-tier subcontractors identified | Lower-tier subcontractors included | Small business status identified |
|---|--------------------------------|--------------------------------------|------------------------------------|----------------------------------|
| Electronic Subcontract Reporting System | Partial | Partial | Partial | No |
| USASpending.gov | No | Yes | No | Partial |
| Federal Procurement Data System – Next Generation | No | No | No | No |
| Federal Funding Accountability and Transparency Act Subaward Reporting System | No | Yes | No | Partial |

Source: GAO analysis of contract reporting systems. | GAO-15-116

There are multiple actions currently under way, or called for by legislation, that may result in a single system that can link small business subcontractors to prime contracts. The General Services Administration is currently involved in an effort to consolidate the functions and information of several existing contract reporting systems, and the Department of the Treasury was recently given responsibility to operate and maintain USASpending.gov and plans to make changes to improve the search function of that website, which could help facilitate linking subcontractors to prime contracts. In addition to the actions under way to improve the retrieval or presentation of data, the Digital Accountability and Transparency Act, enacted May 2014, requires that agencies disclose additional data relevant to subcontracting; improve the consistency and reporting of these data; and periodically review their completeness, timeliness, quality, and accuracy.

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Abbreviations

| | |
|-----------|---|
| DATA Act | Digital Accountability and Transparency Act of 2014 |
| DOD | Department of Defense |
| DUNS | Data Universal Numbering System |
| eSRS | Electronic Subcontract Reporting System |
| FFATA | Federal Funding Accountability and Transparency Act of 2006 |
| FPDS-NG | Federal Procurement Data System – Next Generation |
| FSRS | FFATA Subaward Reporting System |
| GAT Board | Government Accountability and Transparency Board |
| GSA | General Services Administration |
| OMB | Office of Management and Budget |
| SAM | System for Award Management |
| SBA | Small Business Administration |
| Treasury | Department of the Treasury |

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December 11, 2014

Congressional Committees

In fiscal year 2013, the federal government awarded about \$460 billion on contracts for goods and services. Federal law requires prime contractors to make a good faith effort to award a portion of their subcontracts to small businesses and in some cases to have small business subcontracting plans.¹ The federal government has created multiple databases to facilitate the reporting of this information and track compliance.

The Joint Explanatory Statement for the National Defense Authorization Act for Fiscal Year 2014 mandated that GAO review the feasibility of linking small business subcontractors to particular prime contracts when there is a subcontracting plan that pertains to multiple contracts.² These plans provide for reporting subcontracting activity at a summary level. This report (1) assesses the feasibility of using contract reporting systems to link small business subcontractors to particular prime contracts and (2) identifies actions executive agencies are taking that might help facilitate linking small business subcontractors to prime contracts.

To accomplish our objectives, we identified four government-wide contract reporting systems and reviewed user manuals for these systems to determine what data the systems have available. We reviewed previous GAO reports to determine the reliability and accuracy of the data in the contract reporting systems and interviewed agency officials with the General Services Administration (GSA), the Office of Management and Budget (OMB), the Small Business Administration (SBA), and the Department of the Treasury (Treasury)—each of which has management or oversight responsibility for these systems—to discuss the information

¹Small business subcontracting plans, which are required by the Small Business Act, 15 U.S.C. § 637(d), establish goals for small business subcontracting and describe how the contractor plans to achieve those goals. The Small Business Administration establishes small business size standards on an industry-by-industry basis. Federal Acquisition Regulation (FAR) § 19.102(a).

²House Committee on Armed Services, 113th Cong., National Defense Authorization Act for Fiscal Year 2014 Legislative Text and Joint Explanatory Statement to accompany H.R. 3304 (Comm. Print No. 2, 2013) at 701-702.

contained in these systems and their limitations. We also met with officials from the Department of Defense (DOD) because it is the largest contracting agency and a significant user of these systems. We determined that the data in these systems are sufficiently reliable for the purposes of this report. To further assess the feasibility of linking small business subcontractors to prime contracts, we searched these systems using unique contract numbers from contracts that support numerous defense programs we previously had reviewed.³ To identify the actions executive agencies are taking that might help facilitate linking small business subcontractors to prime contracts, we reviewed GSA's plans for consolidating several contract reporting systems. We also conducted interviews with officials from GSA, OMB, Treasury's Bureau of the Fiscal Service and the Government Accountability and Transparency Board (GAT Board)—a panel created by a 2011 executive order to provide, among other things, strategic advice on acquisition related data—to discuss actions they are taking. Appendix I contains more information regarding our scope and methodology.

We conducted this performance audit from June 2014 to December 2014 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.

Background

Federal law and regulations require that contractors working with the federal government ensure that small businesses will have the "maximum practical opportunity" to receive subcontracting work.⁴ A prospective contractor generally is required to submit a subcontracting plan for each solicitation or contract modification above certain dollar thresholds that has subcontracting possibilities. Three types of plans are used by federal contractors: (1) an individual subcontracting plan, (2) a comprehensive

³GAO, *Defense Acquisitions: Assessments of Selected Weapon Programs*, [GAO-14-340SP](#) (Washington, D.C.: Mar. 31, 2014).

⁴15 U.S.C. § 637(d) and FAR § 19.702.

subcontracting plan, and (3) a commercial subcontracting plan.⁵ All plans include goals for subcontracting with specific types of small businesses. After a contract is awarded, the contractor must periodically submit to the government a subcontracting report that describes progress toward these goals. While the individual plans require reporting on a single contract, comprehensive and commercial plans allow for consolidated reporting of multiple contracts on a division- or company-wide basis. In addition, regulations require that prime contractors report data on subcontractors and subcontract awards, including the subcontract number and the names of the subcontractors.⁶ This information is only required for contractors with which the prime contractors have a contractual relationship, in other words, the first-tier of subcontractors.

The federal government has developed a number of databases to collect information related to subcontracts and subcontracting plans.

- The Electronic Subcontract Reporting System (eSRS). eSRS was created in 2005 to streamline contractors' reporting of progress toward meeting the small business subcontracting goals in their subcontracting plans and to facilitate agencies' oversight. Depending on the individual contract, the system may contain subcontracting information reported by both the prime contractor as well as multiple subcontractors. This system is administered by GSA.
- USASpending.gov. USASpending.gov was created as a result of the Federal Funding Accountability and Transparency Act of 2006 (FFATA).⁷ This website is intended to promote transparency in government spending by providing the public with the ability to track where and how federal funds are spent. USASpending.gov receives prime contract data from the Federal Procurement Data System -

⁵The comprehensive plan is used as a part of DOD's Comprehensive Subcontracting Plan Test Program. As of October 2014, 11 major defense companies were participating in the program. One additional company ceased participation in 2007, although active contracts awarded before that time are still reported through the test program. Commercial plans are used by companies that provide commercially available items to government agencies.

⁶FAR § 4.1403(a) and FAR § 52.204-10. These requirements apply to all solicitations and contracts above \$25,000.

⁷Pub. L. No. 109-282. FFATA was amended by the Government Funding Transparency Act of 2008, Pub. L. No. 110-252, 122 Stat. 2323, 2387 (31 U.S.C. § 6101, Note).

Next Generation (FPDS-NG) and subcontract data from the FFATA Subaward Reporting System (FSRS). Treasury is responsible for the operation and maintenance of USASpending.gov, while GSA administers FPDS-NG and FSRS. Previous GAO reports have found problems with data reliability in USASpending.gov.⁸ In June 2014, we reported that we could not verify the subcontract data in the system as agencies frequently do not maintain the records necessary to verify the information reported by the awardees.⁹ We also found inconsistencies in the reporting of 20 of 21 data elements caused by errors in data entry, missing data, or a lack of clear guidance, among other things.

- FPDS-NG. Since 1980, FPDS-NG and its predecessor have been the primary government-wide databases for contract information at the prime contractor level. Federal agencies are responsible for ensuring that the information reported in this database is complete and accurate. FPDS-NG does not contain data on subcontracts.
- FSRS. Created as a result of FFATA, FSRS became active in July 2010. Prime contractors must register and report subcontract information for first-tier subcontractors, including award and entity information, such as Data Universal Numbering System (DUNS) identification numbers.¹⁰ FSRS contains the small business status of some subcontractors, but only for limited types of small businesses. Information on subcontracts awarded by first-tier subcontractors to other entities, or lower-tier subcontractors, is not currently required.

⁸GAO, *Data Transparency: Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website*, [GAO-14-476](#) (Washington, D.C.: June 30, 2014), and *Federal Data Transparency: Opportunities Remain to Incorporate Lessons Learned as Availability of Spending Data Increases*, [GAO-13-758](#) (Washington, D.C.: Sept. 12, 2013).

⁹See [GAO-14-476](#). GAO made multiple recommendations to several agencies, including OMB, to improve the data in the system. OMB generally agreed with these recommendations.

¹⁰DUNS numbers are unique nine-digit numbers that identify specific contractors at a specific physical location. The numbers are required by federal regulation for government contractors.

It Is Not Feasible to Link Small Business Subcontractors to Prime Contracts Using Existing Contract Reporting Systems

Contract reporting systems we reviewed contain relevant information on subcontracting plans, subcontracts, and subcontractors, but no one system was designed to link small business subcontractors to prime contracts. Linking small business subcontractors to prime contracts under comprehensive or commercial reporting plans is especially difficult because these plans do not specify the particular contracts to which they apply. Despite the limited data available in existing contract reporting systems, we were able to link a few small business subcontractors to prime contracts, including those with comprehensive plans, but multiple steps were required.

Contract Reporting Systems Not Intended to Link Small Business Subcontractors to Prime Contracts

Existing contract reporting systems were not intended to link small business subcontractors to prime contracts and, independently or collectively, do not contain all of the information required to do so. Figure 1 describes the extent to which relevant data elements are contained in each contract reporting system.

Figure 1: Data in Contract Reporting Systems on Subcontracting Plans, Subcontracts, and Subcontractors

| Contract reporting system | Focus | Subcontracting plan identified | First-tier subcontractors identified | Lower-tier subcontractors included | Small business status identified |
|---|-------------------------|--------------------------------|--------------------------------------|------------------------------------|----------------------------------|
| Electronic Subcontract Reporting System | Subcontractor | | | | |
| USASpending.gov | Prime and subcontractor | | | | |
| Federal Procurement Data System - Next Generation | Prime contractor | | | | |
| Federal Funding Accountability and Transparency Act Subaward Reporting System | Subcontractor | | | | |

- Yes
- Partial (information provided was incomplete)
- No information

Source: GAO analysis of contract reporting systems. | GAO-15-116

One system we assessed, eSRS, is intended to report information on contractors' performance against small business subcontracting goals. This can indicate that subcontracting to small businesses has or may occur, but the utility of eSRS in linking small business subcontractors to prime contracts is limited. The system is not intended to provide a list of subcontractors associated with a particular contract. In addition, agency officials stated that information in the system is limited to contracts awarded after the system was created or above certain dollar thresholds.

The system uses two types of reports, the individual subcontract report and the summary subcontract report. The report used depends on the type of subcontracting plan assigned to a contract at award. Contracts with individual subcontracting plans use individual reports to show the performance for a single contract against agreed-upon subcontracting

goals, including those for small businesses.¹¹ In contrast, prime contractors using either comprehensive or commercial subcontracting plans report their performance through summary reports that aggregate data on multiple contracts awarded by specific agencies for an entire division or company. Summary reports for comprehensive plans in eSRS may also include supplementary information that contains specific contract numbers associated with that plan. According to agency officials, this information is not provided for all comprehensive plans, however, and depends on annual negotiations with the contracting agencies. They stated that detailed subcontract information is not required for commercial plans. This lack of specific subcontract information makes it difficult or impossible to determine whether small businesses were awarded subcontracts under a specific contract covered by summary reports. Neither of the two types of reports submitted by prime contractors identifies specific subcontractors.

The second system we assessed, USASpending.gov, contains data about contracts, contractors, and subcontractors and provides a list of subcontractors for particular contracts. However, it is limited in the other information it provides. Neither USASpending.gov nor either of its associated systems (FPDS-NG and FSRS) are required to identify the type of subcontracting plan used, and the only small business information provided is limited to a certain subset of small businesses and does not capture all categories of small businesses.¹² In addition, the system is not required to contain information beyond the first-tier subcontractors, contracts awarded before the database was created, or contracts below certain cost thresholds.

¹¹Some of the individual subcontract reports in eSRS are submitted by subcontractors. According to agency officials, while this information can be linked to prime contracts, eSRS does not identify whether these subcontractors are small businesses, what subcontracting tier they are associated with, or the subcontracting plan type associated with the prime contract. It is unlikely that any of these subcontractors are small businesses as small businesses, are not required to submit subcontracting plans.

¹²These include entities such as Self-Certified Small Disadvantaged Businesses, SBA Certified HUB Zone Firms, and SBA Certified 8(a) Program Participants.

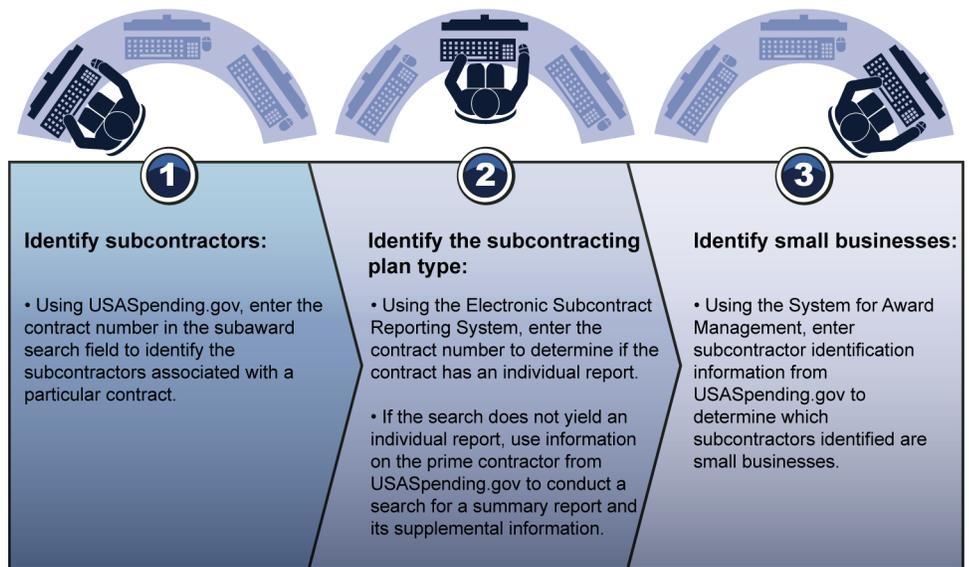
Use of the System for Award Management Is Required for a More Complete Identification of the Small Business Status for Subcontractors

We found that an additional system, the System for Award Management (SAM), was needed to better identify an entity's small business size status. SAM does not contain data on specific contracts or subcontracts and therefore cannot be considered a contract reporting system, but it does contain information on an entity's small business status. However, agency officials explained that registration in SAM is only required for entities that plan to compete for prime contracts. They stated that some prime contractors encourage their subcontractors to register in SAM to expedite their reporting requirements, which may expand the data available. GSA officials stated that some entities prefer not to enter data on their businesses for privacy or competitive reasons. According to SBA officials, the information is also limited in that a contractor's small business status in SAM is entered at the time of its registration and may change over time. GSA officials explained that it is the entity's responsibility to update their registration to reflect such changes annually, at a minimum, in accordance with federal regulation.

Linking Small Business Subcontractors to Prime Contracts Is Possible for Some Contracts but Involves Multiple Steps

We found that it is possible to link small business subcontractors to prime contracts for a limited number of contracts, but our attempts involved multiple steps using several systems. We queried these systems using contract numbers for 199 contracts and found that 37 reported subcontract data, including contracts with individual and comprehensive plans. We selected a nongeneralizable sample of 12 of these 37 contracts and entered their subcontractors' information into SAM and were able to identify a number of small businesses. Figure 2 illustrates the multistep process we used to connect small business subcontractors to prime contracts.

Figure 2: Multiple Steps Are Required to Link Small Business Subcontractors to Prime Contracts



Source: GAO analysis of contract reporting systems. | GAO-15-116

In attempting to link small business subcontractors we used a three-step process:

1. First, we entered selected contract numbers in USASpending.gov to search for the specific subcontractors associated with the contracts. We considered the search to be successful if the system reported any subcontractors, large or small, for a particular contract.
2. To determine which type of subcontracting plan the contract used, we entered the contract numbers for those contracts that USASpending.gov identified as having subcontractors into eSRS. If the search yielded individual subcontract reports submitted by a prime contractor, we concluded that the prime contractor used an individual plan. If we were unable to find an individual report, we used the prime contractor's DUNS number to search for a summary subcontract report and supplementary information that identified specific contract numbers. This allowed us to associate a contract with a subcontracting plan that pertains to multiple contracts. We used DUNS numbers because contract numbers cannot be used to search for summary subcontracting report information.

-
3. We then selected a nongeneralizable sample of the contracts that reported subcontractors in USASpending.gov and entered the subcontractors' DUNS numbers in SAM to determine their small business status. We searched under both active and inactive registrants.

In conducting our multistep analysis, we searched on 199 contract numbers in USASpending.gov to determine which contracts reported subcontract information and found 37 that did so.¹³ This level of reporting is consistent with previous GAO findings that data in USASpending.gov are underreported or inaccurate.¹⁴ Of these 37 contracts, 8 were associated with individual subcontract plans, and 5 were associated with comprehensive subcontracting plans, and for the remaining 24 contracts, we were unable to determine the type of subcontracting plan used.

We selected a nongeneralizable sample of 12 of these 37 contracts based on military service, contracting office, prime contractor, subcontracting plan type, and contract type and, using SAM, sought to determine which of the subcontractors associated with these contracts were small businesses. These 12 contracts included 278 unique subcontractors, and we were able to determine that 36 percent of the subcontractors were small businesses; just less than 5 percent were considered small businesses for some, but not all, contracted activities; and 44 percent were registered as other than small businesses. We were unable to determine the small business status for 16 percent of these subcontractors because the subcontractors were not registered in SAM or had not updated their registration.

The analysis we conducted confirms our overall assessment. Given the limitations to the existing systems, there is not a feasible way to reliably link small business subcontractors to prime contracts using existing contract reporting systems. However, actions agencies have under way could facilitate making such linkages in the future, as discussed later in this report.

¹³The 37 contracts that reported data in USASpending.gov could be considered a low number given that 161 contracts reported some type of small business subcontracting activity, at either the prime or subcontractor level, in eSRS.

¹⁴[GAO-14-476](#) and [GAO-13-758](#).

Executive Agencies Have Actions Under Way That Could Facilitate Linking Subcontractors to Prime Contracts

There are multiple actions currently under way, or called for by legislation, that may result in a single system that can link small business subcontractors to prime contracts. These actions also could produce improvements in the underlying data.

Agencies Are Currently Redesigning Contract Reporting Systems

GSA is currently involved in an effort to consolidate the functions and information of several existing contract reporting systems, including eSRS, FPDS-NG, and FSRs. The single system GSA envisions is intended to provide users a common environment to, among other functions, search for information on federal contracts and subcontracts by creating expanded and more flexible mechanisms for accessing existing reporting systems' underlying data. According to GSA officials, this will enable a faster and more effective database and search tool that could improve the traceability of contract data and enable better linkage of prime and subcontract data. Achieving better linkage in this area is one of the explicit goals of the new effort, according to GSA officials, as it was one of the concerns expressed to them by users of the current contract reporting systems. It is, however, too early to tell whether this will be achieved. The first phase in developing this new system is planning for the common user interface, which GSA expects to complete in the third quarter of fiscal year 2015. GSA projects that planning for consolidation and improvement of subcontract reporting will take place in the second phase and be complete in the first quarter of 2016. GSA currently expects to complete planning for the entire system by the first quarter of 2018. Once planning is successfully completed, GSA intends to design and implement the system. Eventually, GSA plans to decommission the current systems and replace them with the new system. However, GSA officials noted that improvements to the underlying data these systems collect are needed to link small business subcontractors to prime contracts.

In addition to the new system being developed by GSA, Treasury is planning changes to USASpending.gov. In 2014, OMB designated

Treasury as the agency responsible for operating and maintaining USASpending.gov.¹⁵ Treasury plans to improve the usability of the website, presentation of data, and search functionality. The planned improvements could help facilitate the use of contract reporting systems to link subcontractors to prime contracts if the ability to search for such information is indeed improved. Treasury hopes to implement these changes by the spring of 2015.

Additional Actions Could Improve Reliability of Data

In addition to the actions under way to improve the retrieval or presentation of data, there are a number of actions required by legislation or proposed in new regulations that could improve the reliability of data. Specifically, the Digital Accountability and Transparency Act of 2014 (DATA Act) requires that agencies disclose additional data relevant to contracts and subcontracts; establish common, government-wide standards to provide consistency in such data; make reporting of these data simpler; and periodically review the completeness, timeliness, quality, and accuracy of the data.¹⁶ The implementation of these requirements could indirectly facilitate better linkage of small business subcontractors to prime contracts by increasing the amount of data and making the data more consistent and reliable. Treasury plans to work with OMB to establish data standards.¹⁷

Prior to the enactment of the DATA Act, the GAT Board—a panel created by a 2011 executive order to provide strategic advice on acquisition-related data—proposed a number of changes to federal regulations with similar goals.¹⁸ GAT Board officials told us that the changes, which were issued as final rules in May and October, 2014, include adopting a standard, government-wide identification code for all contracts and new contractor registration requirements to better identify organizations performing work under federal contracts.¹⁹ Once implemented these

¹⁵Pub. L. No. 109-282, § 2(b)(3), authorized the Director of OMB to designate one or more agencies to operate and support the website.

¹⁶Pub. L. No. 113-101, § 3(2), 128 Stat. 1146 (31 U.S.C. § 6101, Note), amending FFATA, Pub. L. No. 109-282, §§ 3-4.

¹⁷Pub. L. No. 113-101, § 3(2), 128 Stat. 1146 (31 U.S.C. § 6101, Note), amending FFATA, Pub. L. No. 109-282, §§ 3-4.

¹⁸Exec. Order No. 13,576, 76 Fed. Reg. 35,297 (June 16, 2011).

¹⁹79 Fed. Reg. 31,187 (May 30, 2014) and 79 Fed. Reg. 61,739 (Oct. 14, 2014).

changes could also enhance the quantity and accuracy of data available for linking small business subcontractors and prime contracts.

Agency Comments

We are not making any recommendations in this report. We provided a draft of this report to DOD, GSA, OMB, SBA, and the Treasury for their review and comment. GSA submitted comments that agreed with our findings, but none of the other agencies submitted formal comments. Technical comments were incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, the Administrator of General Services, the Director of the Office of Management and Budget, the Administrator of the Small Business Administration, and the Secretary of the Treasury, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have questions about this report, please call me 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 report. GAO staff who made major contributions to this report are listed in appendix II.



William T. Woods
Director
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The Honorable Carl Levin
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The Honorable Maria Cantwell
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The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Sam Graves
Chairman
The Honorable Nydia Velázquez
Ranking Member
Committee on Small Business
House of Representatives

Appendix I: Scope and Methodology

We had two objectives for this review: (1) to assess the feasibility of using data in contract reporting systems to link small business subcontractors to particular prime contracts and (2) to identify actions executive agencies are taking that might help facilitate linking small business subcontractors to prime contracts.

To determine the feasibility of linking small business subcontractors to prime contracts, we identified four current contract reporting systems: the Electronic Subcontract Reporting System (eSRS), USASpending.gov, the Federal Procurement Data System - Next Generation (FPDS-NG), and the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). We reviewed user manuals for these systems to determine which data the systems did and did not have available. From our analysis, we identified a need to use a fifth system—the System for Award Management (SAM)—to determine subcontractors' small business status. We also reviewed previous GAO reports to determine the reliability and accuracy of the data in the contract reporting systems. We interviewed agency officials with the General Services Administration (GSA), the Office of Management and Budget (OMB), the Small Business Administration (SBA), and the Department of the Treasury (Treasury)—as the agencies responsible for oversight or management of these systems—to discuss the information contained in these systems and their limitations. We also interviewed officials with the Department of Defense (DOD), the largest contracting agency and a significant user of these systems.

For efficiency, we used contract data on major defense acquisition programs collected from ongoing work to identify 199 unique contracts. We entered each contract number into USASpending.gov to search for specific subcontractors associated with the contract. This search was conducted under the subaward search and was considered successful if the system reported any subcontractors for a particular contract. When searching in USASpending.gov for information on indefinite delivery/indefinite quantity contracts, we searched via the specific task orders instead of the base contract as awards are reported via the task orders. As contracting and subcontracting information in USASpending.gov is automatically imported from FPDS-NG and FSRS, we verified the information found in USASpending.gov by entering some contracts, including all of those that reported subcontract data, in FSRS and FPDS-NG. We then entered contract numbers for the contracts that reported subcontractors into eSRS to determine which type of subcontracting plan each contract used. We first searched for individual subcontract reports submitted by a prime contractor and if we were

unable to find one, we conducted a search in USASpending.gov using the contract number to find the prime contractor's Data Universal Numbering System (DUNS) number. As contract numbers cannot be used to search for summary subcontracting plan information, we then took the prime contractor's DUNS number and searched in eSRS for a summary subcontract report and supplementary information that identified specific contract numbers. We considered the search to be successful if it returned either an individual subcontract report for the prime contractor associated with the contract or if we were able to determine through the summary subcontract report search that a particular contract was associated with that report. We also used eSRS to determine which contracts reported subcontracting activity by searching for individual subcontract reports associated with particular contracts reported at the prime or subcontractor level. We used the results to compare actual subcontracts found in USASpending.gov with contracts that report some level of subcontracting activity in eSRS. From the set of 37 contracts with available subcontract data in USASpending.gov, we selected a nongeneralizable sample of 12 contracts based on the military service, contracting office, contract type, subcontracting plan type, and prime contractor. We determined that these contracts had 278 unique subcontractors. We downloaded the DUNS numbers from USASpending.gov for each of these subcontractors and entered the DUNS numbers in SAM to determine their small business status. SAM requires registrants to update their information annually in order to remain in an active status. To better identify that status, we searched under both active and inactive registrants. Agency officials indicated to us that many subcontractors do not regularly update their information and if this search setting is not changed then the small business status of some subcontractors cannot be found. We also interviewed officials at DOD, GSA, and SBA to verify our methodology and to explain any outliers and anomalies that we encountered.

To identify any current actions under way by executive agencies that could facilitate linking small business subcontractors and prime contracts, we reviewed GSA's plans for consolidating contract reporting systems, including those identified in our methodology, and Treasury's plans to improve USASpending.gov. We reviewed prior GAO work, relevant recent legislation, and potential regulatory changes in addition to conducting interviews with officials at GSA, OMB (Office of Federal Procurement Policy, Office of Federal Financial Management, and Office of E-Government and Information Technology), the Government Accountability and Transparency Board, and Treasury's Bureau of the Fiscal Service to

identify any actions planned or implemented that might facilitate drawing links between small business subcontractors and prime contracts.

We conducted this performance audit from June 2014 to December 2014 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: GAO Contact and Staff Acknowledgments

GAO Contact

William T. Woods (202) 512-4841 or woodsw@gao.gov.

Staff Acknowledgments

In addition to the contact named above, J. Kristopher Keener (Assistant Director), Peter Anderson, John Crawford, Julia Kennon, John Krump, Ramzi Nemo, James R. Sweetman Jr., and Ozzy Trevino made key contributions to this report.

GAO's Mission

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