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# How Sunlight Can Improve Federal Contracting

Nine Recommendations to Make Government Contracting More Effective and Efficient for Taxpayers

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Pratap Chatterjee March 2012

# Introduction and summary

A single, streamlined database that tracks fraud, waste, and abuse in federal government contracts will help save taxpayers money and reward good companies. President Barack Obama in a June 2011 executive order charged the newly established Government Accountability Transparency Board to start designing such a database within six months.<sup>1</sup>

A week after the executive order was issued, the House Oversight and Government Reform Committee overwhelmingly approved the 2011 Digital Accountability and Transparency Act, sponsored by Committee Chairman Darrell Issa (R-CA). The legislation, which is now awaiting a full House vote, goes even further than the executive order.

This bill would set up a Federal Accountability and Spending Transparency Board—or FAST Board—to manage a standard process by which agencies can report all spending data. The information would be made publicly available on a website so that government agencies and watchdog groups alike could identify fraud, waste, and abuse.

Issa's bill, which enjoys bipartisan support at a time of intense political deadlock on Capitol Hill, shows that there is momentum in Washington for this important issue. But it is only an important first step in the right direction. What we need is a wholesale reform of a procurement system gone awry. There is reason for hope. An ambitious new pilot project by the General Services Administration is expected to be launched in the first half of 2012, the System for Award Management, which will combine eight existing federal procurement systems into a single database, a welcome step forward if it succeeds. Wise use of good technology can help the federal government eliminate unnecessary staff and programs as well as slash billions of dollars from the budget by preventing fraud, waste, and abuse.

The federal government today uses dozens of standalone databases to track more than half a million business entities that are eligible to bid on the \$536 billion in

federal contracting for goods and services. Take, for example, Melanie Johnson, a Department of Defense contracting officer, who issued in January 2007 a \$300 million contract to AEY, Inc., of Florida to provide weapons and ammunition to the Afghan army and police. Seventeen months later, AEY President Efraim Diveroli was indicted for fraud on the very same contract, for selling more-than-40-year-old Chinese ammunition to the government. Later investigations showed that there was plenty of available information on AEY and Diveroli that should have given Johnson pause—had she known where to look for it.

This is one of the biggest hurdles for government buyers: Bad contractors are often hired because government officials cannot locate past performance information. The lack of cost, pricing, and technical data is another reason why the government ends up paying too much for goods and services.

Charles Smith, a retired military contracting officer who was in charge of the \$37 billion contract with Halliburton in Afghanistan and Iraq, says that the lack of good data on contractors was one of the most significant hurdles in his job. “I would say that 90 percent of the data that we needed was not available.”<sup>2</sup>

To be sure, the Obama administration has made public reams of new data as part of the Open Government Initiative on websites such as [USAspending.gov](http://USAspending.gov) and through new tool sets like the Federal Awardee Performance and Integrity Information System, or FAPIIS.<sup>3</sup>

These reforms are not sufficient. This report explains the three key types of data that contracting officials lack, explores efforts to solve this problem, and issues a set of recommendations on how to effectively consolidate data into one single database on contract spending.

*We recommend that the federal government:*

- Create a single, streamlined, governmentwide electronic system to replace the multiple existing databases
- Adopt a unique way to identify contractors in this database such as by creating a “Related Business Enterprise” database
- Publish past performance data for all contractors in this database

- Make data automatically available unless a genuine reason is established otherwise
- Create an easy-to-use online training manual for federal contracting officers
- Create an online “budget dashboard” to allow the public to follow federal contracting spending in real time
- Make sure that information is accurate and timely by requiring annual inspections of the quality of this data
- Change the rules on what products and services are deemed “commercial” in order to make sure that the government can have access to underlying cost and pricing data to negotiate fair prices
- Buy technical data from companies that have a monopoly contract in order to allow others to compete for the same service and allow market forces to work

A single database will not only ultimately help save money for the taxpayer but will also increase competition among contractors and deliver better services to citizens.

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