

GAO Highlights

Highlights of [GAO-20-3](#), a report to congressional committees

Why GAO Did This Study

In December 2017, the MGT Act was enacted, which established the TMF. OMB, the Technology Modernization Board, and GSA oversee the TMF. The board is responsible for approval of agency project proposals focused on replacing aging IT systems. Agencies receive incremental award funding and are required to repay the funds transferred and an administrative fee within five years. Agencies may use the project's generated cost savings to repay the award. GSA can use TMF appropriations to cover its operating expenses, and is required to collect administrative fees from awarded projects to offset these expenses. GSA's fee rate was established with the intent to fully recover its costs. As of August 2019, Congress had appropriated \$125 million to the TMF.

The act included a provision for GAO to report biannually on the TMF. For its first TMF report, among other things, GAO analyzed the TMF's operating costs and assessed the reliability of selected projects' cost savings estimates. To do so, GAO reviewed OMB and GSA's administrative fund processes, and GSA financial data on TMF operating costs. GAO also analyzed TMF project proposal and supporting cost estimate documentation from selected agencies.

What GAO Recommends

GAO is making five recommendations—two to OMB and three to GSA, including developing a plan to fully recover operating costs and clarifying that agencies should follow required cost guidance. OMB raised a number of concerns that GAO addresses in the report. GSA agreed with one recommendation and partially agreed with the other two. GAO continues to believe all of its recommendations are appropriate.

View [GAO-20-3](#). For more information, contact Carol Harris at (202) 512-4456 or harriscc@gao.gov.

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TECHNOLOGY MODERNIZATION FUND

OMB and GSA Need to Improve Fee Collection and Clarify Cost Estimating Guidance for Awarded Projects

What GAO Found

As of August 2019, the Technology Modernization Board had made seven Technology Modernization Fund (TMF) awards to five agencies, totaling about \$89 million, and had transferred \$37.65 million of this funding to the projects (see table). In addition, pursuant to the Modernizing Government Technology (MGT) Act, the General Services Administration (GSA) had obligated about \$1.2 million to cover TMF operating expenses, but had recovered only about 3 percent of those expenses through fee payments. The seven projects are expected to make \$1.2 million in scheduled fee payments by the end of fiscal year 2025; as of August, three projects have made fee payments totaling \$33,165. Based on the current schedule, GSA will not fully recover these expenses until fiscal year 2025 at the earliest.

Technology Modernization Fund Project Funding and Scheduled Administrative Fee Collection, as of August 31, 2019 (in millions of dollars)

Project	Total funds awarded	Total funds transferred	Scheduled fee payment based on funds transferred	Fee payment collected as of August 2019
Department of Agriculture Farmers.Gov Portal	10.00	4.00	.12	.003
Department of Agriculture Infrastructure Optimization	5.00	.50	.015	.00
Department of Energy Enterprise Cloud Email	15.22	2.23	.07	.00017
Department of Housing and Urban Development Unisys Migration	20.00	10.00	.30	.03
Department of Labor Visa Application Transformation	3.50	.20	.08	.00
General Services Administration Application Modernization	14.99	3.73	.11	.00
General Services Administration NewPay	20.65	16.99	.51	.00
Total	89.36	37.65	1.2	.033

Source: GAO analysis of agency TMF project documentation as of August 31, 2019. | GAO-20-3

GSA had collected fewer fees than planned to offset costs due to several factors. For example, the seven projects paid fees based on the amounts transferred, rather than the total funds awarded, thereby reducing fee collections in the initial years. Two projects also proposed scope changes that are expected to reduce funding required and, thus, reduce total fees. Such factors raise doubts on whether GSA will be able to fully recover future operating expenses. Although GSA acknowledged this issue, the agency has not yet developed a plan outlining the actions needed to fully recover its TMF operating costs in a timely manner.

The Office of Management and Budget's (OMB) funding guidelines require projects to include a reliable estimate of any project-related savings. However, the seven projects' reported savings estimates derived from cost estimates are not reliable. None of the projects incorporated all of the best practices for a reliable cost estimate, as defined in GAO and OMB guidance. Without clarifying the requirement that agencies follow Circular A-11's cost estimating process (that references GAO's cost estimating guidance discussed in this report), agencies are at risk of continuing to provide unreliable cost information in their proposals.