



October 2015

SOLE SOURCE CONTRACTING

Defining and Tracking Bridge Contracts Would Help Agencies Manage Their Use

Why GAO Did This Study

When an existing contract is set to expire but the follow-on contract is not ready to be awarded, the government can extend the existing contract or award a short-term sole-source contract to avoid a gap in service. These have been referred to as “bridge contracts.” While bridge contracts can be necessary tools, they are awarded without competition, which puts the government at risk of paying too much. GAO was asked to review federal agencies’ use of bridge contracts. This report examines (1) insights selected agencies have into their use of bridge contracts; (2) key characteristics of bridge contracts; and (3) the reasons bridge contracts are used.

Because bridge contracts are not defined in the FAR, GAO constructed a definition based on its prior work and that of other federal agencies. GAO reviewed policies and procedures at three agencies that were among those with the highest number of potential bridge contracts. GAO analyzed a nongeneralizable sample of 73 contracts for services, based on a customized search of the federal procurement data system and contract information provided by agencies. For a more in-depth review, GAO selected a subset of 29 contracts based on contract value and other factors.

What GAO Recommends

GAO recommends that OFPP take steps to amend the FAR to incorporate a definition of bridge contracts, and, in the interim, provide guidance for agencies to track and manage their use. OFPP agreed with the recommendation to provide guidance to agencies and plans to explore the value of adding a definition to the FAR.

View [GAO-16-15](#). For more information, contact Michele Mackin at (202) 512-4841 or mackinm@gao.gov.

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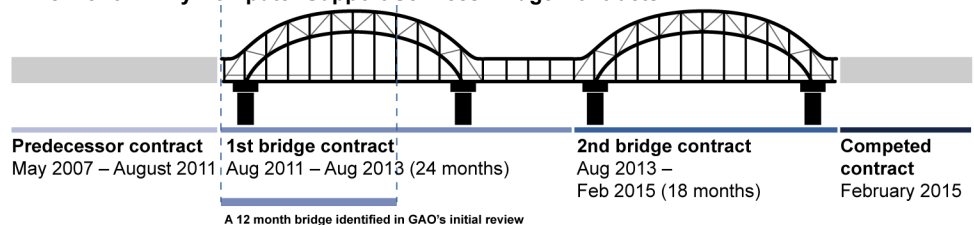
Defining and Tracking Bridge Contracts Would Help Agencies Manage Their Use

What GAO Found

The agencies included in GAO’s review—the Departments of Defense (DOD), Health and Human Services, and Justice—had limited or no insight into their use of bridge contracts, as bridge contracts were not defined or addressed in department-level guidance or in the Federal Acquisition Regulation (FAR). However, GAO found that two DOD components, the Navy and Defense Logistics Agency, have instituted definitions, policies, and procedures to manage and track their use. The components took these steps due to concerns that bridge contracts were being used too frequently and reducing competition. Federal internal control standards stipulate that management should identify, analyze, and monitor risks associated with achieving objectives, such as maximizing competition. Staff from the Office of Federal Procurement Policy (OFPP), which provides direction for government-wide procurement policies so as to promote efficiency and effectiveness in government acquisitions, acknowledge that the use of bridge contracts may introduce risks related to a lack of competition. Without a definition of bridge contracts and guidance for tracking and managing their use, agencies are not able to fully identify and monitor these risks and increase opportunities for competition.

The 73 bridge contracts GAO analyzed varied widely in characteristics such as the type of service and length of contract. Almost half of the contracts were used to procure either professional management services or information technology services. Although bridge contracts are typically envisioned as short-term, GAO found that some bridge contracts spanned multiple years, potentially undetected by approving officials. For example, of the 29 contracts GAO reviewed in-depth, 6 were longer than 3 years. As the figure below illustrates, an Army bridge contract for computer support services was initially planned as a 12-month bridge, but because of subsequent bridges, ultimately spanned 42 months.

Timeline for Army Computer Support Services Bridge Contracts



Source: GAO graphic based on information from contract file reviews and interviews with contracting officials. | GAO-16-15

Even after lengthy bridge contract scenarios, most follow-on contracts were awarded competitively. Of the 26 cases in GAO’s review where follow-on contracts were awarded, 23 were awarded competitively, in some instances leading to savings. The fact that competition occurred in almost all cases, which can save the government money, highlights the importance of better management controls over use of bridge contracts.

Acquisition planning delays, such as revisions to statements of work and delays in source selection, as well as an inexperienced and overwhelmed acquisition workforce, bid protests, and budget uncertainties contributed to the use of bridge contracts in the cases GAO studied. Often, more than one of these factors led to the use of a bridge contract.

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Abbreviations

BOP	Federal Bureau of Prisons
CLIN	Contract Line Item Number
DEA	Drug Enforcement Administration
DLA	Defense Logistics Agency
DOD	Department of Defense
DOJ	Department of Justice
HCAA	Army Health Care Acquisition Activity
HHS	Department of Health and Human Services
IHS	Indian Health Service
J&A	Justification and Approval
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
NIH	National Institutes of Health
OMB	Office of Management and Budget
OFPP	Office of Federal Procurement Policy

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October 14, 2015

The Honorable Ron Johnson
Chairman
The Honorable Thomas R. Carper
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Claire McCaskill
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

When a contract is set to expire and there is a continuing need for services, but the follow-on contract is not ready to be awarded, the government can extend the existing contract or award a short-term sole-source contract to an incumbent contractor. These types of contracting arrangements have been referred to as “bridge contracts” and are used to ensure there is no gap in services. While bridge contracts can be a necessary and appropriate tool, their use has also been associated with negative effects, such as higher contract prices due to a lack of competition and the inefficient use of staff and resources. For example, contracting officials have to devote their time to awarding a bridge contract while concurrently preparing to award a follow-on contract.

You asked us to assess the use of bridge contracts by federal agencies. This report examines (1) the insights of selected agencies into their use of bridge contracts; (2) key characteristics of selected bridge contracts; and (3) the reasons why bridge contracts are being used.

Since bridge contracts are not identified in the Federal Procurement Data System-Next Generation (FPDS-NG) or any other federal database, to answer these objectives, we developed, for the purposes of this report, a definition of bridge contracts. We also developed a customized search methodology using data from FPDS-NG to identify potential bridge contracts. Our methodology included searching for (1) contract extensions between fiscal years 2010 to 2013 that extended a contract’s period of performance and (2) sole-source contracts awarded in fiscal year 2013 that had been awarded to the same contractor by the same

contracting organization and for the same services as a preceding contract—and with periods of performance of no more than 12 months. We selected these timeframes so as to increase the likelihood that we could include follow-on contracts in our review. Using the result of this search, we selected three agencies (the Department of Defense (DOD), the Department of Health and Human Services (HHS), and the Department of Justice (DOJ)) and several components within each agency for review, based on those with the highest number of potential bridge contracts. We selected the following eight components for review:

- DOD: Air Force, Army, Navy, and Defense Logistics Agency (DLA)
- HHS: National Institutes of Health (NIH) and Indian Health Service (IHS)
- DOJ: Drug Enforcement Administration (DEA) and Federal Bureau of Prisons (BOP)

To gain insights into the selected agencies' use of bridge contracts, we collected and analyzed any policies and procedures on bridge contracts and interviewed officials about their knowledge of the use of bridge contracts and any management controls that may be in place. Because of its role to provide direction for government-wide procurement policies, regulations, and procedures and to promote economy, efficiency, and effectiveness in government acquisitions, we interviewed staff at the Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP) to discuss their views on the benefits and challenges on the use of bridge contracts. We also used federal internal control standards as criteria for assessing agencies' insights into the use of bridge contracts.¹

To identify key characteristics of selected bridge contracts and assess the reasons why bridge contracts are being used, we selected a nongeneralizable sample of 73 bridge contracts for services. We focused on service contracts since agency officials and our prior work indicated that bridge contracts were predominantly used for services. We used two processes for identifying the 73 contracts included in our review: (1) 52 contracts identified based on our customized search of FPDS-NG, and (2) 21 contracts initially identified by selected components and verified by us as bridge contracts. To arrive at the selection of the 52 contracts, we

¹ GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington D.C.: November 1999).

provided a list of potential bridge contracts identified through the search methodology described above to each component included in our review. The components then provided contract documentation that we analyzed to determine whether the selected contracts matched our definition of bridge contracts. Based on this analysis, we identified 52 bridge contracts across the components to be included in our review. We then added in 21 contracts identified on lists of bridge contracts provided to us by components included in our review. We conducted a high level review of the 73 contracts—collecting and reviewing contract award and extension documentation, such as justification and approval (J&A) documents, price negotiation memorandums, relevant contract modifications, and file memoranda. We then selected a subset of 29 contracts from 6 of the 8 components for a more in-depth review, based on several factors, specifically the contract value, obtaining a mix of contract extensions and stand-alone bridge contracts, and the location of the contract files.² For this in-depth review, we reviewed the bridge contract, the contract preceding it, and, if awarded at the time of our review, the follow-on contract. The results from the sample of contracts included in our review are not generalizable, but are designed to provide illustrative examples of the characteristics and rationale for the use of bridge contracts at the selected agencies and components and supplement the information obtained from our interviews and review of agency policies and procedures. We also interviewed contracting and program officials to discuss the facts and circumstances related to the award of the bridge contracts for the subset of 29 contracts in our sample, and the challenges, if any, related to their use. A more detailed description of our scope and methodology is presented in appendix I.

We conducted this performance audit from June 2014 to October 2015 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

² We excluded DLA and IHS from our in-depth review of 29 contracts. IHS was excluded due to the limited number of contracts verified as bridge contracts and DLA was excluded so as to maintain a balance in the number of contracts across the three agencies included in the review. While we did not include contracts from DLA in our in-depth review, we did include contracts from DLA in our higher level review, and we talked to DLA officials about their insights into bridge contracts and the policies and procedures they have put in place for management oversight.

the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The federal government contracts for a variety of services, from elevator maintenance to program management support, and often has a need to continue these services beyond the lifespan of an individual contract. However, in certain situations, it may become evident that a base contract and any option years will expire before a subsequent contract to meet the same need can be awarded. In these cases, because of time constraints, contracting officers generally use one of two options: (1) extend the existing contract for up to 6 months or (2) award a short-term stand-alone contract to the incumbent contractor on a sole-source basis to avoid a lapse in services. While these contracting options have been informally referred to as bridge contracts by some in the acquisition community, no formal definition of bridge contracts exists nor is there a requirement to track them in the Federal Acquisition Regulation (FAR). For the purposes of this report, we established the following definitions:

- *Bridge contract.* An extension to an existing contract beyond the period of performance (including option years), or a new, short-term contract awarded on a sole-source basis to an incumbent contractor to avoid a lapse in service caused by a delay in awarding a follow-on contract.
- *Predecessor contract.* The contract in place prior to the award of a bridge contract.
- *Follow-on contract.* A longer-term contract that follows a bridge contract for the same or similar services. This contract can be competitively awarded or awarded on a sole-source basis.

Contract extensions and the award of stand-alone bridge contracts are established in different ways. If a contracting officer needs a bridge contract and opts to extend an existing, predecessor contract, the contracting officer may use a number of different authorities to do this. If the predecessor contract included the “option to extend services clause,” the contracting officer could use this clause to extend the contract for up to six months, based on the FAR.³ If the contracting officer determines

³ FAR § 17.208(f) provides for the use of the clause cited at FAR § 52.217-8, “Option to Extend Services” in solicitations and contracts for services when the inclusion of an option is appropriate. This option provision may be exercised more than once, but the total extension of performance shall not exceed 6 months.

that a new short-term sole-source contract should be awarded to avoid a gap in services, the FAR generally requires that the contract award be supported by a written justification known as a justification and approval document (J&A). The J&A must include sufficient facts and rationale to justify the use of a sole-source contract and include, among other things, the following information:

- The nature or description of the action being approved;
- A description of the supplies or services required to meet the agency's need, including the estimated value of the contract;
- The statutory authority being cited to justify a noncompetitive contract—for example urgency, only one-source available, etc;
- A demonstration that the proposed contractor's unique qualifications or the nature of the acquisition requires use of the authority cited; and
- A determination by the contracting officer that the anticipated cost to the government will be fair and reasonable.

While OMB has stated that noncompetitive contracts can play an important role in helping agencies address the needs that arise during emergencies, we and others have noted that competition is the cornerstone of a sound acquisition process and OMB has issued guidelines for federal agencies to increase competition and reduce their spending on sole-source contracts.⁴ Further, the FAR prescribes policies and procedures to promote full and open competition.

There are few, if any, federal contracting reviews or reports focused solely on bridge contracts. However, we and others have identified such contracts in prior reviews and, in some cases, reported on challenges related to their use. For instance, in an August 2011 report on acquisition planning, we reported that a prior GAO bid protest decision found that the Department of Homeland Security's U.S. Customs and Border Protection had not properly justified an \$11.5 million bridge contract and had failed to engage in reasonable advanced acquisition planning.⁵ In a March 2012

⁴ See, for example, GAO, *Federal Contracting: Opportunities Exist to Increase Competition and Assess Reasons When Only One Offer is Received*, [GAO-10-833](#) (Washington, D.C.: July 26, 2010); and OMB/OFPP, Memorandum for Chief Acquisition Officers and Senior Procurement Executives, Subject: Increasing Competition and Structuring Contracts for Best Results (October 27, 2009).

⁵ GAO, *Acquisition Planning: Opportunities to Build Strong Foundations for Better Service Contracts*, [GAO-11-672](#) (Washington, D.C.: August 9, 2011), and see *VSE Corp.; Johnson Control World Servs.*, B-290452.3, May 23, 2005, 2005 CPD ¶ 103.

report on competition, we found that 18 out of the 111 J&As we reviewed were for bridge contracts with a total value of over \$9 billion.⁶ We found that these bridge contracts were caused by delays in the acquisition planning process, unexpected expansion of requirements, and bid protests. In March 2014, we issued a report on noncompetitive contracts awarded on the basis of urgency.⁷ We found that 12 of the 34 contracts we reviewed were bridge contracts. The average period of performance for these 12 contracts was 11 months with a total contract value over \$466 million. Additionally, in a March 2010 report on competition for services contracts, the Institute for Defense Analyses reported that nearly one in four sole-source contracts reviewed were bridge contracts.⁸ That report noted that bridge contracts represented a potentially large cost to DOD due to process inefficiencies such as the cost of administering the bridge contracts, the strain on the limited DOD contracting workforce because bridge contracts must be justified and awarded while the follow-on contract was being planned, and the loss of benefits associated with competition during the period that the bridge contracts are in place.

Selected Agencies Have Little to No Insight into Their Use of Bridge Contracts but Two Components Have Instituted Policies

The agencies we reviewed had limited or no insights into their use of bridge contracts. None of the agencies have agency-level policies to manage and track their use of bridge contracts, nor do their acquisition regulations define bridge contracts. HHS officials told us that their agency has no overarching policy because the agency does not have a standard definition for bridge contracts. Officials at DOD said that, at the department-level, the agency did not have any policies because bridge contracts had not previously been raised as a specific concern at the department. DOJ officials indicated they see defining bridge contracts as a government-wide issue, and officials from one of their components told us that the concept of defining bridge contracts was a new one to them.

⁶ GAO, *Defense Contracting: Competition for Services and Recent Initiatives to Increase Competitive Procurements*, [GAO-12-384](#) (Washington, D.C.: March 15, 2012).

⁷ GAO, *Federal Contracting: Noncompetitive Contracts Based on Urgency Need Additional Oversight*, [GAO-14-304](#) (Washington, D.C.: March 26, 2014).

⁸ Institute for Defense Analyses, *Competitiveness in the Service Sector*, IDA Paper P-4542 (Alexandria, Va.: March 2010).

HHS officials also stated that the agency has some visibility into high-dollar bridge contracts through the FAR-required reviews of J&As.⁹

Two of the eight components—the Navy and DLA—established policies in 2012 and 2013, respectively, regarding the use of bridge contracts. Both components' policies were established to reduce reliance on bridge contracts and note that bridge contracts can be an impediment to competition. DLA's policy further states that bridge contracts may be indicative of a lack of adequate preparation for follow-on acquisitions. DLA officials we spoke with told us that there was concern at DLA regarding the impact bridge contracts could have on competition, since they effectively delay competition by extending existing contracts or awarding sole-source contracts to incumbent contractors. Officials said that they hope the policy will increase competition at DLA by focusing management attention on the use of bridge contracts and tracking their use. In both cases, these components' policies go beyond the standard J&A requirements for sole-source contracts to specifically address bridge contracts. Features of these components' policies on bridge contracts are included in table 1.

⁹ The FAR requires that all agencies submit J&As for higher level review for contracts above certain dollar thresholds.

Table 1: Policies on Bridge Contracts as Instituted at the Navy and DLA

	Navy	DLA
Definition	A noncompetitive contract to bridge the time between the end of one contract action and the beginning of another. A subsequent policy memorandum clarifies that if a contract extension is not evaluated at the time of award it shall follow bridge contract procedures.	A noncompetitive contract or order, or an extension to an existing sole-source or competitive contract or order that is awarded to the existing contractor to bridge the time between the end of the existing contract or order and the award of a follow-on contract or order. The definition of bridge contracts has been incorporated into DLA's Acquisition Directive. This definition indicates that follow-on contract or orders should be competitively awarded.
Approval documents and requirements	<ul style="list-style-type: none"> Justification and approval document Request for authorization to award a bridge contract <ul style="list-style-type: none"> Rationale for use of a bridge contract. Certification of the urgency of the requirement. Signature of the program manager and the contracting officer. 	<ul style="list-style-type: none"> Justification and approval document^a Request for authorization to award a bridge contract <ul style="list-style-type: none"> Explanation as to why the need for a bridge contract is not due to lack of advanced planning or inadequate procurement execution. Justification for the length of the bridge contract. Discussion of actions to be taken to avoid additional bridge contracts.
Reporting requirements	<ul style="list-style-type: none"> Quarterly to the Office of the Deputy Assistant Secretary of the Navy, Acquisition and Procurement.^b 	<ul style="list-style-type: none"> Monthly to the Acquisition Operations Division on bridge contracts greater than \$1 billion. Quarterly to the Acquisition Operations Division on bridge contracts greater than \$150,000.

Source: GAO analysis of Navy and DLA documentation. | GAO-16-15

^aDLA's policy notes that if a justification and approval document is not required a request for authorization must still be submitted for review and approval.

^bWhile not specifically included in the policy, the Office of the Deputy Assistant Secretary of the Navy, Acquisition and Procurement consolidates the data and prepares a "Bridge Report," which is then submitted to the Assistant Secretary of the Navy, Research, Development and Acquisition each quarter.

As the table shows, DLA's definition of bridge contracts explicitly includes contract extensions whereas the Navy's has additional guidance as to when contract extensions are considered bridges. A DLA official told us that they included contract extensions in their definition because extensions still enable officials to bridge a gap in service without competition. The Navy report to the Office of the Deputy Assistant Secretary of the Navy, Acquisition and Procurement includes contract numbers, periods of performance for the predecessor and bridge contracts, dollar values, and the rationale supporting the use of a bridge contract, among other information. The DLA report to the Acquisition Operations Division includes contract numbers, periods of performance

for the bridge contract, dollar values, number of the bridge contracts awarded for the requirement, and other information.

According to Navy officials, the department is monitoring the contract values of bridge contracts awarded. For example, officials told us that in fiscal year 2014 the Navy made bridge contract awards in excess of \$1.6 billion.¹⁰ Navy officials told us that while it is too early to quantify, the implementation of the policy brought about a cultural shift away from more frequent use of bridge contracts and helped significantly curb prolonged use of bridge contracts. According to a DLA official responsible for compiling bridge contract information, DLA awarded \$1.3 billion in bridge contract awards in fiscal year 2014. DLA officials also told us that they were seeing reductions in the use of bridge contracts based on an internal review process. Increased attention to bridge contracts, according to a DLA official, sends a message to program-level activities that DLA wants to reduce its use of bridge contracts, and requiring approval appears to be an effective deterrent to awarding bridge contracts if the program or contracting office does not have a good reason to do so, such as poor acquisition planning.¹¹

In addition, one activity within the Army—the Health Care Acquisition Activity (HCAA), which was not included as part of our review—issued a policy memorandum in November 2008 that established a definition and an approval and tracking mechanism for bridge contracts. Similar to the policies at the Navy and DLA, HCAA’s policy was established due to concern over the increasing reliance on bridge contracts at the activity. In particular, the policy stated that there was concern that bridge contracts, which prevent competition, were being awarded to expand the scope of the original requirement, which was increasing costs. The policy and compliance branch at HCAA developed a tracking system to account for the number of bridge contracts awarded. According to HCAA officials, issuing the policy memorandum and requiring officials to report their use of bridge contracts has enhanced the activity’s ability to track bridge

¹⁰ Navy officials noted that these numbers are based in part on ceiling values, and includes contracts awarded to multiple vendors.

¹¹ DLA policy identifies four reasons where the use of a bridge contract is considered valid, such as when a competitive follow-on contract or solicitation has been protested, or when an approved acquisition strategy requires a change and is endorsed by the head of the contracting activity.

contract use and prevented the award of bridge contracts that increase the scope of work established by the predecessor contract.

Federal internal control standards state that agencies should identify, analyze, and monitor risks associated with achieving objectives, and that information needs to be recorded and communicated to management so as to achieve agency objectives.¹² One common procurement objective at federal agencies is to maximize competition. However, without a definition for bridge contracts, and strategies for tracking and managing their use, agencies are not able to fully identify and monitor the risks related to these contracts, and therefore may be missing opportunities to increase competition. As we noted earlier, the FAR does not define bridge contracts. Staff from OMB's OFPP, one of the entities responsible for initiating revisions to the FAR, acknowledged that the use of bridge contracts may introduce risks related to a lack of competition, such as the risk of higher contract prices. Similarly, contracting, program, and policy officials we spoke with also stated that while bridge contracts are an important "tool in their toolbox" for ensuring continuity of services, some officials indicated that their prolonged use poses a risk to competition, and that use of bridge contracts should be avoided when possible.

Bridge Contracts Cover a Variety of Services and Can Span Multiple Years, and Follow-on Contracts Were Generally Competed

DOD, DOJ, and HHS awarded bridge contracts to procure a diverse array of services, ranging from professional and administrative support to housekeeping. While most of the 73 contracts we reviewed had periods of performance of six months or less, when we did a deeper dive on 29 of these contracts, we found that more than half of these actually had periods of performance far greater than initially apparent. Some spanned several years. Overall, roughly one-third of the 29 contracts had periods of performance that exceeded two years. The increased periods of performance also corresponded to increased contract values. In terms of pricing, contracting officers generally based the prices of bridge contracts we reviewed on historical prices, and our price analysis found some instances of increased prices between the predecessor and bridge contracts. However, even after lengthy bridge contracts, we found that competition occurred in most cases. For 23 of the 26 cases where follow-on contracts were in place, they had been competitively awarded. In some cases, we were able to quantify savings from the competition of the

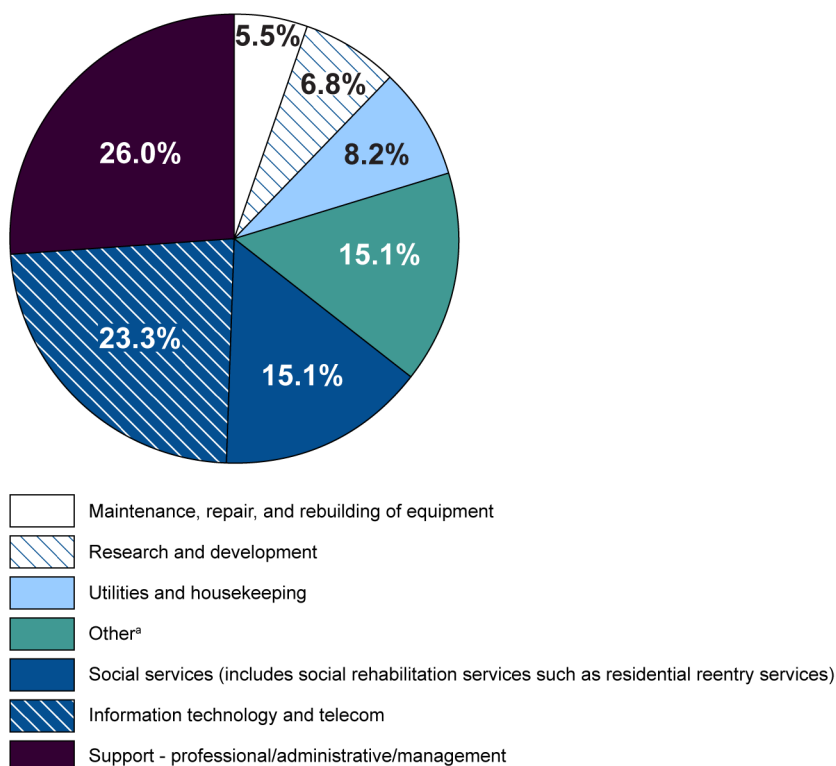
¹² [GAO/AIMD-00-21.3.1](#).

follow-on contracts based on our price analysis. Competition has generally been considered to be associated with achieving more favorable prices, our prior work and those of others has cited potential savings from competition.

Bridge Contracts Are Awarded for a Variety of Services

DOD, DOJ, and HHS awarded bridge contracts for a wide range of services. Figure 1 shows a break-out of the types of services procured through the 73 bridge contracts included in our review.

Figure 1: Types of Services Procured at DOD, DOJ, and HHS for 73 Bridge Contracts



Source: GAO analysis of Federal Procurement Data System - Next Generation data for contracts in our sample. | GAO-16-15

^a“Other” services include medical; maintenance, repair, alteration of structures/facilities; architect and engineering; technical representative services; transportation; lease or rental of equipment; and data processing equipment.

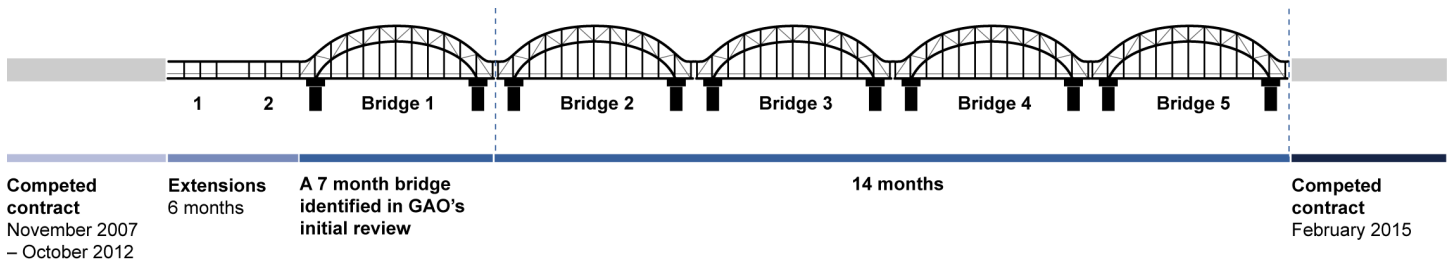
Over a quarter of the 73 bridge contracts we reviewed were awarded to ensure the continued provision of professional and administrative services, such as the employment of graphic artists and public affairs

officers to assist in Navy recruiting efforts, as well as the organization of an NIH-sponsored coalition to adopt nationwide medical imaging standards. Another 23 percent of the bridge contracts we reviewed were awarded for information technology services, including base-wide multimedia and broadcast services for the Army; text mining software used by NIH officials to categorize and report on research findings; and technology used to track evidence at DEA. Fifteen percent of the bridge contracts were awarded by BOP to provide residential reentry services for eligible inmates, which includes employment, housing, and other opportunities to assist federal offenders' transition back into their communities. Bridge contracts were also awarded for a variety of other services, such as utilities; housekeeping (which runs the gamut from janitorial services to pest control); research and development; and maintenance and repair of equipment or facilities.

Periods of Performance for Many Bridge Contracts Were Longer than Initially Apparent and Spanned Multiple Years

Most of the 73 bridge contracts had periods of performance of less than six months. However, when we conducted our more in-depth review of 29 of these contracts, we found that more than half involved one or more bridges that spanned much longer periods of time. Specifically, we found that 20 of the 29 contracts had additional bridges that were not apparent in our review of the initial documentation, and that more than half of the 29 contracts had periods of performance greater than six months. For example, during our initial review of J&A documentation for an NIH bridge contract for utility services at a research facility, we found no record of an additional four-month bridge contract. Through our interviews with contracting officials, however, we learned that another bridge contract had been awarded prior to the bridge contract we had identified. In another example, our initial review of a J&A for a residential reentry services contract at BOP indicated that contracting officials granted approval for a seven-month bridge contract, but upon further review, we found that there were five separate bridge contracts awarded over a 27-month period between the predecessor and follow-on contracts. Figure 2 depicts the multiple bridges and indicates the 7-month bridge that we had initially identified.

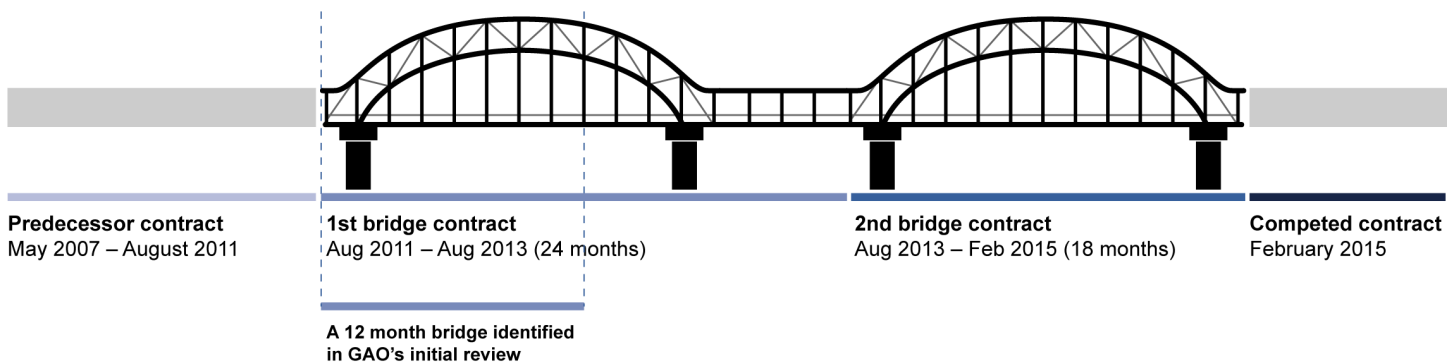
Figure 2: Timeline for BOP's Residential Reentry Services Contract



Source: GAO graphic based on information from contract file reviews and interviews with contracting officials. | GAO-16-15

In another example, our initial review of the J&A documentation for an Army bridge contract to procure computer support services indicated that contracting officials had granted approval for a bridge contract that was not to exceed 12 months. However, we later learned from speaking with officials and reviewing additional contract file documentation that the actual period of performance spanned 42 months, as shown in figure 3.

Figure 3: Timeline for Army Computer Support Services Contract



Source: GAO graphic based on information from contract file reviews and interviews with contracting officials. | GAO-16-15

The longer periods of performance observed in our in-depth review corresponded with an increased value of the contracts from what was apparent in our initial review. Most of the 73 contracts included in our high-level review had relatively small dollar values—less than \$1 million, while ten percent of the contracts had values greater than \$10 million—with the highest valued at \$79 million. Our in-depth review, however, revealed the value of the majority of the 29 bridge contracts included in that review to be greater than initially apparent. For example, the J&A for a bridge contract to provide computer support services at the Army awarded to an Alaska Native Corporation—included as a part of our high

level review—had an estimate of \$20 million. However, based on our in-depth review, the total reported value of the two bridge contracts awarded to bridge the gap in services was over \$28 million.¹³ In another example, a BOP contract for inmate reentry services, the J&A we initially reviewed estimated the bridge contract value to be about \$454,000, but our in-depth review revealed that the value of the five stand-alone bridge contracts awarded for this requirement exceeded \$1.2 million. In all, the value of the stand-alone bridge contracts awarded on the contracts we reviewed in-depth was over \$225 million.¹⁴

The fact that the full length of a bridge contract, or multiple bridge contracts for the same requirement, is not readily apparent from the review of an individual J&A presents a challenge for those agency officials responsible for approving the use of bridge contracts. Approving officials, signing off on individual J&As, would not have insight into the total number of bridge contracts that may be put in place by looking at individual J&As alone. Without a definition and a policy for bridge contracts, J&A documentation generally provides information on the individual contract covered by the J&A, and on the anticipated period of performance and estimated contract value at the time of award, rather than a full picture of the cumulative time and cost associated with bridging a gap in services for a requirement.¹⁵

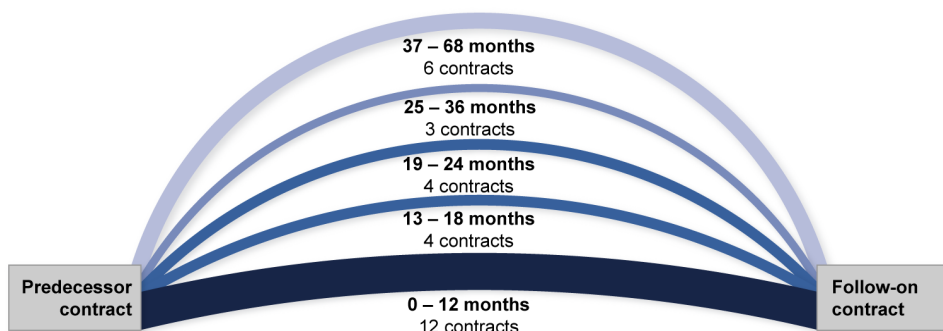
¹³ Our prior work on Alaska Native Corporations and other tribal firms under the 8(a) small business set-aside program has discussed issues related to competitive and sole-source procurements. See for example, GAO, *Federal Contracting: Monitoring and Oversight of 8(a) Tribal Firms Needs Attention*, [GAO-12-84](#) (Washington, D.C.: January 31, 2012) and GAO, *Contract Management: Increased Use of Alaska Native Corporation's Special 8(a) Provisions Calls for Tailored Oversight*, [GAO-06-399](#) (Washington, D.C.: April 27, 2006).

¹⁴ The \$225 million includes stand-alone bridge contracts for 20 of the 29 contracts we reviewed in-depth. The other 9 contracts used only contract extensions to bridge the gap in services. Fourteen of the 29 contracts used a combination of stand-alone bridge contracts and contract extensions. We were unable to calculate the value of contract extensions, as these values are reported as part of the predecessor contract in FPDS-NG.

¹⁵ In our report on noncompetitive contracts awarded based on urgency, we recommended that the agencies we reviewed develop an oversight mechanism when the cumulative value of noncompetitive contracts awarded on the basis of unusual and compelling urgency increases considerably beyond the initial contract award value. The agencies generally agreed with our recommendations. GAO, *Federal Contracting: Noncompetitive Contracts Based On Urgency Need Additional Oversight*, [GAO-14-304](#) (Washington, D.C.: March 26, 2014).

Overall the average period of performance for the 73 contracts we reviewed at a high-level was 8 months, and the average period of performance for the 29 contracts we reviewed in-depth was 21 months. Figure 4 illustrates that the actual periods of performance for these 29 bridge contracts ranged from two weeks to over five-and-a-half years; about one-third of the contracts had periods of performance that exceeded two years.

Figure 4: Length of Bridge Contracts (29 Contracts Reviewed In-depth)



Source: GAO analysis of contract documentation. | GAO-16-15

For 20 bridge contracts included in our in-depth review, contracting officials used the option to extend services clause to bridge, at least in part, the predecessor to the follow-on contract.¹⁶ This clause allows contracting officials to award more than one extension as long as the total period of performance does not exceed six months, but we found that for five of the 29 cases, three of which were in the Army, contracting officials failed to follow the clause in that they had extended the contract beyond the six-month timeframe. For instance, in the example displayed in Figure 3, Army contracting officials extended a bridge contract on two occasions, with each extension lasting six months in duration. This means an additional year was added to the initial period of performance of one year. For both extensions, contracting officials cited the option to extend services clause. Additionally, we learned from contract file review documentation that contracting officials had attempted to extend this

¹⁶ FAR § 17.208(f) provides for the use of FAR clause 52.217-8, “Option to Extend Services” in solicitations and contracts for services when the inclusion of an option is appropriate. This provision may be exercised more than once, but the total extension of performance shall not exceed 6 months.

bridge contract a third time, but the local office of small business programs denied this request because the incumbent contractor no longer qualified as a small business. Because of the recurring nature of this issue at one location within the Army, we plan to report on the issue separately.

Navy Documentation on Bridge Contracts Tended to Be Relatively More Robust

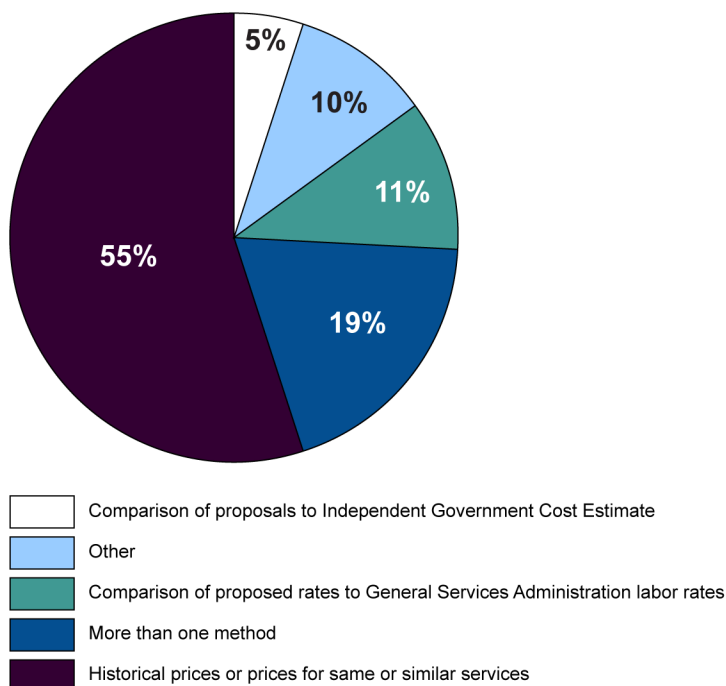
While Navy bridge contracts spanned similar lengths of time to those of other agencies, we found that the Navy contract files had much more robust documentation and generally identified the reasons for the use of bridge contracts in each J&A. Some of the Navy's J&A documentation included a full account of the length and cost of the bridge contract. For example, the J&A we reviewed for a nine month bridge contract for electromagnetic spectrum management support included the periods of performance for the predecessor contract and one prior bridge contract, and provided a detailed account of the reasons for the delays. In addition, the Navy submitted a follow-on J&A to account for a four-month extension to the bridge contract. The initial J&As listed the value of the bridge contract at almost \$4 million. Our in-depth review showed that the combined value of all bridge contracts awarded for this requirement was \$4.6 million, which was roughly similar to the estimate provided in the J&As.

J&A documentation we reviewed from other components in our review generally did not detail information on the total cost of the bridge contract in the individual J&A. Further, in some cases, the combined value of the total bridge was more than had been conveyed in an individual J&A. For example, a J&A for a contract to provide scientific, logistical, and administrative support to NIH indicated that a contract extension for six months was estimated to cost \$1.5 million. However, our in-depth review of this contract, as well as its predecessor and follow-on contracts, showed that the combined value of all bridge contracts awarded for this requirement was approximately \$5 million.

Contracting Officers Cited Historical Price Data in Establishing Fair and Reasonable Prices, and Price Analysis Revealed Some Increased Prices on Bridge Contracts

The FAR requires that contracting officers establish that the prices paid for contracts are fair and reasonable and expresses a preference for comparison of prices obtained through competition. Because competition is absent with the award of a bridge contract, contracting officers' fair and reasonable price determinations become imperative.¹⁷ We were able to collect information on how a contracting officer determined price reasonableness for 73 bridge contracts. Most contracting officials noted that they compared the proposed prices to the historical prices paid for the same or similar services, or used more than one method to establish price reasonableness (see figure 5).

Figure 5: Methods Used to Establish Price Reasonableness on 73 Contracts Reviewed



Source: GAO analysis of contract documentation and information provided by agency officials. | GAO-16-15

¹⁷The FAR lists several methods that could help establish price reasonableness in the absence of competition, such as conducting market research or comparing pricing to historical price data. FAR § 15.404-2.

To determine the extent to which the price paid by the government changed when a bridge contract was awarded to the incumbent contractor for the same services acquired under a previous contract, we conducted a price analysis for 10 of the 29 bridge contracts included in our in-depth review. We compared the rates of selected individual Contract Line Item Numbers (CLIN) for 5 of the 10 bridge contracts to those of their predecessor and competitive follow-on contracts. For 4 of the 10 bridge contracts, which provided residential reentry services to federal inmates, we compared the daily rate paid per inmate, and for the one remaining bridge contract included in this analysis, we compared the hourly price paid for three labor categories to those of the predecessor and follow-on contract. For the remaining 19 contracts we were unable to establish a direct comparison of CLINs or labor categories due to changes to the scope of the requirement or pricing type of the predecessor, bridge, or follow-on contract. Although our analysis was by necessity limited to those CLINs or labor categories that could be traced across the predecessor, bridge, and follow-on contracts, it provided insights into pricing trends for similar services over time.

We found that for 5 of the 10 contracts, the price paid for services on the initial stand-alone bridge contract or contract extension increased from that of the predecessor contract. For example, the monthly rate for administrative and information technology support services increased by nearly \$47,000, or 6.4 percent, under a Navy bridge contract, awarded when the predecessor contract expired. However, when the contract was further extended, the price paid decreased by nearly \$105,000, or 13.5 percent. Similarly, the CLIN for monthly materials and travel, under a stand-alone Army bridge contract for research and development testing and evaluation services, increased by approximately 5 percent, or \$67,400, when compared to the rate of its predecessor contract. Moreover, when that bridge contract was further extended, the price increased by another 16.6 percent, or \$265,000. However, the price paid remained unchanged when the bridge contract was further extended. Of the remaining 5 contracts, in 4 cases the price paid remained the same, and for the remaining contract the price decreased.

Almost All Follow-On Contracts Were Competed, and in Some Cases Savings Could Be Quantified

Follow-on contracts were competitively awarded for 23 of 26 contracts included in our in-depth review.¹⁸ The 3 remaining follow-on contracts were awarded on a sole-source basis.¹⁹ As noted above, competition generally leads to more favorable pricing. The fact that the vast majority of follow-on contracts were competed after the bridge contract expired highlights the urgency of ending bridge contracts as soon as possible, since these contracts are almost always sole-source.²⁰

The government has opportunities for savings when the contract awarded following a bridge is competitively awarded. For 7 of the 10 contracts where we conducted a price analysis, savings were achieved upon the award of the follow-on contract. Examples include:

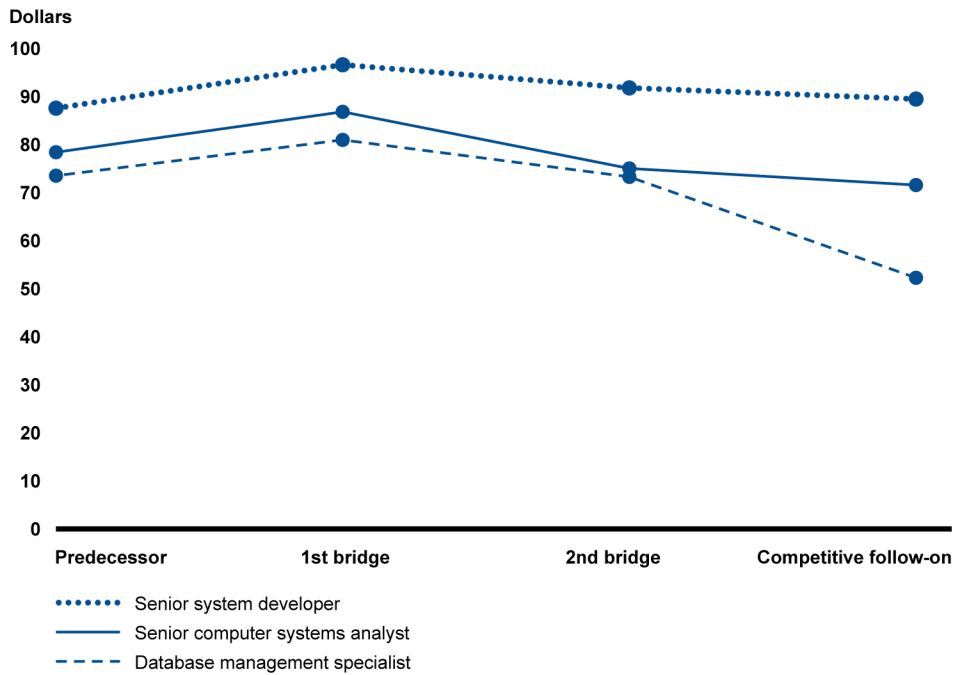
- An Air Force contract for logistic support services that resulted in a monthly rate reduction of approximately \$22,400 or 34 percent;
- A daily rate reduction of \$10.00 per inmate, or 12.5 percent, for residential reentry services at BOP;
- For a Navy contract providing administrative and professional support services, the rate was reduced by 15.6 percent, or approximately \$16 per man hour;
- As shown in Figure 6, the hourly rate changed for three labor categories for an Army computer support services contract. While the rate increased from the predecessor contract to the first bridge, it decreased from the first to second bridge, and decreased again from the second bridge to the competitive follow-on contract. Most significant is the rate reduction for the Database Management Specialist; the award of the follow-on contract resulted in a decreased hourly rate of nearly \$21.00, or 28 percent. The contracting official responsible for this contract told us that by awarding the follow-on contract competitively, the incumbent contractor had to re-evaluate what price the market demands for these services.

¹⁸ Out of the 29 contracts we reviewed in-depth, three follow-on contracts had not been awarded during the time of our review. Of these, one was awaiting a sole-source award and the other two were planned for competition.

¹⁹ Fifteen of the 26 follow-on contracts were awarded to the incumbent contractor.

²⁰ Contract extensions that used FAR clause 52.217-8, "Option to Extend Services" are considered to be competitive if the option was evaluated at the time of contract award. FAR §§ 17.206(a) and 17.208 (f).

Figure 6: Hourly Labor Rate Savings for Labor Categories Under an Army Contract for Computer Support Services



Source: GAO analysis of Army contract documentation. | GAO-16-15

Competition has generally been considered to be associated with achieving more favorable prices, and we and others have cited potential savings from competition in prior work.²¹ For example, a 2013 report by the Department of Veterans Affairs’ Office of the Inspector General estimated that the Veterans Affairs’ Technology Acquisition Center could have saved 20 percent, or approximately \$57.9 million, in acquisition costs if task orders for information technology services had been competed.²²

²¹ For example, see [GAO-10-833](#) and [GAO-12-384](#).

²² Department of Veterans Affairs: Office of the Inspector General’s Audit on the Technology Acquisition Center Contract Operations, 12-02387-343, September 27, 2013.

A Variety of Reasons Caused Delays in the Acquisition Process that Led to the Use of Bridge Contracts

A variety of reasons caused delays that resulted in the use of bridge contracts, but late completion of documentation needed to solicit follow-on contracts was the most frequent reason that we identified across our sample of 73 contracts. Contracting officials told us that acquisition workforce problems—such as inexperienced staff and frequent turnover of contracting and program office staff—also led to the use of bridge contracts and influenced other delays, such as late completion of acquisition planning documentation and challenges during source selection. The majority of agency officials that we interviewed identified bid protests as a common reason for the use of bridge contracts, and we found that bid protests had caused delays in eight of the 29 contracts included in our in-depth review—roughly a quarter—and that bid protests created substantial delays in awarding follow-on contracts.

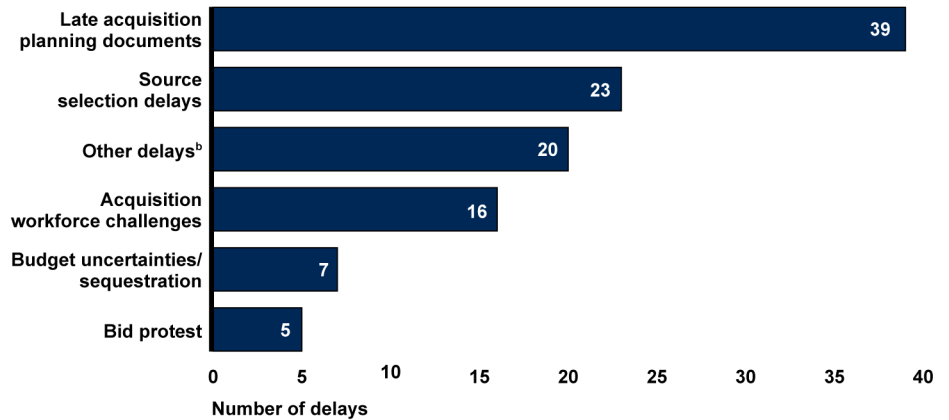
Late Completion of Acquisition Planning Documentation Most Frequently Identified Reason for Bridge Contracts

Based on our reviews of contract documentation and information provided by agency officials, we found that the most commonly cited reasons for the use of a bridge contract across the 73 contracts were related to acquisition planning issues—in particular the late completion of key acquisition planning documentation, such as statements of work, that are needed to begin a solicitation. Acquisition planning activities generally begin when the program office identifies a need, involves research and preparation of acquisition documents by both the program office and the contracting office, and concludes when the contracting office issues a solicitation. Our prior work has identified challenges that agencies faced in relation to acquisition planning on contracts for services, such as defining their needs and providing guidance to program offices on timeframes for pre-solicitation activities, such as defining requirements in a statement of work document.²³

Other frequently identified reasons for delays included delays in source selection, acquisition workforce challenges, and bid protests, among others. Figure 7 illustrates the number of instances each reason was cited for the contracts included in our sample. For most of the contracts, there were multiple reasons driving the use of bridge contracts.

²³ [GAO-11-672](#).

Figure 7: Reasons and Timing for Delays Found in High-Level Review of 73 Bridge Contracts^a



Source: GAO analysis of contract documentation and information provided by agency officials. | GAO-16-15

^aIn some cases, more than one reason was cited for using a bridge contract. Therefore, the number of reasons exceeds the 73 contracts included in this analysis. Also, for 7 of the 73 contracts included in our high-level review, we were unable to identify the reasons the bridge contract was awarded because officials could not provide information on the reasons for delay.

^b“Other delays” included contractor related delays, technical challenges with agency databases, introducing new acquisition guidance, contract ceilings that were met prematurely, delays in cost analyses provided by external agencies, termination of previous task orders, and a brief interruption in re-procurement activities. We identified each of these reasons in, at most, 3 contracts reviewed.

Our findings regarding the reasons behind the use of bridge contracts echo the findings of the Institute for Defense Analyses’ March 2010 report on competitiveness in contracts for services.²⁴ That report noted that bridge contracts occur when a delay in the acquisition process prevents the award of a competitive follow-on contract until after the contract in place is due to expire. The report further explained that these delays arise from various sources, including the requiring agency or program office, the contracting office, and other sources such as bid protests.

Our in-depth review of 29 contracts further underscored that acquisition planning issues frequently led to the use of bridge contracts and provided additional insights into the nature of these issues. For example, the majority of the contracting officials that we interviewed cited the late submission of key acquisition planning documentation from program officials as one of the most common reasons why bridge contracts are

²⁴ Institute for Defense Analyses, *Competitiveness in the Service Sector*, IDA Paper P-4542 (Alexandria, Va.: March 2010).

needed. For 18 of the contracts, contracting officials told us that the statement of work, in particular, was either submitted late by the program office, required multiple rounds of revisions before it was ready to be published, or a combination of those two factors contributed to the need for a bridge contract. Acquisition planning challenges stemming from the coordination of program and contracting offices have been highlighted in some of our past work. For example, in a July 2010 report on competition, we found that several contracting officials from different agencies expressed concern that program offices sometimes do not allow them enough time to execute a sufficiently robust acquisition planning process that could increase opportunities for competition.²⁵ They told us that program offices are insufficiently aware of the amount of time needed to properly define requirements or conduct adequate market research.

A contract awarded by DEA highlights some of the acquisition planning problems that we found across the 29 contracts. In this example, DEA contracting officials told us that the program office was late in submitting the statement of work. According to those officials, a contract extension was awarded for 6 months to accommodate this delay. During this time, the contracting office issued a solicitation for this requirement and received multiple proposals for the follow-on contract, but the source selection board realized during the proposal evaluation phase that the statement of work did not accurately reflect the agency's needs. Upon realizing that a completely new statement of work was required, DEA decided to cancel the solicitation and awarded a six month bridge contract, which was later extended by three months to accommodate the additional time it needed to award a follow-on contract.

Acquisition planning shortfalls caused substantial delays for some contracts we reviewed at other components as well. For example, at BOP, we found a series of 17 stand-alone bridge contracts, most of which were about three months in length, to provide natural gas service at a penitentiary that were put in place after the predecessor contract expired in January 2011—following a four month contract extension. Contracting officials told us that the program office was extremely late in submitting the necessary paperwork to award a follow-on contract, and did not submit the required acquisition planning documents until February 2014, over three years after the predecessor contract expired. As of the date of

²⁵ [GAO-10-833](#).

this review, contracting officials have yet to award a follow-on contract and attribute these delays to personnel shortages within the contracting office. Specifically, contracting officials told us that they are short-staffed; explaining that 119 different requirements are handled by only two contracting officers, therefore, this requirement often gets placed on the backburner, resulting in the need for bridge contracts to prevent a gap in critical services.

Acquisition Workforce Challenges Also Led to Bridge Contracts

As the previous example highlights, challenges related to the acquisition workforce can exacerbate delays, and thus contribute to the award of bridge contracts. We found that acquisition workforce challenges—in particular, inexperienced and overwhelmed staff, as well as staff turnover—led to the use of bridge contracts and influenced other delays, such as the late completion of acquisition planning documentation and challenges during source selection.

Inexperienced and Overwhelmed Staff

Contracting officials from multiple agencies told us that late statements of work were often a symptom of a lack of knowledgeable and seasoned staff in program offices. For example, contracting and program officials from the Air Force and Army told us that workforce challenges were responsible for inefficiencies or missteps that introduced delays into the acquisition process. Contracting officials at the Air Force told us that in one instance, inexperienced contracting personnel failed to exercise the second annual option for a logistics management contract and the contract expired. However, the contractor continued to provide services during that time without a contract in place for over five weeks before the mistake was realized. As a result of this and other problems, the last two years of the contract could not be used, and a series of noncompetitive bridge contracts totaling 41 months were used until a competitive follow-on contract was awarded. The same Air Force officials also told us that the majority of their contracting workforce had less than five years of experience, which contributed to significant delays in awarding follow-on contracts. Similarly, three Army contracting officials told us that their divisions did not have enough experienced contracting officers or available attorneys to run source-selection boards in order to select vendors for follow-on contracts. One of those officials also told us that their overwhelmed contracting office also struggled to award new contracts in a timely manner. For example, that official told us that a bridge contract that had been in place for 37 months would likely be extended yet again even though it was possible to award a follow-on contract, because it was unclear if anyone in her division would have enough time to dedicate to that requirement before the current bridge

contract expired. Contracting and program officials from this Army component concurred that workforce challenges in both the program and contracting offices were the primary reason why they awarded multiple bridge contracts that lasted more than three years. We have found and reported on government-wide acquisition workforce challenges for many years, including DOD's efforts to rebuild the capacity of its acquisition workforce.²⁶

Staff Turnover

Contracting and program officials from all three agencies cited staff turnover as another driver of bridge contracts. Specifically, officials told us that turnover contributed to delays for 10 of the 29 bridge contracts in our in-depth sample. In one example, a program official at DEA told us that awarding a follow-on contract for counseling services was delayed in part because there were three different contracting specialists working on the requirement while it was being recompleted. This official also stated that there may have been a larger staffing issue in the contracting office during this time that contributed to the solicitation being issued later than expected after the statement of work had been finalized.

Through our analysis of contract documentation and information provided by agency officials, we also found that a lack of institutional knowledge within the contracting office was apparent for seven of the 73 contracts in our sample. This acquisition workforce problem was generally the result of staff turnover coupled with a lack of contract documentation. For example, after reviewing a contract file for software within DEA laboratories and interviewing contracting and program officials, we were unable to determine the specific reason why a bridge contract was needed. After reviewing the contract documentation following our visit, the DEA was also unable to identify the specific reason for delay that led to a bridge contract. Similarly, DLA could not provide specific reasons beyond the need for continued services for six contracts in our sample. As a point of comparison, the Navy had greater institutional knowledge regardless of staff turnover due to the high level of detail provided in their J&As and contract documentation. Navy officials we spoke with as part of our in-

²⁶ For example, see GAO, *Acquisition Workforce: DOD's Efforts to Rebuild Capacity Have Shown Some Progress*, [GAO-12-232T](#) (Washington, D.C.: November 16, 2011); GAO, *Department of Homeland Security: A Strategic Approach is Needed to Better Ensure the Acquisition Workforce Can Meet Mission Needs*, [GAO-09-30](#) (Washington, D.C.: November 19, 2008); and GAO, *Acquisition Workforce: Status of Agency Efforts to Address Future Needs*, [GAO-03-55](#) (Washington, D.C.: December 18, 2002).

depth review were generally more aware of the facts and circumstances for the bridge contracts they awarded when compared to their counterparts at other components. The contracting officials we spoke with stated that the Navy's policy on bridge contracts has curtailed their use, especially since contracting officials have faced pressure from their superiors to avoid bridge contracts. When bridge contracts are needed, Navy officials said they know a high degree of scrutiny by management will ensue.

Bid Protests Contributed to the Use of Bridge Contracts in Some Cases

The majority of agency officials that we interviewed identified bid protests as a common reason for the use of bridge contracts. While contract documentation cited bid protests as reasons for delay in five of the contracts in our high-level review, when we reviewed the contracts in-depth we found that bid protests caused delays in eight of the 29 contracts—roughly a quarter—and that the protests introduced substantial delays to the acquisition process. For example, NIH received nine protests from the incumbent contractor and other unsuccessful bidders on a requirement for utility maintenance services. In this instance, contracting officers awarded a series of short-term bridge contracts for roughly six years to continue to meet the requirement. Similarly, a BOP contract for residential reentry services received multiple protests that resulted in three stand-alone bridge contracts. The total period of performance for that bridge contract requirement was ultimately 27 months.

In seven of the eight instances of bid protests that we identified, the incumbent contractor protested the award of a follow-on contract to a new vendor or the terms of the solicitation. However, only two of those protests were sustained and resulted in the incumbent receiving the follow-on contract. Most of the losing incumbents were unsuccessful in obtaining follow-on contracts. We also found that as a result of the incumbent's protests, incumbent vendors kept providing services—in a noncompetitive environment—well after the predecessor contracts expired.

The relationship between bridge contracts and bid protests was discussed in a recent U.S. Court of Federal Claims decision. In this decision, the Court discussed BOP's procurement of residential reentry services. In June 2012, BOP issued a Request for Proposals for residential reentry services. During the acquisition process for the follow-on contract, the incumbent's contract for the residential reentry services expired. To avoid a gap in services while completing the acquisition

process, BOP awarded—to the incumbent contractor—a total of three stand-alone bridge contracts with a total period of performance of 21 months. During the period of performance of the last bridge, BOP awarded a follow-on contract to a different vendor. The incumbent contractor filed a protest with GAO in April 2015. Rather than enter into a fourth bridge contract with the incumbent contractor, BOP decided to transfer the inmates of the facility being serviced by the incumbent contractor to other facilities. Based on BOP’s decision to transfer the inmates, the incumbent filed another protest, this time with the U.S. Court of Federal Claims. The Court denied the incumbent’s protest on May 29, 2015.²⁷

Contracting Officials Also Cited Budget Uncertainties and Sequestration as Contributing to Bridge Contracts

Contracting officials asserted that budget uncertainty and sequestration contributed to delays in the award of follow-on contracts for four of the 29 contracts that we reviewed in-depth. For example, officials responsible for two Navy contracts—one for information technology and administrative support and the other for information technology and information management—told us that budget uncertainties, including furloughs within their office during the government shutdown in October 2013, contributed to delays in the award of follow-on contracts. They also told us that one program office was unable to commit funding to a full-term contract early enough in the acquisition process to award the follow-on contract in a timely manner. Similarly, BOP officials told us that sequestration cuts resulted in the award of an additional short-term bridge contract for residential reentry services during the shutdown. However, that particular bridge contract was bookended by two extensions to the predecessor and four other bridge contracts that were caused by bid protests and source selection challenges. Overall, the impact of budget uncertainties and sequestration was not immediately clear or quantifiable for any of the contracts in our sample.

Conclusions

While bridge contracts can be a useful tool in certain circumstances to avoid a gap in services, they are typically envisioned to be used for short periods of time. When these noncompetitive contracts are used frequently or for prolonged periods of time, the government is at risk of paying more than it should for goods and services. Because we found that almost all of

²⁷ Bannum Inc. v. U.S. 121 Fed. Cl. 543 (2015).

the bridge contracts in our review were ultimately followed by competitive contracts—which can lead to savings for the taxpayer—the importance of awarding these contracts in a timely manner is heightened. By defining bridge contracts and implementing a policy related to their use, the Navy and DLA have taken important steps to enhance these components’ management of bridge contracts. However, bridge contracts have been identified not only across the three agencies and eight components included in our review, but at other agencies as well, as evidenced by our past work and that of others. Therefore, the importance of defining and tracking bridge contracts is not limited to those agencies included in our review. A uniform, government-wide definition and strategies for tracking and managing the use of bridge contracts would help ensure all agencies have better insights into their use of these contracts and provide agencies with the information necessary to manage their use. Otherwise, agencies are left without a complete picture or understanding of how long a bridge contract has been in place. Without such information, it is difficult for agencies to take steps to reduce their reliance on noncompetitive bridge contracts or remediate internal deficiencies—such as issues related to acquisition planning or challenges with the acquisition workforce—that may lead to delays in the award of follow-on contracts.

Recommendations for Executive Action

To gain visibility and enable efficient management on the use of bridge contracts in federal agencies, we recommend that the Administrator of OFPP take the following two actions:

1. Take appropriate steps to develop a standardized definition for bridge contracts and incorporate it as appropriate into relevant FAR sections, and
2. As an interim measure, until the FAR is amended, provide guidance to agencies on
 - a definition of bridge contracts, with consideration of contract extensions as well as stand-alone bridge contracts; and
 - suggestions for agencies to track and manage their use of these contracts, such as identifying a contract as a bridge in a J&A when it meets the definition, and listing the history of previous extensions and stand-alone bridge contracts back to the predecessor contract in the J&A.

Agency Comments and Our Evaluation

We provided a draft of this report to OMB, DOD, HHS, and DOJ for review and comment. DOD and DOJ provided technical comments which we incorporated as appropriate. HHS had no comments.

In an email response, OMB's OFPP concurred with our recommendation to provide guidance to agencies on bridge contracts. With regard to our recommendation to develop a definition of bridge contracts and incorporate it in the FAR, OFPP stated its intention to work with members of the FAR Council to explore the value of doing so. Specifically, OFPP stated it agreed with our conclusion that heightened management attention on bridge contracts can help to remediate weaknesses that may sometimes cause protracted reliance on incumbent contractors after contract expiration. The response further stated that, for this reason, OFPP generally concurs with the recommendation to issue guidance and increase agency attention on these vehicles. It noted that while there is a legitimate role for bridge contracts in helping to avoid lapses in service that can cause mission harm, agencies bear a responsibility, as a part of effective risk management, to ensure this authority is being used only to the extent necessary and in accordance with FAR requirements that are designed to promote competition, including limitations on extensions and execution of justifications and approvals when competition is not used. OFPP stated that it intends to work with the members of the FAR Council and U.S. Chief Acquisition Officer's Council to review relevant FAR coverage and discuss the value of developing a regulatory definition for a bridge contract or making other refinements to address non-competitive work with incumbent contractors beyond the period of contract performance. We appreciate that OFPP will be taking steps to explore the option of adding a definition into the FAR, and we continue to believe that a uniform, government-wide definition for bridge contracts is imperative to providing agencies with the information necessary to monitor these contracts and to ensure they are being used as intended.

We are sending copies of this report to the Director of OMB, the Secretaries of Defense and Health and Human Services, the Attorney General, and interested congressional committees. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 mackinm@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 key contributions to this report are listed in appendix II.



Michele Mackin, Director
Acquisition and Sourcing Management

Appendix I: Objectives, Scope, and Methodology

Our report examines (1) the insights of selected agencies into their use of bridge contracts; (2) key characteristics of selected bridge contracts; and (3) the reasons why bridge contracts are being used. Since bridge contracts are not defined by the Federal Acquisition Regulation (FAR), we, in consultation with our general counsel, developed a definition for bridge contracts based on our prior reviews and knowledge of bridge contracts and the Institute for Defense Analyses report on competition for service contracts—which defined bridge contracts.¹ For the purposes of this report, we established the following definitions:

- *Bridge contract.* An extension to an existing contract beyond the period of performance (including option years), or a new, short-term contract awarded on a sole-source basis to an incumbent contractor to avoid a lapse in service caused by a delay in awarding a follow-on contract.
- *Predecessor contract.* The contract in place prior to the award of a bridge contract.
- *Follow-on contract.* A longer-term contract that follows a bridge contract for the same or similar services. This contract can be competitively awarded or awarded on a sole-source basis.

Since bridge contracts are not identified in any federal database, to select agencies and components for our review, we developed a customized search methodology using data from the Federal Procurement Data System-Next Generation (FPDS-NG) to identify potential bridge contracts. Details on this customized methodology are outlined in a separate section below. Using the results of the customized methodology, we selected three agencies (the Departments of Defense (DOD), Health and Human Services (HHS), and Justice (DOJ)) and eight components within those agencies for review. The selected components were as follows:

- DOD: Air Force, Army, Navy, and Defense Logistics Agency (DLA)
- HHS: National Institutes of Health (NIH) and Indian Health Service (IHS)
- DOJ: Drug Enforcement Administration (DEA) and Federal Bureau of Prisons (BOP)

To gain insights into the selected agencies' use of bridge contracts, we collected and analyzed policies and procedures on bridge contracts in

¹ Institute for Defense Analyses, *Competitiveness in the Service Sector*, IDA Paper P-4542, (Alexandria, Va.: March 2010).

place at the selected agencies and components. We interviewed acquisition and contracting officials about their knowledge of the use of bridge contracts and any management controls, such as tracking or approval processes, in place in relation to bridge contracts. Because of its role in providing direction for government-wide procurement policies, regulations and procedures, and to promote economy, efficiency, and effectiveness in government acquisitions, we also interviewed staff at the Office of Management and Budget's Office of Federal Procurement Policy (OFPP) to discuss their views on the benefits and challenges on the use of bridge contracts. We also used federal internal control standards as criteria for assessing agencies' insights into the use of bridge contracts.²

To identify key characteristics of selected bridge contracts and assess the reasons why bridge contracts are being used, we selected 73 bridge contracts across the eight components to be included in our high level review, and a subset of 29 of those contracts to be included in our more in-depth review. The selection process for the contracts is described in detail below. For our high level review, we collected and analyzed contract documentation for the 73 bridge contracts, such as justification and approval (J&A) documents, contract modifications, price negotiation memorandums, and other key file documentation used to support the award of a stand-alone bridge contract or contract extension. We analyzed this information to identify key characteristics of the bridge contracts, such as the period of performance and the authority used to extend the existing contract or award the stand-alone contract. In addition, we reviewed information in FPDS-NG on these 73 contracts to identify the types of services procured and the contract value.³ To identify the reasons for the award of the bridge contract and the methods used to determine price reasonableness across the 73 contracts, we analyzed the contract file documentation and, in situations where the contract file documentation did not include information on the reason for award or the methods used to determine price reasonableness, we followed up with agency officials. To gain additional knowledge about the facts and circumstances surrounding the award of bridge contracts, we conducted an in-depth review of the subset of 29 contracts. For the in-depth review,

² GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington D.C.: November 1999).

³ We reported the contract value based on the base and all options value, as reported in FPDS-NG.

we conducted site visits to six locations selected based on the location of contract files, collected and analyzed contract documentation from the predecessor contract, bridge contract(s), and, if awarded at the time of our review, the follow-on contract, and conducted interviews with contracting and program officials for each contract. We analyzed the contract documentation and the interviews to develop a more in-depth understanding of certain characteristics of bridge contracts, such as the length of time between the end of the predecessor contract and the award of the follow-on contract, the extent to which follow-on contracts were competed, and the change in prices between the predecessor, bridge, and follow-on contracts. To determine the extent to which the price paid by the government changed when a bridge contract was awarded to the incumbent contractor for the same services acquired under a previous contract, we conducted a price analysis for 10 of the 29 bridge contracts included in our in-depth review. We compared the rates of individual Contract Line Item Numbers (CLIN) for 5 of these bridge contracts, their predecessor, and competitive follow-on. For 4 of these bridge contracts, which provide residential reentry services to federal inmates, we compared the daily rate paid per inmate, and for the remaining bridge contract included in our analysis, we compared the hourly price paid for three labor categories, commonly referred to as labor rates.⁴ The remaining 19 contracts included in our in-depth review were excluded from our price analysis as we were unable to compare these contracts due to changes to the scope of the requirement or pricing type of the predecessor, bridge, or follow-on contract. Although our analysis was by necessity limited to those CLINs or labor categories that could be traced across the predecessor, bridge, and follow-on contracts, it provided insights into pricing trends for similar services over time.

We also analyzed the contract documentation and our interviews with contracting and program officials to develop a more in-depth understanding of the reasons for the award of bridge contracts.

⁴ We compared the last rate of the predecessor contract to the first rate paid of the bridge contract. We then compared the last rate of the bridge contract to the first rate of the follow-on contract. We used this methodology rather than compare a contract's average rate.

Methodology for Selection of Agencies and Components

Since bridge contracts are not identified in FPDS-NG or any other federal database, to select agencies and components for our review, we developed a customized search methodology using data from FPDS-NG to identify potential bridge contracts. We initially searched for the term “bridge contracts” in the description field of FPDS-NG for contracts awarded in fiscal year 2013. We excluded contracts for physical bridges (i.e., structures that carry a pathway or roadway over a gap or barrier). This search yielded a total of 11 bridge contracts. Given the small number of contracts that this search yielded, we developed a customized search methodology using FPDS-NG data fields so as to increase our chances of obtaining a larger data set of potential bridge contracts. Our customized search was based on our definition of bridge contracts and included searches for both extensions to existing contracts and stand-alone bridge contracts:

- *Extensions.* To find extensions to existing contracts, we searched FPDS-NG for sole-source and competitive contracts awarded between fiscal year 2010 and 2013 where the current completion date was later than the initial completion date. We excluded annual contract options, contract closeouts, and terminations from this search.
- *Stand-alone bridge contracts.* To find potential stand-alone bridge contracts, we searched for contracts awarded in fiscal year 2013 that met the following characteristics:
 - Sequentially awarded contracts (within 90 days) by the same component and contracting organization, at the same location, to the same contractor, for the same services.
 - The second of the sequentially awarded contracts was sole-source and had a period of performance of 12 months or less.

We selected the years 2010-2013 so as to increase the likelihood that a follow-on contract had been awarded subsequent to the bridge contracts, and could therefore be included in our review. Using this methodology, we arrived at the selection of the three agencies and eight components identified earlier in the appendix. We selected the agencies and components with consideration of the fact they were among those with

the highest number of potential bridge contracts, and with consideration of on-going work we had at those entities.⁵

Methodology for Contract Selection

We developed a nongeneralizable sample of 73 bridge contracts for services. We focused on service contracts since agency officials and our prior work indicated that bridge contracts were predominantly for services. We used two processes for identifying the 73 contracts included in our review: (1) 52 contracts were identified through our customized search of FPDS-NG, and (2) 21 contracts were initially identified by selected components and verified by us as bridge contracts.

Using the results of the FPDS-NG customized search methodology previously described, we selected contracting offices within the components reviewed based on the number of potential bridge contracts and the location of the contracting offices. We compiled a list of approximately 600 potential bridge contracts from these contracting offices. In selecting these potential bridge contracts, we aimed to ensure that there was a mix of contract extensions and stand-alone bridge contracts. We excluded contracts that had contract values below the simplified acquisition threshold of \$150,000, as these contracts are generally exempt from the competition requirements of the FAR.⁶ We provided the lists of contracts to each component in our review and asked them to provide contract award and extension documentation, such as J&A documents and contract modifications, to verify whether or not the contracts met our definition of a bridge contract. We excluded some potential bridge contracts with certain features for the purposes of this report.⁷ At the end of this process, we had identified 52 contracts as bridge contracts to be included in our review.

⁵ For example, we did not select the Department of Veterans Affairs for our review because we had ongoing work on the contracting practices at this agency. We have since completed that review. See GAO, *Veterans Affairs Contracting: Improved Oversight Needed for Certain Contractual Arrangements*, [GAO-15-581](#) (Washington D.C.: July 2, 2015).

⁶ See FAR § 6.001(a).

⁷ For example, we excluded classified contracts so as to maintain an unclassified report, and contract extensions used to accommodate construction change orders because these extensions are not due to a delay in the award of a follow-on contract.

In addition, we selected 21 contracts—12 from DLA and 9 from NIH—from agency lists of bridge contracts that these two components had provided us at the beginning of the review. These contracts were either awarded, in progress of being awarded, or extended in fiscal year 2013 or fiscal year 2014. With the addition of these 21 contracts, our sample for our high level review totaled 73 bridge contracts. See table 2 for a break out of the contracts in our sample.

Table 2: Number of Bridge Contracts Included in High Level Review by Component

Component	Number of Bridge Contracts
Army	10
Air Force	3
Navy	14
DLA	12
BOP	14
DEA	5
NIH	13
IHS	2
Total	73

Source: GAO analysis of agencies' contract documentation. | GAO-16-15

To gain additional knowledge as to the facts and circumstances surrounding the award of bridge contracts, we selected a subset of 29 of the 73 contracts from 6 of the 8 components for a more in-depth review.⁸

⁸ We excluded DLA and IHS from our in-depth review of 29 contracts. IHS was excluded due to the limited number of contracts verified as bridge contracts. We excluded DLA so as to maintain a balance in the number of contracts across the three agencies included in the review (i.e., since Army, Navy, and Air Force were included in the review as DOD components, we did not include DLA in the in-depth review so as not to have a much larger number of contracts from DOD components than from DOJ or HHS components). While we did not include contracts from DLA in our in-depth review, we did include contracts from DLA in our higher level review, and we talked to DLA officials about their insights into bridge contracts and the policies and procedures they have put in place for management oversight. In addition, for one bridge contract we had initially identified based on an extension, we also included a stand-alone contract awarded prior to the extension as a part of the total bridge. While the bridge contract portion of the requirement did not fully meet our definition of a bridge contract because it was not awarded to the incumbent contractor, we included it as a part of the bridge because it was labeled as a bridge in the file documentation and Army officials told us that it served to bridge the gap in services until a competitive follow-on was awarded. The length of the contract was 12 months and the subsequent extensions totaled 12 months.

These 29 contracts were selected based on several factors, specifically contract value, obtaining a mix of contract extensions and stand-alone bridge contracts, and the location of the contract files.

The sample of contracts included in our review is not generalizable to a larger universe, but is designed to provide illustrative examples of the characteristics and rationale for the use of bridge contracts at the selected agencies and components, and supplement the information obtained from our interviews and review of agency policies and procedures.

We conducted this performance audit from June 2014 to October 2015 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

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Staff Acknowledgments

In addition to the contact named above, Janet McKelvey, Assistant Director; Guisseli Reyes-Turnell, Analyst-in-Charge; Peter W. Anderson, Emily Bond, Andrew Burton, Virginia Chanley, Julia Kennon, John Krump, Erin Stockdale, Roxanna Sun, and Holly Williams made key contributions to this report.

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