

Why GAO Did This Study

Competition is a critical tool for achieving the best return on investment for taxpayers. In fiscal year 2011, the Department of Defense (DOD) obligated about \$375 billion through contracts; more than half that amount was for services. Agencies are required to award contracts on the basis of full and open competition, but are permitted to award noncompetitive contracts in certain situations.

The Senate Armed Services Committee report on the National Defense Authorization Act for Fiscal Year 2012 directed GAO to report on competition for DOD contracts and task orders for services. GAO examined (1) how competition rates for services compare to competition rates for products and trends in competition for services, (2) the reasons for noncompetitive contracts and task orders for services, and (3) steps DOD has taken to increase competition.

GAO reviewed federal procurement data for 2007 through 2011 and a non-generalizable sample of 111 justifications for noncompetitive awards, which were from different DOD components and for different types of services. GAO defines competition rates as the dollars obligated under competitive contracts and task orders as a percentage of all obligations. GAO focused on non-research and development (R&D) services to concentrate analysis on contracts not related to development of weapons systems. GAO reviewed DOD policies and competition reports, and prior GAO reports.

GAO is not making any new recommendations. DOD responded to a draft of this report with no comments.

View [GAO-12-384](#). For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov

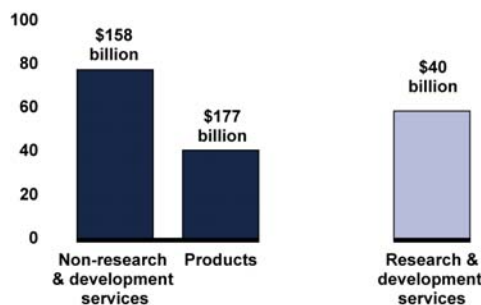
DEFENSE CONTRACTING

Competition for Services and Recent Initiatives to Increase Competitive Procurements

What GAO Found

In fiscal year 2011, the competition rate for DOD's non-R&D services was almost twice the competition rate as that of products, and almost 20 percent higher than that of R&D services, as shown below.

DOD Competition Rates for All Fiscal Year 2011 Obligations
Percentage



Source: GAO analysis of FPDS-NG data.

From fiscal year 2007 through 2011, competition rates for non-R&D services have been nearly 80 percent and have not changed significantly across DOD, but have declined at the Air Force, dropping from 75 percent to 59 percent. According to a DOD procurement policy official, the Air Force competition advocate is assessing the reasons for lower competition rates. When non-DOD agencies procured non-R&D services on behalf of DOD in fiscal year 2011, their average competition rate was 81 percent, slightly higher than the average rate of 78 percent for DOD's own contracting offices.

The majority of DOD noncompetitive obligations for non-R&D services in fiscal year 2011 were due to the contractor being the only responsible source for the procurement. The second most cited exception was "authorized by statute," for example, awards under the Small Business Administration's 8(a) business development program. Based on prior GAO work, a variety of factors can affect competition, including reliance on contractor expertise and data rights, the influence of program offices, and unanticipated events such as bid protests. GAO analysis of the justifications for noncompetitive contracts identified examples of these factors affecting competition for DOD procurements in fiscal year 2011.

Since 2009, the Office of Management and Budget (OMB) and DOD have undertaken initiatives related to competition, including actions to address some opportunities GAO previously identified. DOD has taken steps aimed at increasing competition, in particular "effective competition" which DOD defines as situations where more than one offer is received in response to a competitive solicitation. For instance, DOD has implemented requirements to provide additional response time to solicitations when only one offer is received for a solicitation that initially provided less than 30 days for receipt of proposals. Outside of recent efforts to increase competition, OMB and DOD have additional opportunities to address prior GAO recommendations—such as promoting the role of program officials in influencing competition and better understanding the circumstances leading to only one offer on competitive contracts.