



November 2017

DEFENSE CONTRACTING

DOD's Use of Lowest Price Technically Acceptable Source Selection Procedures to Acquire Selected Services

Accessible Version

GAO Highlights

Highlights of [GAO-18-139](#), a report to congressional committees

Why GAO Did This Study

DOD obligated about \$300 billion through contracts for goods and services in fiscal year 2016. When awarding a contract competitively, DOD may use the LPTA source selection process to select the lowest-priced offer that is technically acceptable. In contrast, DOD may use the trade-off source selection process to award a higher-priced contract to a firm if the firm's offer provides greater benefit and it is worth paying the additional cost. The National Defense Authorization Act for Fiscal Year 2017 calls on DOD to avoid using the LPTA process for information technology, cybersecurity, and other knowledge-based professional support services.

The Act also included a provision for GAO to report on DOD's use of LPTA procedures for contracts valued at more than \$10 million. This report assesses the (1) extent to which DOD used LPTA procedures for certain services, and (2) factors that contracting officials considered when deciding to use LPTA procedures.

GAO reviewed data from the Federal Procurement Data System-Next Generation to identify 781 contracts valued at \$10 million or above awarded by the Army, Navy, and Air Force in the first half of fiscal year 2017, the most recent period for which data were available. GAO then selected 133 of these contracts for information technology and support services, which include services reflected in the Act. GAO identified that 9 contracts used LPTA procedures and reviewed 7 of these, including interviewing officials and reviewing contract documents.

DOD had no comments on the draft report.

View [GAO-18-139](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or dinapolit@gao.gov.

November 2017

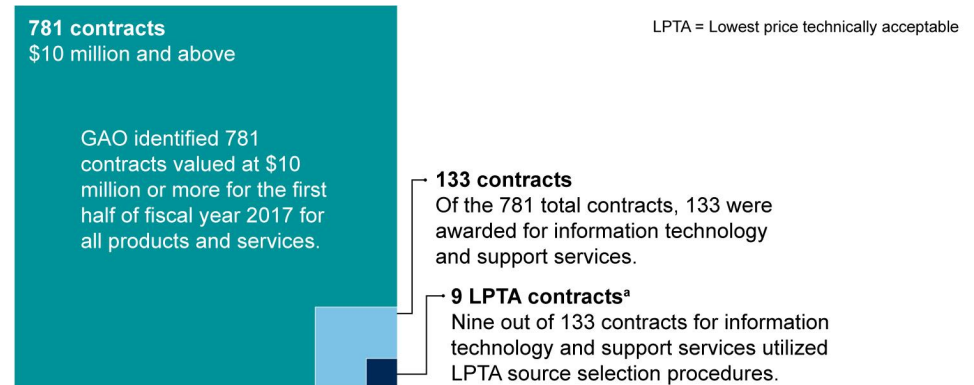
DEFENSE CONTRACTING

DOD's Use of Lowest Price Technically Acceptable Source Selection Procedures to Acquire Selected Services

What GAO Found

During the first half of fiscal year 2017, the Army, Navy, and Air Force rarely used lowest price technically acceptable (LPTA) source selection procedures when awarding contracts valued at \$10 million or more for the types of services identified by the National Defense Authorization Act, such as information technology services. Department of Defense (DOD) guidance states that LPTA procedures are typically for requirements that are well-defined, commercial, or non-complex products or services with a minimal risk of unsuccessful contract performance. The figure shows the military departments' limited use of LPTA procedures for contracts for selected services.

Army, Navy, and Air Force Rarely Used LPTA Processes to Award Contracts for Information Technology and Support Services



Source: GAO analysis of Federal Procurement Data System-Next Generation and Department of Defense contract data. | GAO-18-139

^aTwo contracts were subject to bid protest and were not included for further review.

For the 7 contracts that GAO reviewed, contracting officials determined that the government would not receive a benefit for paying more than the lowest price. Contracting officials also stated that LPTA was used, in part, because the requirements were well-defined, non-complex, or reoccurring. For example, the Navy used LPTA procedures to award a contract for commercially available monthly telephone maintenance services. In addition, the Air Force used LPTA procedures to award a contract for mail sorting and delivery. Section 813 of the fiscal year 2017 National Defense Authorization Act requires DOD to amend its regulations to require contracting officers to consider specific criteria when deciding to use LPTA procedures. DOD has not yet revised its regulations to implement Section 813. Nevertheless, for the 7 contracts GAO reviewed, contracting officials' considerations when choosing to use LPTA procedures were often consistent with most of these new criteria. DOD officials are currently developing the revisions to the Defense Federal Acquisition Regulation Supplement that are contemplated by Section 813.

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Abbreviations

DFARS	Defense Federal Acquisition Regulation Supplement
DOD	Department of Defense
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
IDIQ	Indefinite Delivery Indefinite Quantity
IT	Information Technology
LPTA	Lowest Price Technically Acceptable
NDA	National Defense Authorization Act

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November 30, 2017

Congressional Committees

The Department of Defense (DOD) obligated about \$300 billion through contracts for goods and services in fiscal year 2016. When awarding a contract competitively, DOD has several source selection procedures it can use to evaluate firms' proposals. For example, DOD may use a best value, lowest price technically acceptable (LPTA) process. In the LPTA process, DOD awards the contract to the firm presenting the lowest priced proposal that is technically acceptable, and no tradeoffs are permitted. Alternatively, it can use a best value tradeoff process, in which it can vary the relative importance of cost or price to other factors such as technical capability or past performance in its solicitations to firms. In these cases, DOD may award a contract to a firm presenting other than the lowest-priced proposal if it determines that a higher-priced firm provides a greater benefit to the department, and this greater benefit is worth paying an additional cost.

Section 813 of the National Defense Authorization Act (NDAA) for Fiscal Year 2017 calls for DOD to avoid using LPTA procedures when doing so would deny DOD the benefits of making cost and technical tradeoffs in the source selection process.¹ To implement this policy, Section 813 requires that DOD revise the Defense Federal Acquisition Regulation Supplement (DFARS) to allow the use of LPTA procedures only when certain criteria are met. For example, one criterion is that contracting officials must determine that no, or little, value would be gained from a proposal exceeding the solicitation's minimum technical requirements. The specific criteria are discussed in the background section of this report.

Section 813 also requires that LPTA procedures must be avoided to the "maximum extent practicable" in procurements of:

- Information technology (IT) services, cybersecurity services, systems engineering and technical assistance services, advanced electronic testing, audit or audit readiness services, or other knowledge-based professional services;

¹National Defense Authorization Act for Fiscal Year 2017, Pub. L. No. 114-328, div. A, tit. VIII, § 813, 130 Stat. 2000 (Dec. 23, 2016).

-
- Personal protective equipment, such as body armor; and
 - Knowledge-based training or logistics services in contingency or other operations outside the United States.

Further, Section 813 included a provision that we report on the number of instances where DOD used LPTA procedures for contracts exceeding \$10 million, as well as an explanation of how acquisition officials considered the new criteria identified in Section 813. The objectives of this report were to assess the (1) extent to which DOD used LPTA procedures for contracts awarded in the first half of fiscal year 2017 for certain services and products identified in Section 813 valued at \$10 million and above, and (2) factors that contracting officials considered when deciding to use LPTA procedures for these contracts. We selected the first half of fiscal year 2017 because that was the most recent time period for which data were available.

To determine the extent to which DOD used LPTA source selection procedures in the first half of fiscal year 2017, we used data from the Federal Procurement Data System-Next Generation (FPDS-NG) to identify a population of contracts valued at \$10 million or above that were awarded between October 1, 2016 and March 31, 2017 by the Departments of the Army, Navy, and Air Force.² These military departments represented almost 80 percent of DOD procurement spending in fiscal year 2016, and collectively accounted for 781, or over 64 percent, of DOD's 1,212 new contracts reported in FPDS-NG with total estimated values of \$10 million or above awarded during the 6-month period we reviewed. We determined that FPDS-NG was sufficiently reliable for the purposes of identifying these contracts by tracing relevant FPDS-NG data to the contracts we reviewed and related documents. We identified a population of 781 new contract awards that were within the scope of our review. Our scope includes stand-alone contracts and the initial award of indefinite delivery, indefinite quantity (IDIQ) contracts, but excludes subsequent orders issued under these contracts because

²FPDS-NG is the government's central repository for contracting data.

solicitation data is not readily available for orders.³ Our scope also excluded blanket purchase agreements and basic ordering agreements.⁴

We focused our review on contracts for categories of products and services that could include those listed in Section 813 of the fiscal year 2017 NDAA for which DOD should, to the maximum extent practicable, avoid using LPTA source selection procedures. Through analysis of FPDS-NG product and service code information, we identified the following four categories which could contain such products or services:⁵

- Information technology and telecommunications;
- Support services, which include professional/administrative/management services;
- Ammunition and explosives, which include tactical sets that may include personal protective equipment; and
- Clothing and individual equipment, which includes protective clothing and personal armor (or in other words, personal protective equipment).

From the 781 contracts that were within the scope of our review, we identified 147 contracts in one of these four categories. Fourteen of these were in the ammunition category. We did not identify any contracts in the clothing category. We reviewed descriptions of what was purchased under these 14 awards and also requested that DOD identify any contracts that included the purchase of personal protective equipment. The Army, Navy, and Air Force confirmed that none of the 14 contracts in the ammunition category included personal protective equipment. The remaining 133 contracts identified were for services coded as IT or support services, which include knowledge-based professional services.

³An IDIQ contract provides for an indefinite quantity, within stated limits, of supplies or services during a fixed period. The government places orders for individual requirements. FAR § 16.504(a). An IDIQ can be awarded to more than one contractor, and a single solicitation is used.

⁴Blanket purchase agreements and basic ordering agreements are not contracts, but rather agreements that contain terms applying to future contracts between the parties.

⁵Product and service codes are used within FPDS-NG to identify and classify the services, supplies, and equipment purchased under a contract. While advanced electronic testing services were listed in the legislation, no additional information was available to make a clear determination as to what product and service codes are used to represent contract awards for this item in FPDS-NG. Therefore, advanced electronic testing services was not explicitly included in the scope of this review.

Because FPDS-NG does not identify the source selection procedure used to award contracts, we provided contract numbers for these 133 contracts to the Army, Navy, and Air Force and requested that these departments identify contracts for which LPTA procedures were used, and provide supporting documentation for that determination.

Of the 133 contracts valued at \$10 million and over, DOD officials responded to us that 9 were awarded through LPTA source selection procedures and 124 were not. To assess the accuracy of LPTA status information provided by DOD, we reviewed 36 of the 75 unique solicitations for the 124 contracts that DOD identified as non-LPTA. We could not find information for 39 solicitations, likely because these solicitations were no longer available through online portals, and so for these solicitations, we could not verify the source selection method. For the 36 solicitations we examined, we found that all had been properly classified by DOD as non-LPTA. We excluded 2 of the 9 contracts awarded through LPTA procedures from further study because those awards were protested, resulting in 7 contracts awarded through LPTA procedures that were included in our review for more detailed assessment.⁶ Each of these 7 contracts was for IT or support services.

To identify the factors contracting officials considered when deciding to use LPTA procedures on these 7 contracts, we obtained and analyzed relevant contract documents including the acquisition plan, solicitation, and source selection decision memorandum. In addition, we interviewed contracting officials for each of these 7 contracts. We also reviewed applicable sections of the Federal Acquisition Regulation (FAR), the DFARS, and DOD's March 2016 Source Selection guide.⁷ Finally, we assessed contract documents and interviewed contracting officials to determine whether they were aware of the new policy of Section 813. Because the criteria in Section 813 have not yet been incorporated into the DFARS, we also determined the extent to which criteria similar to those in Section 813 had been considered in the decision to use LPTA procedures in the 7 procurements we examined.

We conducted this performance audit from March 2017 through November 2017 in accordance with generally accepted government

⁶In one case, the bid protest was ongoing. In the second case, officials reported that as the result of a protest, the procurement was being reopened.

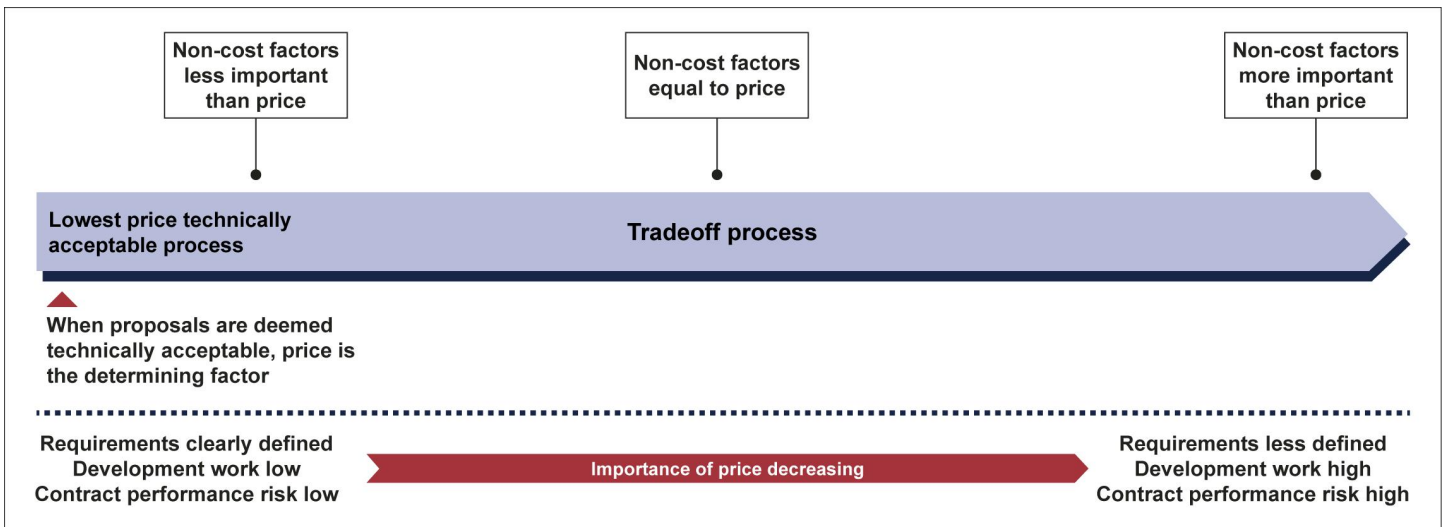
⁷Department of Defense, *Source Selection Procedures*, (March 31, 2016).

auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The FAR establishes several types of source selection procedures, which include the tradeoff procedure on one end of the best value continuum and LPTA procedures on the other end.⁸ (see fig. 1).

Figure 1: Source Selection Processes on the Best Value Continuum



Source: GAO analysis of Federal Acquisition Regulation § 15.101. | GAO-18-139

DOD may elect to use the LPTA procedure where the requirement is clearly defined and the risk of unsuccessful contract performance is minimal. In such cases, DOD has determined that cost or price should play a dominant role in the source selection. When using LPTA procedures, DOD specifies its minimum requirements in the solicitation. Firms submit their proposals and DOD determines which of the proposals

⁸Another source selection method is sealed bidding. In sealed bidding, an award is made to the responsible bidder whose bid conforms to the invitation for bid and is the most advantageous for the government considering only price and price-related factors included in the invitation.

meet or exceed those requirements, no tradeoffs between cost or price and non-cost factors (for example, technical capabilities or past performance) are permitted, and the award is made based on the lowest price technically acceptable proposal submitted to the government. Non-cost factors are rated on an acceptable or unacceptable basis.

By contrast, DOD may elect to use tradeoff procedures in acquisitions where the requirement is less definitive, more development work is required, or the acquisition has a greater performance risk. In these instances, non-cost factors may play a dominant role in the source selection process. Tradeoffs between price and non-cost factors allow DOD to accept other than the lowest priced proposal. The FAR requires DOD to state in the solicitation whether all evaluation factors other than cost or price, when combined, are significantly more important than, approximately equal to, or significantly less important than cost or price.

DOD's March 2016 Source Selection guide offers additional guidance regarding the use of LPTA source selection procedures. The guidance is mandatory for acquisitions conducted as part of a major system acquisition program and all competitive FAR part 15 procurements with an estimated value over \$10 million. The guidance states that LPTA procedures may be used in situations where there would not be any value on a product or service exceeding the required technical or performance requirements. The guidance also states that such situations may include acquisitions for well-defined, commercial, or non-complex products or services and where risk of unsuccessful contract performance is minimal, and when it has been determined there would be no need or value to pay more for higher performance.

Section 813 of the fiscal year 2017 NDAA required that DOD revise the DFARS to require that LPTA procedures only be used in situations when the following six criteria are met.

1. DOD can clearly describe the minimum requirements in terms of performance objectives, measures, and standards that will be used to determine acceptability of offers;
2. DOD would realize no, or little, value from a proposal exceeding the solicitation's minimum technical requirements;
3. The proposed technical approaches can be evaluated with little or no subjectivity as to the desirability of one versus the other;

-
4. There is a high degree of certainty that a review of technical proposals other than that of the lowest-price offeror would not identify factors that could provide other benefits to the government;
 5. The contracting officer has included a justification for the use of LPTA procedures in the contract file; and
 6. The lowest price reflects full life-cycle costs, including for operations and support.

Section 813 also established that implementing revisions to the DFARS were to be completed within 120 days of enactment of the NDAA, but the revisions had not been put in place as of October 2017. DOD officials stated that the changes to the DFARS are currently in progress.

Past GAO Reports on DOD Source Selection Procedures

In 2010 and 2014, we reported on DOD's use of best value tradeoff source selection procedures. In 2010, we found that, for 60 of the 88 contracts reviewed, DOD used a tradeoff process and weighted non-cost factors as more important than price.⁹ In these cases, DOD was willing to pay more when a firm demonstrated it understood complex technical issues more thoroughly, could provide a needed good or service to meet deadlines, or had a proven track record in successfully delivering products or services of a similar nature. In addition, we determined that when making tradeoff decisions, DOD selected a lower priced proposal nearly as often as it selected a higher technically rated, but more costly, proposal. In so doing, DOD chose not to pay more than \$800 million in proposed costs by selecting a lower priced offer over a higher technically rated offer in 18 contracts. The majority of solicitations where non-cost factors were equal to or less important than cost were for less complex requirements. DOD faced several challenges when using best value tradeoff procedures, including:

- the difficulties in developing meaningful evaluation factors,
- the additional time investment needed to conduct best value procurements, and
- the greater level of business judgment required of acquisition staff when compared to other acquisition approaches.

⁹GAO, *Defense Contracting: Enhanced Training Could Strengthen DOD's Best Value Tradeoff Decisions*, GAO-11-8 (Washington, D.C.: Oct. 28, 2010).

To help DOD effectively employ the best value tradeoff process, we recommended that DOD develop training elements such as case studies that focus on reaching tradeoff decisions. DOD concurred and implemented the recommendation in August 2012.

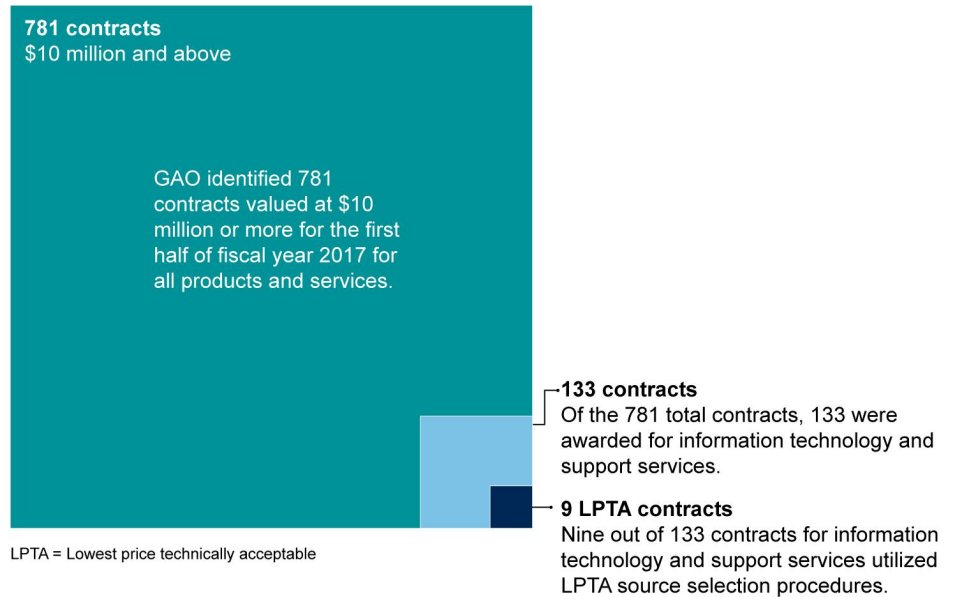
In 2014, we found that DOD had increased its use of LPTA procedures for new contracts with obligations over \$25 million—using LPTA source selection procedures to award an estimated 36 percent of new fiscal year 2013 contracts compared to 26 percent in fiscal year 2009—and that officials' decisions on which source selection method would be used was generally rooted in knowledge about the requirements and contractors.¹⁰ For contracts with obligations over \$25 million, DOD used LPTA source selection procedures primarily to acquire commercial products such as fuel, and we identified relatively few uses of LPTA to acquire higher dollar services. For contracts with obligations over \$1 million and under \$25 million, DOD used LPTA procedures an estimated 45 percent of the time for a mix of products and services, including fuel, aircraft parts, computer equipment, construction-related services, engineering support services, and ship maintenance and repairs. We did not make recommendations to DOD in this report.

DOD Used LPTA Procedures Infrequently for Contracts Valued at \$10 Million or More for Information Technology or Support Services

The Army, Navy, and Air Force rarely used LPTA source selection procedures for IT and support services contracts valued at \$10 million or more that were awarded in the first half of fiscal year 2017. Our analysis found that the three military departments awarded 781 new contracts valued at \$10 million or more during this time frame. Of these 781 contracts, 133 contracts were awarded for IT and support services. However, only 9 of the 133 contracts used LPTA source selection procedures (see fig. 2).

¹⁰GAO, *Defense Contracting: Factors DOD Considers When Choosing Best Value Processes Are Consistent with Guidance for Selected Acquisitions*, GAO-14-584 (Washington, D.C.: Jul. 30, 2014).

Figure 2: Military Departments Rarely Used LPTA Procedures to Award Contracts for Selected Services



Source: GAO analysis of Federal Procurement Data System-Next Generation and Department of Defense contract data. | GAO-18-139

Table 1 provides information on the 7 contracts we reviewed that were awarded in the first half of fiscal year 2017 that used LPTA source selection procedures. As previously noted, we excluded 2 of the 9 contracts from further review due to bid protests.

Table 1: Contracts Awarded Using Lowest Price Technically Acceptable Source Selection Procedures between October 1, 2016 and March 31, 2017 that GAO Reviewed

Military Department	Requirement	Estimated value (dollars in millions)
Army	Construction management, engineering, and technical support provided by Afghan nationals for reconstruction projects in Afghanistan	85.0
Air Force	Operation support services at an Air Force Reserve Base	38.2
Air Force	Operation support services at an Air Reserve Station	27.9
Air Force	Operation support services at an Air Reserve Station	24.7
Air Force	Centralized mail sorting services in Germany	21.5
Army	Software source code/cybersecurity vulnerability assessments	17.1
Navy	Telephone system maintenance services	15.9

Source: GAO analysis of DOD contract information. | GAO-18-139

Factors DOD Officials Considered When Determining to Use LPTA Procedures

DOD Officials Considered Several Factors, Including the Nature of the Requirement, When Determining to Use LPTA Procedures

Contracting officials cited a number of factors that were considered when determining to use LPTA procedures in the 7 selected contracts we reviewed. For all of the contracts, officials determined that the government would not receive a benefit for paying more than the lowest price. For these contracts, contracting officials also stated that LPTA procedures were used, in part, because the requirements were well-defined, non-complex, or reoccurring. Additional details on the contracts follow.

- The Army awarded an IDIQ contract, with a one-year base period and four 1-year options, for support services in Afghanistan with an estimated ceiling value of \$85,000,000. This is a reoccurring requirement to hire Afghan nationals to provide on-site construction management, engineering, and technical support services for reconstruction projects throughout Afghanistan. The acquisition plan states that Afghan nationals can more freely move about the country compared to U.S. personnel. Further, a contracting official stated that

it was determined that no additional value would be gained by paying a premium for these services and that the lowest price was the best choice. In addition, to mitigate risk of poor performance, one requirement of the contract is to maintain a qualified workforce. Officials stated that approximately 90 percent of personnel performing on the previous contract are working on the current contract.

- The Air Force awarded three contracts for base operation support services—vehicle maintenance, airfield maintenance, fuel management, and traffic management—at an Air Force Reserve Base and two Air Reserve Stations. All of the contracts were awarded with a one-month orientation period, one-year base period, four 1-year options, and a final 6-month option, with total estimated values ranging from \$24.7 million to \$38.2 million. Acquisition plans for these requirements stated that the services were well defined. Additionally, contracting officials stated that there is at least a decade of past experience with these requirements, and, as a result, the requirements are well known.
- The Air Force awarded a contract for centralized mail sorting services in Germany. The contract consists of a 2-month phase-in period, a 2-month base period, four 1-year options, and one 8-month option, with a total estimated value of approximately \$21.5 million. The acquisition plan for this requirement stated that a LPTA source selection procedure was chosen because the requirement was well-defined and not technically complex. For example, the acquisition plan noted that there was more than a decade of historical data that helped define and estimate the volume of mail that would need to be sorted. Contracting officials reiterated that LPTA was used since the service was well-defined, the risk of poor performance was low, and that it was determined that additional trade-offs would not provide an additional benefit to the taxpayer.
- The Army awarded an IDIQ contract to look for vulnerabilities in software code. The contract, which was set aside for small businesses, had a 5-year ordering period and an estimated ceiling value of \$17.1 million. The contractor was required to perform a software review using several government approved code analysis tools and then characterize any potential vulnerabilities identified by the tools in terms of risk levels prescribed by established government cybersecurity standards. Army requirements officials stated that they determined there was no additional value to be gained from additional innovations in doing either task. Our review found some indication that the requirement, however, might not have been clearly understood by offerors. For example, the Army received 12 offers which ranged from

\$800,177 to \$46,680,003. The contracting officer attributed the range of offers to the inexperience of some offerors with preparing proposals or misunderstanding this type of requirement, and the two lowest offers were determined to be technically unacceptable.

- The Navy awarded a contract to perform commercially available monthly telephone maintenance, which includes preventive and remedial maintenance on a specific brand of phone systems that Navy locations in California use. The contract consists of a one-year base period and two 1-year options, with an estimated total value of approximately \$15.9 million. The acquisition plan stated that only certified authorized dealers could perform maintenance on these phones. A contracting official stated the requirement was well-defined and required the highest tier of maintenance options that could be offered, and, as a result, there was no tradeoff available. The highest tier requires that maintenance be available 24 hours a day, 7 days a week in multiple Navy locations, and that the contractor must respond to emergencies within 15 minutes during normal business hours. The contract also includes maintenance for all switches, inside wiring and any necessary relocation services, among other support requirements.

Factors Cited by Contracting Officials When Choosing LPTA Procedures Were Generally Consistent with Criteria Listed in Section 813

DOD has not yet revised the DFARS in response to Section 813. A DOD official noted that since Section 813 required revisions to the DFARS, contracting officials are not required to consider the criteria in Section 813 until those revisions become effective. Nevertheless, we found that contracting officials generally considered the first four of the six criteria specified in Section 813, in part, because these four were already generally reflected in DOD's March 2016 source selection guide. The following examples illustrate how DOD contracting officials considered these four criteria in the 7 contracts we reviewed:

Criteria for the Use of Lowest Price Technically Acceptable (LPTA) Source Selection

Under Section 813(b) of the National Defense Authorization Act for Fiscal Year 2017, the Department of Defense must revise the Defense Federal Acquisition Regulation Supplement to permit the use of LPTA procedures only when the department:

1. Can describe its minimum requirements using performance objectives, measures, and standards that will be used to determine the acceptability of offers;
2. Would realize little or no value from a proposal exceeding the solicitation's minimum requirements;
3. Can compare the desirability of technical approaches with little or no subjectivity;
4. Is not likely to identify factors that could provide value by reviewing other-than-lowest-price proposals;
5. Has documented a justification for the use of an LPTA methodology; and
6. Has determined the lowest price reflects full life-cycle costs, including operations and support costs.

Source: GAO analysis of National Defense Authorization Act for Fiscal Year 2017, Section 813. | GAO 18 139

1. One contracting official determined that minimum performance requirements for the \$15.9 million contract for monthly telephone maintenance services could be described using objective performance measures, and the contract documents showed the technical acceptability of offers was tied to the description of these requirements in the statement of work. In another example, documents related to the award of a \$27.9 million Air Force contract for base operations services show performance objectives and standards set forth as evaluation factors.
2. Section 813 requires DOD to revise the DFARS to provide that LPTA procedures may be used only when DOD would realize little or no value from a proposal that exceeds the solicitation's minimum technical requirements. Our interviews with contracting officials and review of contract documents found that in each case, DOD officials assessed whether the department could receive value from a contract awarded on a tradeoff basis where the proposal exceeded the minimum technical requirements, and determined that there would be no additional value to be gained.
3. Most officials said they felt that it was possible to evaluate the proposals they received with little subjectivity, although they had not always explicitly made and documented this assessment. Officials for two contracts stated, for example, that the threshold question of technical acceptability for their contracts was whether the offering firms possessed certain licenses or accreditation to perform services on specific equipment or in specific locations. No subjectivity was involved in this assessment; therefore, they viewed the question of technical acceptability as essentially objective. However, because

they were not required to document this assessment, contract documents did not provide evidence of an assessment of subjectivity.

4. Officials for most of the contracts we reviewed stated they had determined that a review of technical proposals other than that of the lowest-price offeror would not identify factors that could provide other benefits. In one case officials ultimately reviewed additional proposals, which is allowed under current DOD source selection guidance.

DOD's March 2016 source selection guidance does not require contracting officers to consider the fifth and sixth criteria listed in Section 813. Accordingly, we found that contracting officers did not always document justifications for choosing LPTA procedures and did not determine that the lowest price offered reflected full life-cycle costs. Specifically, we found that:

5. Although the files for all 7 contracts contained some record of the choice of LPTA source selection procedures, files for 3 of the 7 contracts simply stated that LPTA procedures would be used and did not include an explanation or justification for the choice. Only the documents for the four Air Force contracts included some explanation of the reasons for choosing LPTA source selection procedures. While not required by DOD source selection guidance when our selected contracts were approaching source selection, providing a justification for using LPTA is one of the criteria that Section 813 requires DOD to include among the revisions to the DFARS.
6. None of the officials for our selected contracts had confirmed that the lowest price offered reflected full life-cycle costs, which is one of the criteria that Section 813 requires DOD to include among the revisions to the DFARS. For the mail delivery, telephone maintenance, and base operations support contracts we reviewed, two contracting officials noted that full life-cycle costs were not applicable and a third stated that life-cycle costs cannot be determined for a service contract. As previously noted, all of the contracts in our review were for services, not for products. A Defense Procurement and Acquisition Policy official acknowledged that the application of the criterion could cause confusion and that DOD officials are considering this issue as part of efforts to revise the DFARS.

As previously noted, DOD is currently developing the revisions to the DFARS that are contemplated by Section 813. DOD officials could not provide a specific timeframe for when the DFARS would be revised, noting that the revisions would need to be reviewed by the Office of Information and Regulatory Affairs at the Office of Management and

Budget, and then released for public comment before the revisions could be finalized.

Agency Comments

We are not making any recommendations in this report. We provided a draft of this report to DOD for comment. DOD had no comments on the draft report.

We are sending copies of this report to appropriate congressional committees and the Secretary of Defense. The report will be available at no charge on GAO's website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or dinapolit@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 I.



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Director, Acquisition and Sourcing Management

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Appendix I: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

In addition to the contact named above, the following staff members made key contributions to this report: Justin Jaynes (Assistant Director), Matthew T. Crosby, Lorraine Ettaro, Stephanie Gustafson, Julia Kennon, Victoria Klepacz, W. William Russell, Roxanna Sun, Ann Marie Udale, Khristi Wilkins, and Lauren Wright.

Appendix II: Accessible Data

Data Tables

Data Table for Highlights figure, Army, Navy, and Air Force Rarely Used LPTA Processes to Award Contracts for Information Technology and Support Services

- 781 contracts, \$10 million and above GAO identified 781 contracts valued at \$10 million or more for the first half of fiscal year 2017 for all products and services.
- 133 contracts, Of the 781 total contracts, 133 were awarded for information technology and support services.
- 9 LPTA contracts, Nine out of 133 contracts for information technology and support services utilized LPTA source selection procedures.

Data Table for Figure 1: Source Selection Processes on the Best Value Continuum

An arrow showing a continuum from left to right. Lowest number on left.

- 1) Non-cost factors less important than price
 - a) Lowest price technically acceptable process
 - b) When proposals are deemed technically acceptable, price is the determining factor
 - c) Requirements clearly defined Development work low Contract performance risk low
- 2) Non-cost factors equal to price
 - a) Tradeoff process
 - b) Importance of price decreasing
- 3) Non-cost factors more important than price
 - a) Requirements less defined Development work high Contract performance risk high

Data Table for Figure 2: Military Departments Rarely Used LPTA Procedures to Award Contracts for Selected Services

- 781 contracts, \$10 million and above GAO identified 781 contracts valued at \$10 million or more for the first half of fiscal year 2017 for all products and services.
- 133 contracts, Of the 781 total contracts, 133 were awarded for information technology and support services.
- 9 LPTA contracts, Nine out of 133 contracts for information technology and support services utilized LPTA source selection procedures.

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