

GAO

Report to Congressional Requesters

March 2000

CONTRACT  
MANAGEMENT

Few Competing  
Proposals for Large  
DOD Information  
Technology Orders



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## Abbreviations

DOD	Department of Defense
FASA	Federal Acquisition Streamlining Act
OFPP	Office of Federal Procurement Policy

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United States General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

B-281493

March 20, 2000

The Honorable James M. Inhofe  
Chairman  
The Honorable Charles S. Robb  
Ranking Minority Member  
Subcommittee on Readiness and  
Management Support  
Committee on Armed Services  
United States Senate

The government acquires billions of dollars' worth of information technology products and services each year, with the Department of Defense (DOD) acquiring a significant amount of its information technology needs using task- and delivery-order contracts.<sup>1</sup> After concerns were raised that federal agencies had avoided competition when ordering under such contracts,<sup>2</sup> Congress, through the Federal Acquisition Streamlining Act, imposed statutory requirements on the use of these contracts.<sup>3</sup> Agencies must now consider awarding multiple contracts rather than a single contract when planning a task- or delivery-order contract.

Our prior review of the implementation of multiple-award contracting showed that agencies did not consistently promote competition for orders.<sup>4</sup> On the basis of this work, you asked us to expand our review and to examine DOD's use of large orders under multiple-award contracts to acquire information technology products and services and assess (1) whether contractors were provided a fair opportunity to be considered and the extent of competition realized and (2) how ordering offices met requirements to clearly specify the tasks to be performed or property to be

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<sup>1</sup> A task- or delivery-order contract provides for an indefinite quantity of supplies or services (within specific limits) to be furnished during a fixed period, with deliveries scheduled through orders with the contractor.

<sup>2</sup> *Streamlining Defense Acquisition Laws*, Report of the DOD Acquisition Law Advisory Panel (Jan. 1993).

<sup>3</sup> P.L. 103-355 (Oct. 13, 1994).

<sup>4</sup> *Acquisition Reform: Multiple-award Contracting at Six Federal Organizations* (GAO/NSIAD-98-215, Sept. 30, 1998).

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delivered under the orders. We selected contracts managed by the Defense Information Systems Agency, the Department of Transportation, the General Services Administration, and the National Institutes of Health. We reviewed all orders with a value of over \$5 million awarded for DOD requirements between October 1, 1997, and December 31, 1998. Most of the orders involved information technology services for ongoing defense programs. Appendix I includes information on the orders we reviewed. We briefed your staff on the results of our ongoing work. Subsequently, the National Defense Authorization Act for Fiscal Year 2000<sup>5</sup> required that procurement regulations be revised to identify steps agencies should take to ensure that contractors are afforded a fair opportunity to be considered for orders and that orders clearly specify all the services or supplies to be delivered. This report contains information that can be used in developing these new regulations.

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## Results in Brief

Most of the 22 large orders we reviewed were awarded without competing proposals having been received. Agencies made frequent use of the statutory exceptions to the fair opportunity requirement. Further, contractors frequently did not submit proposals when provided an opportunity to do so. Only one proposal was received in 16 of the 22 cases—the 16 cases all involved incumbent contractors and represented about \$444 million of the total \$553 million awarded. Contractor representatives told us that if program officials were interested in receiving competing proposals, then more outreach activities—such as meetings with potential contractors to explain program requirements—should be conducted.

Work descriptions for most orders we reviewed defined tasks broadly. Most of these orders were for information technology services and frequently covered several years of effort. Because the work was broadly defined, the orders did not establish fixed prices for the work but provided for reimbursement of contractors' costs. Further, several broadly defined orders were later defined by sole-source work orders. According to program officials, specifying the information technology services that will be required in future years involves considerable uncertainty.

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<sup>5</sup> P.L. 106-65 (Oct. 5, 1999).

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This report contains recommendations that can be used in implementing the National Defense Authorization Act requirement to revise the procurement regulations and to initiate other appropriate changes to help agencies ensure that contractors are afforded a fair opportunity to be considered for orders and that orders clearly specify all the services or supplies to be delivered.

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## Background

Task- and delivery-order contracts have historically provided an expeditious way to fill certain government needs. These indefinite contracts are awarded when agencies can forecast a general need for a category of supplies or services. Once agencies determine the specific times and places where services or supplies are needed and the quantities required, they issue orders under these contracts. Placing orders in this manner is less burdensome administratively than awarding a series of individual contracts.

In 1993, a DOD-sponsored study panel reported that this process brought the potential for abuse. The panel's report indicated that some orders called for work beyond what contractors had competed to provide. In 1994, members of Congress expressed concern that indiscriminate use of task- and delivery-order contracts to acquire broad categories of ill-defined advisory services could diminish competition for contracts and waste taxpayer dollars.<sup>6</sup>

To promote competition under task- and delivery-order contracts, Congress, through the Federal Acquisition Streamlining Act (FASA), established a preference for awarding these contracts to multiple firms rather than to a single company. Orders placed under such contracts must clearly specify all the tasks to be performed or property to be delivered. In addition, agencies placing orders must ensure that—except under specified circumstances—each contractor is afforded a fair opportunity to be considered. FASA authorizes exceptions to the fair opportunity process when (1) the agency's need for supplies or services is unusually urgent, (2) the agency's needs are so unique or specialized that only one contractor can provide the required quality, (3) placing the order on a sole-source basis will promote economy and efficiency because the order is a logical follow-on to a previous order issued competitively, or (4) the order must be

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<sup>6</sup> Senate Report 103-258 (May 11, 1994).

placed with a particular contractor to satisfy a required minimum guaranteed amount. To preserve the simplicity and flexibility of task- and delivery-order contracts, Congress provided contracting officers broad discretion to define the procedures used to evaluate offers and select contractors when placing orders. Consistent with congressional intent, the regulations implementing FASA did not mandate procedures for providing contractors a fair opportunity or for specifying the services or supplies ordered. The Office of Federal Procurement Policy (OFPP), however, has issued a guidebook that presents the Office's views on best practices in the use of task- and delivery-order contracts.<sup>7</sup> For example, the guidebook suggests that agencies (1) avoid awarding logical follow-on orders whose scope or costs substantially exceed those of previous orders for which contractors were provided an opportunity to be considered and (2) use fixed-price orders where appropriate.

Our prior review of the implementation of multiple-award contracting showed that agency efforts to provide fair opportunity—and thereby promote competition—varied among the six organizations we reviewed. Two organizations achieved consistent competition for orders, while four had more difficulty obtaining competition to fill information technology requirements. For example, one organization did not provide contractors an opportunity to be considered for most orders issued, while another identified a preferred contractor when announcing opportunities. The procurement regulations have since been revised to prohibit designation of preferred contractors. A further revision has been proposed to reinforce key principles regarding the administration of multiple-award contracts. These revisions would, for example, require contracting officers to document the rationale for selecting the contractor receiving an order and encourage agencies to use performance-based work statements—which describe work in terms of desired outcomes instead of how the work is to be performed—to the maximum extent practicable.

## Few Competing Proposals Received for Large Orders

Few competing proposals were received for the large orders we reviewed. Competing proposals can help contracting officers ensure they receive the best value on federal contracts. In many cases, agency officials used the statutory exceptions to the fair opportunity requirement and did not request competing proposals. When agency officials afforded contractors

<sup>7</sup> *Best Practices for Multiple Award Task and Delivery Order Contracting*, Office of Federal Procurement Policy (July 1997).

an opportunity to be considered, they often received proposals from only one contractor. In most cases, the submitted proposals involved incumbent contractors.<sup>8</sup> Contractor representatives suggested that program officials and contracting officers could promote broader competition by conducting more outreach activities, such as meetings with potential contractors to explain program requirements, and obtaining feedback on contractors' capabilities.

According to agency officials, multiple-award contracting has produced substantial benefits. Officials stated that multiple-award contracts allow them to acquire services and supplies more quickly and simply, alleviating past concerns that awarding traditional contracts took too long. Expedited ordering procedures under multiple-award contracts have also alleviated concerns that DOD may not always be able to acquire the most current information technology. Agency officials also commented that issuing multiple-award contract orders was less burdensome administratively than awarding traditional contracts. Moreover, they expressed satisfaction with the suppliers selected through multiple-award contracts. Several commented that the skills and capabilities of their contractors were critical to their program's success.

Despite these benefits, table 1 shows that 16 of the 22 orders were awarded without competing proposals. These orders represented \$443.7 million of the total \$553.1 million awarded.

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<sup>8</sup> In some of these cases, the firm submitting the proposal was the incumbent contractor or a subcontractor to the incumbent. In other cases, the firm submitting the proposal indicated that it planned to award a subcontract to the incumbent contractor or to one of the incumbent's key subcontractors.

**Table 1: Competing Proposals Received**

Dollars in millions

Orders	Exception to fair opportunity	Fair opportunity provided	Total
<b>Orders awarded on the basis of one proposal</b>			
Number of orders	10	6	16
Value of orders	\$172.5	\$271.2	\$443.7
<b>Orders awarded on the basis of competing proposals</b>			
Number of orders	-	6	6
Value of orders	-	\$109.4	\$109.4
<b>Total</b>			
Number of orders	10	12	22
Value of orders	\$172.5	\$380.6	\$553.1

## Officials Used Exceptions to Fair Opportunity Requirement

For 10 orders, agency officials used statutory exceptions to the fair opportunity requirement allowed by FASA, and did not request competing proposals. For 7 of these 10 orders, officials used the exception for logical follow-on orders. For three other orders, officials used exceptions for requirements that are unique and highly specialized or unusually urgent. We found that when deciding whether to award noncompetitive orders, contracting officers relied on a statement by program officials indicating that the exception was applicable. Contracting office files did not include an analysis of the exception's applicability.

The logical follow-on exception may be used only when an original order has been awarded through the fair opportunity process. We examined the awards of these original orders and found that although six of the seven had been awarded using the fair opportunity process, competing proposals were received for only two of the original orders. Each of the seven original orders was issued to a team that included incumbent contractors.

In one of these seven cases, contrary to FASA requirements, the agency had not provided other contractors an opportunity to be considered for the original order. In April 1997, the Defense Information Systems Agency awarded a multiple-award contractor an order covering about \$300,000 of

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work over a 2-month period to develop a system used in material management. The agency did not provide other contractors an opportunity to be considered for this order because the program manager stated that the services were unique and highly specialized. Shortly thereafter, the agency awarded a second order covering another 10 months of work at an estimated cost of \$6.7 million as a logical follow-on to the initial \$300,000 order. Finally, the agency awarded the order included in our review—a \$7-million order covering another 11 months of work—as a logical follow-on to the two previous orders. Thus, contrary to FASA, other contractors were not provided an opportunity to be considered for the work.

OFPP's best practice guidebook suggests that follow-on orders should not be substantially broader in scope and dollar value than the original competitive order. Contrary to this guidance, three of the seven logical follow-on orders were substantially broader in scope or dollar value than the original orders for which the agency had provided an opportunity for competition. For example, one order, awarded under a National Institutes of Health contract, called for \$1.6 million in support for Army communications systems over 1 year. Although the National Institutes of Health provided its contractors an opportunity to be considered for this order, only one contractor chose to submit a proposal. The order we reviewed, awarded noncompetitively as a logical follow-on to the \$1.6 million order, provided for \$32.1 million in effort over 45 months, or about \$8.5 million annually. The work description for this follow-on order includes two task areas the original order's work description does not mention. To accomplish the work under the follow-on order, the contractor proposed to increase staffing to a level almost three times that proposed for the original order. Further, the contractor proposed to increase expenditures for other direct costs—such as supplies and equipment—to about \$2.6 million annually compared with about \$37,000 under the original order. Thus, this logical follow-on order was inconsistent with OFPP's best practice guidance.

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### Few Competing Proposals Were Received When Contractors Were Provided Opportunities

For 12 of the 22 orders, agencies provided contractors a fair opportunity to be considered, but they received few competing proposals. In six cases, a single proposal was received. While many factors can influence the extent of competition for orders, the presence of an incumbent contractor appears to have been an important factor for the orders we reviewed. Ten of these 12 orders were awarded to fill an ongoing requirement for services. In all but 1 of these 10 cases, all proposals received involved incumbent

contractors. There were no incumbent contractors for the other two orders, which were to fill new requirements for services. Three proposals were received for one of these orders, and four were received for the other.

In some cases, it was apparent that incumbent contractors had an inherent advantage in competing for an order. For example, the Department of Transportation awarded a \$23.7-million order to support a Navy intelligence command over 5 years (including options) and asked contractors to submit proposals in late August to begin work in early October. To provide the required support, contractors would have needed to station about 40 staff at the Navy installation within days after the order was awarded. Staff would have required security clearances and knowledge of the command's information technology system. While command representatives had been considering options for renewing their existing support contract for about 6 months, they had not initiated any contacts to explain their requirements to other contractors. The representatives indicated that the incumbent contractor had been performing satisfactorily. Only one proposal was received: from the incumbent, who already had staff in place providing similar services. Further, the incumbent had been supporting the Navy program office for over 20 years and had developed, integrated, and maintained the information system. The contracting officer indicated that it would have been difficult for a competing firm to put together a winning proposal.

Another order, awarded by the General Services Administration, further illustrates the natural advantages incumbent contractors can have in competing for work. This order provided for the contractor to support Army communications systems over 4 years (including options) at an estimated cost of \$149.2 million. The solicitation indicated that contractors would be required to provide a hardware and software laboratory and testing facility equipped for work on specific makes and models of equipment. Army officials had not held meetings with other contractors to explain their requirements or obtain feedback on other contractors' capabilities. The one contractor that submitted a proposal for this order, the incumbent, already had a laboratory and testing facility in place.

Agencies sometimes used practices not designed to elicit competing proposals. For example, one \$11.1-million order announced under the National Institutes of Health contracts covered over 3 years of support (including options) for an Air Force intelligence command. The agency asked contractors to submit proposals within 2 days. Command representatives told us that they were satisfied with the incumbent

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contractor's performance and that they had not held meetings to explain their requirements to other contractors. One proposal was received for the order, again from the incumbent contractor. According to command representatives, the main purpose of the order was to obtain the services of a specific employee of the incumbent contractor who had special expertise. Documents in the contract files indicate that the command planned to award the order to the incumbent contractor before the opportunity was announced. We also noted short time frames for submitting proposals for other National Institutes of Health orders. The agency's guidelines now provide that contractors will generally be provided a minimum of 5 days to submit proposals.

In our discussions with contractor representatives, we gained some insight into the factors firms consider when deciding whether to submit a proposal for an order. Contractor representatives emphasized that the decision entails a business judgment about their prospects of winning the bid because preparing a proposal is costly. Contractor representatives cited several factors that can contribute to a decision not to submit a proposal. For example, a company may be reluctant to pursue an opportunity if an incumbent contractor exists, is perceived as having strong qualifications, and is performing well. If the company does not excel in that particular type of work, it may be inclined not to submit a proposal. Other factors that can discourage a company from submitting a proposal are unreasonably short time frames for preparing proposals and starting work and selection criteria that appear to favor incumbent contractors. By contrast, if the company perceives that its skills and qualifications are superior to the incumbent's or that the incumbent is a weak performer, it would be more inclined to pursue an opportunity.

Contractor representatives indicated that lack of agency outreach or market research activities is another factor that can discourage a company from submitting a proposal. One outreach activity, for example, is to hold formal conferences or individual meetings with contractors to explain the program's requirements and obtain feedback on contractors' capabilities. Contractor representatives considered this type of exchange a key step to fostering competition. In cases where the incumbent contractor has strong qualifications and is performing well, the prospects of encouraging other contractors to compete would be limited. Nonetheless, armed with a good understanding of the program's requirements, a contractor can make a better informed decision on whether to pursue the bid. Further, if the contractor decides to pursue the bid, it can more quickly prepare a responsive, quality proposal and is thus in a better competitive position.

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## Work Descriptions for Large Orders Defined Tasks Broadly

Work descriptions for the large orders we reviewed generally defined tasks broadly. Twenty of the orders were for information technology services. These orders frequently covered several years of effort and, because they defined the work broadly, they did not establish a fixed price for the work but provided for reimbursing contractors' costs. According to program officials, identifying the information technology services that will be required in future years involves considerable uncertainty.

FASA requires that orders include a work description that "clearly specifies all tasks to be performed." OFPP, in its best practice guidebook for multiple-award contracts, stresses that orders must clearly define the services ordered. In particular, the guidebook indicates that agencies should not award large, undefined orders and subsequently issue sole-source work orders for specific tasks. The guidebook also endorses the use of fixed-price orders where appropriate. According to procurement regulations, establishing a fixed price for work can be appropriate when a reasonably definite description of the work can be developed. Fixed prices also provide an incentive for contractors to control costs and perform efficiently.

Most orders for services, however, described the work in broad categories, and in some cases, the agencies issued work orders to define specific tasks after the order was awarded. For example, the General Services Administration awarded one order to provide information technology support services for a Navy detachment over 3 years (including options). The order stated that the contractor would provide various types of support—technical, project management, systems engineering, procurement, training, and testing—in connection with the detachment's review of communications equipment or subsystems for use on Navy ships. The order did not specify the types of equipment or subsystems that would be reviewed. The details of the tasks to be performed were to be negotiated by program officials and the contractor after the order was awarded.

Another order that laid out broad categories of services was awarded under a National Institutes of Health contract. This \$18.6-million order provided support for a Navy command's electronic commerce and electronic data interchange activities over 5 years. The order provided for reimbursing the contractor's costs. The work description identified numerous categories of services the contractor would provide. Among the required services, the work description listed helping to develop and implement interfaces between systems, analyzing security requirements and implementing

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security solutions, analyzing and developing electronic commerce transaction sets, and operating an electronic commerce demonstration lab. In addition to these required services, the order included optional work that the contractor might provide. These optional services included evaluating proposed changes to system configurations and implementing approved configuration changes, preparing briefings and papers in support of the program, and providing support to program-related task groups and action teams. When the program notifies the contractor that specific work is needed, the contractor is to develop a management plan for the task that describes the planned technical approach and includes time frame and resource estimates. According to the program manager, the work description was designed to encompass all the work that might be required during the 5-year period.

The orders we reviewed frequently covered multiple years of effort. Program officials cited the rapid evolution of information technology and the need to accommodate changes in DOD's program requirements as reasons why forecasting long-term needs was difficult. Therefore, they said, work descriptions must be sufficiently flexible to accommodate the evolution of requirements. We were told that flexibility is particularly important when orders cover work required several years into the future.

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## Conclusions

Congress has expressed concerns that agencies could waste taxpayer dollars in the absence of competition. The National Defense Authorization Act for Fiscal Year 2000 requires that the procurement regulations be revised to identify steps agencies should take to ensure that contractors are afforded a fair opportunity to be considered for orders and that orders clearly specify all the services or supplies to be delivered.

Competition helps federal agencies ensure the best value is obtained in awarding contracts. We found that few competing proposals were received for millions of dollars' worth of orders we reviewed. Lack of agency outreach can discourage companies from competing for orders. We also found that broad work descriptions for task and delivery orders did not promote the use of fixed-price orders.

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## Recommendations

We recommend that the Administrator of OFPP, as chair of the Federal Acquisition Regulatory Council, seek to develop and incorporate guidance to

- make it clear that agencies should not (1) award follow-on orders whose scope or costs significantly exceed those of orders for which contractors were provided an opportunity to be considered or (2) award large undefined orders and subsequently issue sole-source work orders for specific tasks and
- encourage contracting officers to use fixed-price orders to the maximum extent practicable.

Further, we recommend that the guidance encourage agencies to conduct more outreach activities when providing contractors an opportunity to be considered for orders.

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## Agency Comments

OFPP, the National Institutes of Health, the Department of Transportation, DOD, and the General Services Administration reviewed a draft of this report. OFPP stated that it shares the general concerns underlying the recommendations but is not prepared to endorse specific changes at this time. OFPP fully agreed that further review of current practices and policies surrounding the issues raised in the report is warranted to ensure that customers are enjoying the benefits of multiple-award contracts. OFPP is looking at current guidance to determine what additional changes might help agencies in their planning to avoid situations where initial orders of limited scope lead to noncompetitive awards of orders of a much larger magnitude. OFPP is looking at how modular-contracting principles can be better applied by customers to avoid issuing unnecessarily large orders and inadequately defined orders. A proposed regulatory change would emphasize the preference for performance-based statements of work, which OFPP expects would result in greater use of fixed-price orders. OFPP shares our concern that effective communications between customers and multiple-award contract holders is critical if agencies are to take full advantage of the highly competitive environment that multiple-award contracts offer to meet agencies' needs. OFPP stated that it appreciates that dialogue is necessary to improve communications and to ensure that requirements and risks are well understood in order to help contract holders and customers prepare well-defined solutions and achieve the benefits of competition. OFPP's comments are in appendix II.

The National Institutes of Health concurred with our recommendations and provided written comments (see app. V). The Department of Transportation reviewed a draft of this report but provided no comments. DOD reviewed a draft of this report and stated that it concurred with two of our three recommendations. DOD's written comments are in appendix III. DOD and the General Services Administration expressed concern with one of our recommendations, as discussed below. The General Services Administration's written comments are in appendix IV.

DOD and the General Services Administration questioned our recommendation that guidance be developed to encourage agencies to conduct more outreach activities when providing contractors an opportunity to be considered for orders. DOD observed that in view of the numerous reasons we cite in our report for contractors' decisions not to submit proposals, government outreach might be of limited effectiveness. The General Services Administration expressed doubt that exchanges of information before a solicitation would be a major factor in contractors' decisions. While we believe it would be unrealistic to expect any one initiative to ensure multiple proposals are received for all orders, the contractors we met with told us that outreach would be helpful in fostering more competition. Therefore, we believe agencies should conduct more outreach activities if they want to encourage contractors to submit competing proposals. As a result, we still believe our recommendation for greater outreach is appropriate.

The General Services Administration also objected to our draft report title that characterized competition for orders as limited. In particular, the General Services Administration does not believe that competitive offers can be achieved only through multiple proposals. We acknowledge that the fact that an agency receives only one proposal does not demonstrate that the proposal is not a competitive offer. We revised the report title to address the General Services Administration's concern.

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## Scope and Methodology

To examine DOD's placement of large orders under multiple-award, task-and delivery-order contracts, we reviewed the legislative history of provisions relating to multiple-award contracts and the procurement regulations implementing these provisions and held discussions with OFPP officials responsible for monitoring implementation of the provisions. Because no governmentwide listing of multiple-award contracts for information technology was maintained, we judgmentally selected multiple-award contracts for review. The four contract programs selected

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are administered by the charter members of the Governmentwide Agency Contracts Program Managers Council—a group formed to establish standards for and promote more effective management of governmentwide contracts. The contract programs selected were the Defense Information Systems Agency's Defense Enterprise Integration Services II contracts; the Department of Transportation's Information Technology Omnibus Procurement contracts; the General Services Administration's '9600' contracts; and the National Institutes of Health's Chief Information Officer—Solutions and Partners contracts. We examined orders placed under these contracts to support DOD's activities and awarded between October 1, 1997, and December 31, 1998, and reviewed all orders valued at \$5 million or more.

To assess agency ordering procedures and determine the extent of competition, we discussed award procedures for orders with agency officials and reviewed agency guidance relating to the ordering process. In addition, for each order reviewed, we examined documentation in the contracting files to ascertain the extent of competition evident for the order. We reviewed statements of work to assess whether the work descriptions clearly specified the tasks to be performed or supplies to be delivered. We also held discussions with contracting officials to obtain information about any barriers to or limitations on competition and about any impediments to clearly specifying the tasks or supplies ordered. We held discussions with representatives from program offices acquiring services and equipment through the orders we reviewed to understand their role in the award process and obtain their perspective on the issues being examined. Finally, we held discussions with officials of selected contractors to obtain their perspectives on barriers to competition and on how orders specified tasks.

We conducted our review from February 1999 through February 2000 in accordance with generally accepted government auditing standards.

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We are sending copies of this report to Senator John Warner, Chairman, and Senator Carl Levin, Ranking Minority Member, Senate Armed Services Committee, and other interested congressional committees. We are also sending copies of this report to the Honorable William S. Cohen, Secretary of Defense; the Honorable Donna E. Shalala, Secretary of Health and Human Services; the Honorable Rodney E. Slater, Secretary of Transportation; the Honorable David J. Barram, Administrator of General

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Services; and the Honorable Jacob J. Lew, Director, Office of Management and Budget. We will make copies available to others on request.

Please contact me at (202) 512-4841 if you have any questions concerning this report. Key contributors to this assignment are listed in appendix VI.

A handwritten signature in black ink, reading "Louis J. Rodrigues". The signature is written in a cursive style with a large, looping initial "L".

Louis J. Rodrigues  
Director  
Defense Acquisitions Issues

# Information on Selected Orders

Dollars in millions

Agency and contract/order	Order price <sup>a</sup>	Cost or fixed price	Work duration (months) <sup>a</sup>	Incumbent involved in winning team <sup>b</sup> (yes or no)
<b>Defense Information Systems Agency—Defense Enterprise Integration Services contracts</b>				
Defense Megacenter Operations	\$5.3	Fixed price	12	Yes
This order provided for services that encompass all aspects of technical and operational support for the Department of Defense (DOD) computer center located in Montgomery, Alabama. Services included computer system operations and management, help desk support, specialized training, and special studies and analyses.				
DOD Electronic Commerce Program	\$5.2	Cost	8	Yes
This order provided for services to support development and fielding of improved electronic commerce and electronic data interchange systems within DOD. Key efforts included integrating the Defense Travel System and Defense Finance and Accounting Service systems into DOD's electronic commerce network.				
Distribution Standard System	\$8.1	Cost	18	Yes
This order provided for services to support development of a standard management system for DOD supply depots. These services included designing and testing essential software changes, providing expertise for software enhancement, and implementing changes at operational sites.				
Global Air Transportation Execution System	\$14.0	Cost	14	Yes
This order provided for services to continue development of an improved air transportation management information system. The effort included systems engineering, software coding, integrating components, system installation, testing, and training.				
Global Decision Support System	\$6.4	Cost	12	Yes
This order provided for services to continue modernization of an air transportation command and control system. These services included defining hardware and software requirements, developing and integrating software applications, providing training, and providing system and software maintenance.				
Maintenance Planning and Execution System	\$7.0	Cost	11	Yes
This order provided for services to support development and fielding of a standard management system for DOD maintenance depots. These services included completing design and development of an updated version of the system, installing the system at selected locations, and providing ongoing support for installed systems.				
<b>Department of Transportation—Information Technology Omnibus Procurement contracts</b>				
Defense Computer Forensic Lab Support	\$6.4	Cost	41	No
This order provided for services to support operation of a laboratory that analyzes computer-based information gathered during criminal investigations. The scope included services to support the functions of computer systems administrators, forensic examiners, evidence custodians, database analysts, and office managers.				
Army Defense Message System	\$30.5	Cost	59	Yes
This order provided for technical support services for all aspects of design, testing, and implementation of the Defense Message System at Army installations. Efforts included conducting site surveys, developing site implementation plans, installing and integrating components, and conducting training.				
Atlantic Command On-line System	\$23.7	Cost	60	Yes
This order provided for systems management and information technology support services for the Navy Atlantic Command and Atlantic Intelligence Command. These services included systems engineering, architecture planning, information technology evaluation, and training support.				

Continued

**Appendix I  
Information on Selected Orders**

Dollars in millions

Agency and contract/order	Order price <sup>a</sup>	Cost or fixed price	Work duration (months) <sup>a</sup>	Incumbent involved in winning team <sup>b</sup> (yes or no)
Joint Strike Fighter Program Office Local Area Network Support	\$17.2	Cost	60	Yes
This order provided for services to support all aspects of design, acquisition, and implementation of program office information systems. Specific services included administering the local area network, providing a user help desk, supporting Internet and e-mail services, and providing infrastructure support.				
Transportation Coordinators' Automated Information for Movements System	\$35.9	Cost	60	Yes
This order provided for services to continue developing a standard transportation management system for DOD fighting units. The services included software engineering, application development, integrated logistics support, and testing.				
<b>General Services Administration—9600 contracts</b>				
Air Mobility Command—Command and Control Systems	\$26.1	Cost	60	Yes
This order provided for services and related hardware and software to support a range of command and control systems. The services included strategic program management, software development and maintenance, database administration, testing, training, and customer support.				
Joint Professional Military Education Program	\$5.5	Fixed price/cost	24	No
This order provided for services to design and implement upgraded training tools for the Armed Forces Staff College. These services included planning for curriculum enrichment, analyzing requirements and developing designs for training tools, and implementing a final system design.				
Naval In-service Engineering Detachment	\$51.3	Cost	36	Yes
This order provided for services to support the design and integration of communications systems aboard the Navy fleet. These services included support for project management, technical reviews, training, system engineering, system integration, test and evaluation, and procurement.				
Reserve Component Automation System	\$18.2	Cost	60	Yes
This order provided for services to help manage development of an automated system to support operational and administrative tasks for the Army National Guard and Reserves. These services included support for functions such as independent evaluation, strategic planning, systems engineering, and project management.				
Worldwide Technical Control Improvement Program	\$149.2	Cost	48	Yes
This order provided for services to help the Army Communications-Electronics Command upgrade control facilities for the Army's long-haul communications systems. These services included support for functions such as procurement and production, equipment installation, and training.				
<b>National Institutes of Health—Chief Information Officer-Solutions and Partners contracts</b>				
Air Intelligence Command Support	\$11.1	Cost	44	Yes
This order provided for services to help maintain and upgrade computer network infrastructure for the Command's 480th Air Intelligence Group. These services included engineering support for the enhancement of several systems, hardware installation, network operations support, and year 2000 remediation support.				
Defense Megacenter Central Processing Units	\$65.2	Fixed price	8	Yes
This order provided for central processing units to upgrade data processing capabilities at various DOD computer centers.				

Continued from Previous Page

**Appendix I  
Information on Selected Orders**

Dollars in millions

Agency and contract/order	Order price <sup>a</sup>	Cost or fixed price	Work duration (months) <sup>a</sup>	Incumbent involved in winning team <sup>b</sup> (yes or no)
Defense Megacenter Disk Drives This order provided for disk drive units to upgrade data processing capabilities at various DOD computer centers.	\$10.7	Fixed price	6	Yes
Digital Communications Satellite Subsystem This order provided services to support equipment that provides signal processing and jamming protection for the Defense Satellite Communications System. These services included analyzing and determining requirements, conducting research and evaluations, and developing site engineering plans.	\$32.1	Cost	45	Yes
Military Sealift Command Electronic Commerce This order provided services to support the Command's electronic commerce initiatives. These services included helping develop and implement interfaces between systems, analyzing security requirements, operating an electronic commerce demonstration lab, and preparing briefing papers in support of the program.	\$18.6	Cost	60	Yes
Portal Shield System Support This order provided services to support development of an automated system to detect biological warfare agents. These services included production engineering and evaluation; systems engineering support; and assembly, integration, and test of initial production units of the system.	\$5.3	Cost	23	Yes

Continued from Previous Page

<sup>a</sup> Order price and work duration include effort under options the government may or may not exercise.

<sup>b</sup> In some cases, the winning contractor was the incumbent contractor or a subcontractor of the incumbent. In other cases, the winning contractor indicated that it planned to award a subcontract to the incumbent contractor or to one of the incumbent's key subcontractors.

# Comments From the Office of Federal Procurement Policy



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL  
PROCUREMENT POLICY

March 1, 2000

Mr. David E. Cooper  
Associate Director  
Defense Acquisition Issues  
General Accounting Office  
Washington, DC 20548

Dear Mr. Cooper:

I have been asked to respond on the Director's behalf to your January 27, 2000 request for OMB comment on your draft report on competition for large orders placed by the Department of Defense (DOD) under multiple award task and delivery order contracts (MACs). We appreciate the opportunity to review this report. MACs remain a popular procurement vehicle for satisfying customer needs because they help agencies avail themselves of advances in technology and changes in agency priorities in a timely manner. As I stated in my comments on your last report on MACs, issued in the fall of 1998, our challenge is to make the most of the opportunity to deliver timely support for agency programs in a way that capitalizes on the streamlined commercial-style competition made possible under these contracts and the innovation and value that competition induces.

Over the past year, we have been working with the managers of large MAC vehicles to better focus on this challenge. The Program Managers Council ("the council"), comprised of managers of major inter-agency contract vehicles and other acquisition officials, meets regularly to share ideas for effectively managing both intra- and inter-agency activity on their MAC vehicles and to take appropriate action when concerns arise. For example, the council developed changes to the Federal Acquisition Regulation (FAR) to reinforce key principles regarding the structure, administration and use of MACs in response to concerns raised last spring by the DOD Inspector General. In December, the FAR Secretariat published a proposed rule based on the council's suggestions.

Many of the FAR changes proposed by the council dovetail with recommendations contained in your report. Among other things, the proposed rule reminds contracting officers to avoid situations in which awardees specialize exclusively in one or a few areas within the broader statement of work to minimize the likelihood that tasks in those areas will be awarded on a sole-source basis. In addition, the rule reiterates that performance-based statements of work must be used to the maximum extent practicable, that cost or price must be considered under each order as a factor in the selection decision, and that the rationale for orders must be adequately documented.

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Appendix II  
Comments From the Office of Federal  
Procurement Policy

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To bolster the council's efforts, I have sought the support of the President's Management Council in securing the cross-functional cooperation of contracting, program, finance, information technology, and legal officials in taking responsibility for the effective planning and execution of acquisitions for which MACs may be suitable. Successful use of MACs, just like any other acquisition tool, requires the commitment and cooperation of all agency disciplines responsible for the agency's mission.

I hope that these recent efforts, which have been undertaken since the period on which this report focuses, are helping managers and customers to administer and use MACs more effectively and take better advantage of the fair opportunity process. To measure our progress thus far, I have been working with the council and other senior agency representatives and officials from the Information Technology Resources Board on a plan for a focused review of inter-agency acquisitions undertaken through MACs as well as multiple award schedule contracts – another popular inter-agency acquisition vehicle for helping agencies to meet their needs. My expectation is for this study to provide a current picture of customer ordering and management practices and servicing agency administration. This will help us to determine if practices need to be further modified. We will also look to see if objectives underlying the use of these vehicles need to be reshaped to bring about better and more strategic purchasing.

With respect to your suggested next steps, we share the general concerns underlying your recommendations. While we are not prepared at this time to endorse specific changes, we fully agree that further review of current practices and policies surrounding the issues you raise is warranted to ensure customers are reaping the benefits of MACs. In this regard, we are looking at current guidance to determine what additional changes might help agencies in their planning to avoid situations where initial orders of limited scope inadvertently lead to the non-competitive award of orders of a much greater magnitude. We are also looking at how modular contracting principles promoted by OMB and in the Clinger-Cohen Act can be better applied by customers to avoid unnecessarily large and inadequately defined orders. These principles are designed to help agencies manage risk by pursuing projects in manageable segments (typically narrow in scope and brief in duration) that independently deliver mission benefits. In addition, as noted above, the proposed FAR rule reiterates the preference for use of performance-based statements of work, which we would expect to result in greater use of fixed-price orders.

We share your belief that effective communication between customers and MAC holders is essential if an agency is to take full advantage of the highly competitive environment that MACs readily offer agencies to meet their needs. In the acquisition of systems and services in particular, dialogue typically will be necessary to ensure requirements and risk are well understood so that contract holders can develop and propose realistic well-defined solutions that enable the government to award performance based orders. For this reason, we will be working with the council and others to explore how agencies can improve their communications with contract holders so that customers routinely receive more than one business solution. This should better enable us to derive the benefit that Congress and the Administration envisioned coming from these vehicles: to choose between the best competing offers in a highly flexible process that permits agencies to match their needs with marketplace capabilities.

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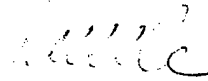
**Appendix II  
Comments From the Office of Federal  
Procurement Policy**

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In short, I plan to continue emphasizing to agencies the need for ensuring successful implementation of MAC authority. I fully expect that agencies will continue to respond to my request, for they appreciate well that MACs, when used effectively, can yield high value for their missions.

Sincerely,



**Deidre A. Lee  
Administrator**

# Comments From the Department of Defense



ACQUISITION AND TECHNOLOGY

## OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON DC 20301-3000

February 15, 2000

DF/CPA

Mr. David E. Cooper  
Associate Director, Defense Acquisition Issues  
National Security and International Affairs Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Cooper:

This is the Department of Defense (DoD) response to the GAO draft report, "CONTRACT MANAGEMENT: Little Competition for Large DOD Information Technology Orders," January 27, 2000 (GAO Code 707392/OSD Case 1941). The response reflects comments received from the Army, Navy and Air Force. The detailed comments are enclosed. Since the recommendations are addressed to the Office of Federal Procurement Policy rather than the Department of Defense, I do not discuss how the recommendations will be carried out. However, comments on the recommendations are provided, as well as comments from some other Defense agencies. The opportunity to comment on this draft report is appreciated.

A handwritten signature in black ink, appearing to read "R. D. Kerrins, Jr.", written in a cursive style.

R. D. Kerrins, Jr., COL, USA  
Acting Director, Defense Procurement

Enclosure:  
As stated



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Appendix III  
Comments From the Department of Defense

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Comments on GAO Draft Report, "CONTRACT MANAGEMENT: Little  
Competition for Large DOD Information Technology Orders  
(GAO Code 707392/OSD Case 1941)

Though they are not numbered in the draft report, we believe there are four distinct recommendations made to the Office of Federal Procurement Policy:

1. OFPP should develop guidance regarding multiple award contracts to "make it clear that agencies should not award follow-on orders whose scope or costs significantly exceed that of orders contractors were provided an opportunity to be considered for."

Comment: Concur. Generally speaking, this should be our policy. However, there may very well be cases where a small initial order is logically followed by a significantly larger one. To preclude this out of hand without knowing the details of a particular situation would be unwarranted. The key is the logical relationship between the orders, not their relative size.

2. OFPP should develop guidance regarding multiple award contracts to "make it clear that agencies must not award large, undefined orders and subsequently issue sole-source work orders for specific tasks."

Comment: Concur, though it is the undefined character of such orders that is objectionable, not their size.

3. OFPP should develop guidance regarding multiple award contracts to "encourage contracting officers to use fixed-price orders to the maximum extent practicable."

Comment: Concur

4. Regulations should include guidance to encourage agencies to conduct more outreach activities when providing contractors an opportunity to be considered for orders.

Comment: It is not clear what form such an outreach program would take. If the office requiring service is convinced that true competition is possible in the meeting of its needs, then proposals from multiple contract awardees should be solicited. It may even be

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Appendix III  
Comments From the Department of Defense

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See comment 1.

appropriate for the ordering office to announce its intention to award to one of the multiple award holders and leave some time for an expression of interest from any of the others. It does not seem appropriate to go beyond notification to more active encouragement. The reasons cited on page 10 of the draft report for why contractors may choose not to submit proposals in particular cases is thorough and accurate. It is unlikely that active campaigning on the part of the government will overcome a contractor's business judgment, in most cases.

See p. 11.

See comment 2.

The Air Force is conducting its own analysis of the use of multiple award task order contracts. They would like to assess the results of their study before agreeing to any policy changes. They further believe that more training in, and greater awareness of, existing policies may form the basis of remediation in this area.

See comment 3.

The OSD Civilian Personnel Management Service comments that, in its experience with major vendors, there is strong opposition to firm fixed price contracting. The claim is made that such vendors prefer time and materials contracts. We recognize, however, that time and materials contracting is one of the least preferred contracting methods, as discussed in FAR.

See comment 4.

The Navy concurs with the recommendations made in the draft report, though its concurrence is only partial with respect to the first two. Regarding follow-on orders, it believes that providing an early indication of the government's long-range plans might encourage greater competition at the front end of an effort. It has proposed an alternate recommendation, as follows: "Encourage agencies to include in requests for offers a description of long range phases of a project which likely will follow the instant order."

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The following are GAO's comments on DOD's letter, dated February 15, 2000.

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## GAO Comments

1. The Federal Acquisition Streamlining Act (FASA) requires that agencies placing orders under multiple-award contracts provide each contractor an opportunity to be considered unless one of the statutory exceptions applies. DOD stated that it might be appropriate for the ordering office to announce its intention to award to one of the multiple-award contract holders. Office of Management and Budget officials concluded that the practice of identifying a preferred source, as announcing intentions to award to a contractor would do, discourages competition and deprives the government of the benefits of efficiency and innovation that competition provides. Further, federal procurement regulations were revised to prohibit agencies from designating preferred sources.
2. Although the governmentwide policies relating to multiple-award contracts have been in place for over 4 years, additional training in these policies would no doubt produce benefits. However, we believe that the additional guidance we recommend is needed to foster increased competition for orders.
3. It is not clear to us whether the Civilian Personnel Management Service intends to endorse expanded use of time and materials contracts despite the recognition that this contracting method is generally not advantageous to the government.
4. Our concern was that a contractor might be denied the opportunity to compete for a large follow-on order because the contractor had decided not to submit a proposal on an original order with a narrow scope or insignificant dollar value. The Navy's suggestion represents one option for alleviating this concern. However, we believe the original orders would have to provide enough details of the scope and anticipated dollar value of future work to allow sound contractor decisions on whether to compete for the work. In view of program officials' comments about the difficulty of forecasting long-term information technology needs, it is likely that few details of the scope and anticipated dollar value of future work could be provided.

# Comments From the General Services Administration



General Services Administration  
Federal Technology Service  
10304 Eaton Place  
Fairfax, VA 22030

February 22, 2000

Mr. David E. Cooper  
Associate Director  
Defense Acquisition Issues  
U.S. General Accounting Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Cooper:

Enclosed are written comments to the GAO draft report "CONTRACT MANAGEMENT: Little Competition for Large DOD Information Technology Orders" (GAO-NSIAD-00-56).

Sincerely,

  
Dennis J. Fischer  
Commissioner

Enclosure

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**Appendix IV  
Comments From the General Services  
Administration**

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**GSA Comments to Draft Report "Contract Management - Little Competition for Large DOD Information Technology Orders"**

Thank you for the opportunity to comment on GAO's draft report. GSA also appreciated the opportunity to meet with GAO at the exit conference held on November 30, 1999.

This document will serve to clarify GSA's position with respect to issues raised regarding GSA in the draft report. This task is a little more difficult since the GAO draft report addresses the review of several agencies and GSA can only reasonably comment on that which is applicable to GSA. GSA will attempt to organize our comments under the headings used in GAO's draft document.

**Cover Page - Little Competition for Large DOD Information Technology Orders**

GSA must question GAO's definition of competition. It would appear that GAO feels that competition does not exist unless multiple proposals are received for each project offering. Even the definition of full and open competition only requires that "all responsible sources are permitted to compete." For each of the five GSA orders reviewed by GAO, a fair opportunity for consideration was provided to all eight of our multiple award contract holders.

**Page 6 - Few Competing Proposals Received For Large Orders**

Again GSA questions GAO's definition of competition. Receipt of one proposal when an opportunity was provided to multiple contractors does not automatically constitute a lack of competition. There are many reasons contractors might pass on an opportunity to propose on a specific task. When that opportunity to propose is provided to multiple capable contractors, a single offeror has reason to believe others will propose and the single offeror will likely submit a competitive proposal.

**Page 7 - Officials Used Exceptions to Fair Opportunity Requirement**

GSA recognizes that GAO is attempting to issue a consolidated report based upon a review of multiple agencies. However, GSA must note that for each of the five GSA orders reviewed by GAO, a fair opportunity for consideration was provided to each of the eight multiple award contractors eligible for consideration.

**Page 9 - Few Competitive Proposals When Contractors Were Provided An Opportunity to be Considered**

As stated above, receipt of one proposal when an opportunity was provided to multiple contractors does not automatically constitute a lack of competition.

GSA agrees with GAO that the presence of an incumbent contractor appears to be an important factor considered when contractors make bid/no bid decisions. GSA conducts best value source selections. Best value, as defined in the Federal Acquisition Regulation (FAR), means the expected outcome of an acquisition that, in the Government's estimation, provides the greatest

See p. 8.

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**Appendix IV  
Comments From the General Services  
Administration**

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See comment 1.

overall benefit in response to the requirement. Undoubtedly, knowledge gained through successful incumbency is an advantage for the incumbent contractor in any best value acquisition.

In past protest decisions, GAO has found that an agency is not required to structure a solicitation so as to neutralize natural advantages gained by incumbency, such as having qualified personnel and possessing a clear understanding of the areas the agency intends to evaluate. GAO has also previously found that it is not unusual for a government contractor to enjoy an advantage in competing for a government contract as a result of experience gained through incumbency and such advantage need not be discounted or equalized, as long as the advantage was not the result of preferential treatment or other unfair action by the government.

While GSA agrees with GAO that pre-solicitation and pre-proposal exchanges of information among all interested parties is valuable, GSA doubts that this is a major factor influencing bid/no bid decisions in the multiple award contract situation. For the GSA multiple award contracts reviewed by GAO, the eight contractors were selected on a best value basis through full and open competition. GSA is already sure that each of the eight contractors possesses the capability to perform any task offered for fair opportunity consideration. For the GSA multiple award contracts reviewed by GAO, GSA conducted monthly meetings with the contractors to discuss upcoming task orders and other contract management issues. Sometimes the outreach convinces contractors that they would rather save valuable resources to compete for more lucrative task orders on the horizon rather than just participating in each order as it is offered.

See p. 12.

**Page 11 - Work Descriptions For Large Orders Defined Tasks Broadly**

GSA agrees with GAO that efforts must be continued to develop and use more definitive performance based statements of work. However, it is equally important not to try to force-fit inappropriate effort into a performance based mode. Particularly with large orders, such as those reviewed by GAO, agencies are acquiring the services of a single integration contractor to ensure that all applications are brought up to consistent standards and that future applications are integrated within that framework. Frequently, the decision to seek a single integration contractor results from the past failure of the agency to successfully integrate the efforts of multiple contractors.

See comment 2.

Within FAR Part 15, the best value continuum is described as follows. "An agency can obtain best value in negotiated acquisitions by using any one or a combination of source selection approaches. In different types of acquisitions, the relative importance of cost or price may vary. For example, in acquisitions where the requirement is clearly definable and the risk of unsuccessful contract performance is minimal, cost or price may play a dominant role in source selection. The less definitive the requirement, the more development work required, or the greater the performance risk, the more technical or past performance considerations may play a dominant role in source selection." While clearly definable requirements and fixed price contracting are preferable, it does not always represent reality or best value.

See comment 3.

GAO noted that in a GSA order to provide support for a Navy detachment that "The order did not specify the equipment or subsystems that would be reviewed. The details of the tasks to be

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**Appendix IV  
Comments From the General Services  
Administration**

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performed were to be negotiated by program officials and the contractor after the order was awarded." GSA does not agree that this is an accurate representation of the reviewed order. The GSA order in question was for review of newly proposed equipment or subsystems for technical, logistical, and functional appropriateness prior to the Navy accepting deployment of the proposed equipment or subsystems. Since the contractor effort was for review of newly proposed changes, it would be impossible to list in advance specifically which equipment or subsystems would be proposed. The Navy did, however, have a reasonable handle on estimated effort to be expended based on historical data and a cost plus fixed fee task order was awarded. The estimated effort required was contracted and the specification of which specific equipment or subsystems needed review is provided as technical direction.

**Page 13 - Conclusions**

GSA agrees with GAO that competition is desirable. However, GSA disagrees with the implication that competitive offer(s) can only be achieved through receipt of multiple proposals.

The following are GAO's comments on the General Services Administration's letter, dated February 22, 2000.

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## GAO Comments

1. As the General Services Administration points out, agencies are not required to structure a solicitation so as to neutralize the incumbent's advantage. We did not suggest that agencies should neutralize the incumbent's advantage. We stated that agencies could encourage competition for some orders by helping prospective contractors understand the agency's requirements. However, for the orders reviewed, the presence of an incumbent contractor appeared to be an important factor influencing the extent of competition. As we note in our report, 10 of the 12 orders where contractors were provided an opportunity to be considered were issued to fill ongoing requirements for services. In all but 1 of these 10 cases, all proposals received involved incumbent contractors. While incumbency presents significant advantages, a number of contractors told us that market outreach activities promote competition and allow firms to prepare better proposals.
2. The guidance the General Services Administration cites discusses the relative importance of cost or price compared with other factors in selecting a source and does not address the desirability of establishing a fixed price. We recognize that it is sometimes not appropriate to establish a fixed price for work, and we recommend that guidance encourage the use of fixed prices where practicable.
3. According to the contract documents for this order, when Navy officials notify the contractor of a new requirement, the contractor is to prepare a Program Master Plan for the requirement. This Program Master Plan is to include the scope and technical requirements of the project, the place and period of performance, milestones and deliverables for the project, personnel and other direct costs, and any data or materials the government will provide. The contractor is to provide a draft Plan to Navy officials for review and concurrence before preparing a final version of the Plan. We believe the report accurately characterizes the procedures for defining new tasks under this order.

# Comments From the National Institutes of Health



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

National Institutes of Health  
Bethesda, Maryland 20892

FEB 15 2000

Mr. David E. Cooper  
Associate Director  
Defense Acquisitions Issues  
United States General Accounting Office  
Washington, DC 20548

Dear Mr. Cooper:

The National Institutes of Health (NIH) appreciates the opportunity to comment on your draft Contract Management Report entitled *Little Competition for Large DOD Information Technology Orders (GAO/NSIAD-00-56)*. We concur with the recommendations made in the report and below, provide our comments and clarifications related to the NIH orders mentioned in the report.

**Army Communications Systems Order**

In regard to the Army Communications Systems order, most of the statements reflected in the report are factual. However, this order was issued prior to the National Institutes of Health Information Technology Acquisition and Assessment Center (NITAAC) change in policy and procedures for conducting fair opportunity. The new policy, as stated in our task order guidelines, has increased proposal turn-around times from two to five days. Our new ordering guidelines require five days as a minimum to allow adequate proposal preparation and submission time. We encourage customers to allow at least a ten day turn-around on large complex requirements. These policies were established and implemented to maximize the opportunity for increasing competition under the contracts. Under the NIH Chief Information Officer Solutions and Partners contract, we ensure that "fair opportunity to be considered" is provided to all of our 20 contractors. With this good faith effort, the absence of competing proposals does not equate to an improper contract action. To further this good faith effort, we will recommend to the NITAAC Industry Advisory Committee (IAC) that our contractors, when making business decisions, consider affirming the competitive process by increasing prime contractor proposal rates in response to Government solicitations. The IAC is the industry liaison between NITAAC and all our prime contractors providing feedback to the NIH contract teams regarding industry concerns and contract administration issues. We believe the IAC is the appropriate forum for handling this issue.

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**Appendix V  
Comments From the National Institutes of  
Health**

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Page 2 – Mr. David E. Cooper

We are cognizant of the Office of Federal Procurement Policy's (OFPP) Best Practice Guidelines as they relate to logical follow-on requirements. In respect to the follow-on Army Communications Systems requirement, we will work closer with our customers and encourage them to develop well-defined statements of work. To further implement OFPP's Best Practice Guidelines, we are educating our customers to avoid situations where follow-on tasks are significantly broader in scope and dollar value than the original competed tasks. In providing increased support to our customers, we will ensure that follow-on statements of work are clear and concise, and not of a magnitude to constitute a new contract. Also, we are developing a logical follow-on review checklist to assist us in conducting a more comprehensive review.

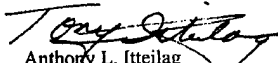
**Air Force Intelligence Command Order**

Under the NIH contracts "fair opportunity for consideration" is given each contractor as stipulated in our ordering guidelines. We acknowledge that the Air Force Intelligence Command requirement was announced for two days. We believe that it is beneficial to allow more time for contractors to prepare and submit proposals. The Air Force Intelligence Command requirement was placed prior to the change in NITAAC policy that deleted the language regarding suggested and/or recommended contractors. Additionally, our guidelines have been modified to require five days as a minimum for proposal preparation and submission time.

We strongly support broad competition to fulfill customer requirements. As referenced in your report, the fact that the customer planned to award the order to the incumbent contractor before the opportunity was announced is a practice that we do not support. In the future, we believe that our random In-Process Reviews will allow us to better detect instances where customers have made predetermined selections. We also plan to more actively educate our customer program officials about ways to enhance competition, such as opportunities to meet with potential contractors to obtain market research information and to provide better explanations of program requirements. This will help the customer to obtain additional feedback on contractor capabilities, and allow contractors to more clearly comprehend the customer's requirement. We plan to further emphasize this outreach approach in our ordering guidelines.

Should you have questions regarding the above comments, please feel free to contact Ms. Mary Jane Meyers in the Office of Management Assessment at (301) 402-8482.

Sincerely,

  
Anthony L. Itteilag  
Deputy Director for Management

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# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

David E. Cooper (202) 512-4841  
Ralph Dawn (202) 512-4544

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## Acknowledgments

In addition to those named above, Ken Graffam, Charles Malphurs, Monty Peters, John Van Schaik, and William T. Woods made key contributions to this report.