Competitiveness in the DoD Services Sector

Understanding the Contracting Data

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Problem Statement

- In FY08, RDT&E and services together represented more than 50% of DoD contracts—$201.9B
- OUSD(IP) has observed what may be less than vigorous competition in the supply of RDT&E and services to DoD
- We were asked to investigate two subsets of RDT&E and services contracts
  - $28.4B of competed contracts that appear to have received a single offer
  - $25.9B of contracts awarded to a sole source
- The primary objective of this briefing is to explain why high-level contracting data needs more scrutiny before drawing conclusions

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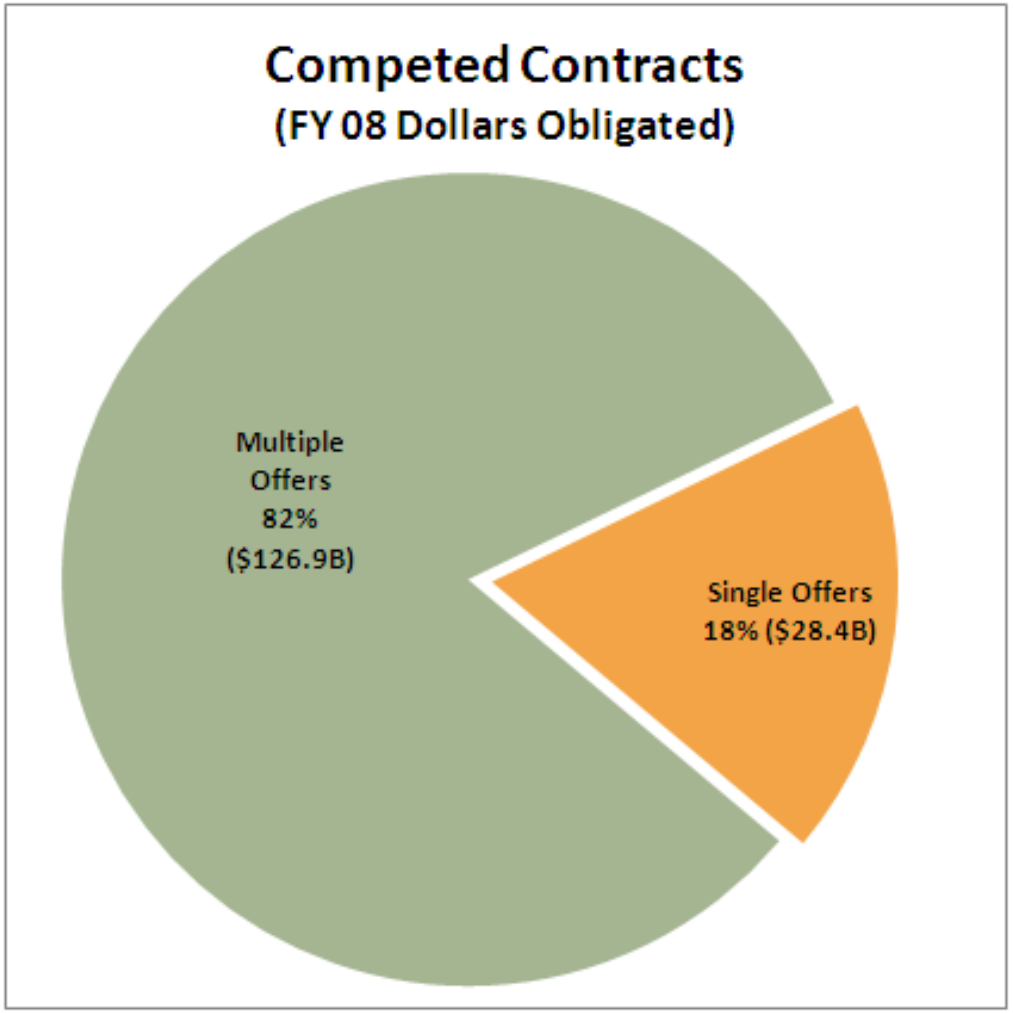
Scope of Single Offers

- In FY08 $155.3B in competed contract dollars were awarded for RDT&E and services
- 18%, or $28.4B, appear to have received only one offer



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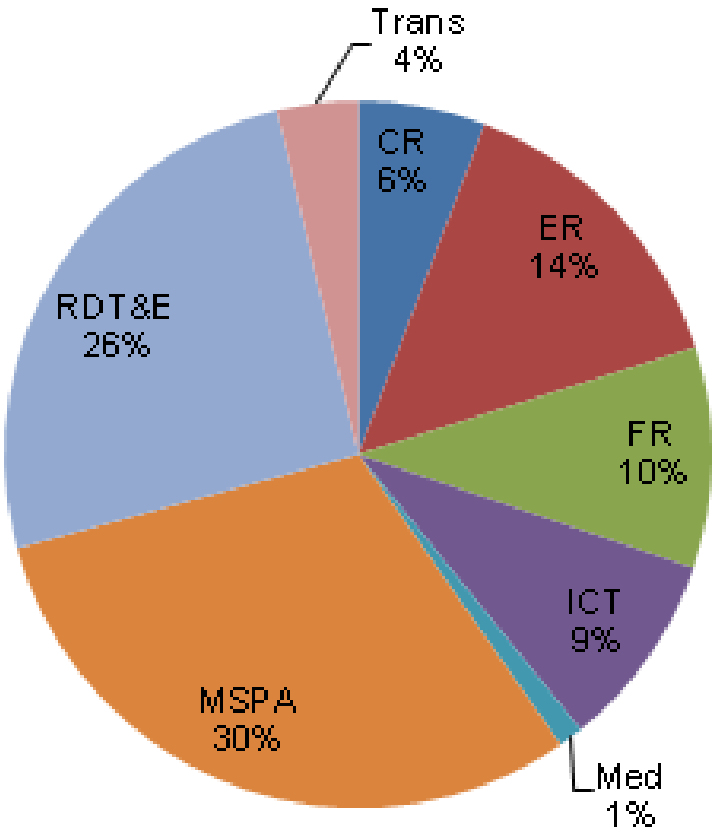
Single Offers by Industry Segment



- MSPA and RDT&E segments have the largest share of single offers
- However, the RDT&E numbers are misleading

RDT&E –	Research, Development, Test & Evaluation
FR –	Facilities Related
MSPA –	Management Support, Professional and Administrative
ER –	Equipment Related
CR –	Construction related
ICT –	Information and Communications Technology
Med-	Medical
Trans -	Transportation

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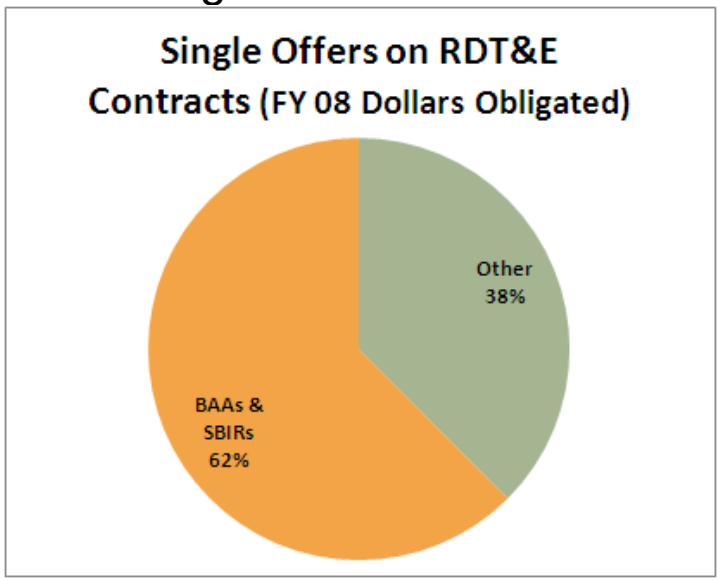
BAAs and SBIRs in RDT&E Contracts

- Broad Agency Announcements (BAAs) and Small Business Innovation Research (SBIR) solicitations are a special competition category
  - BAAs and SBIRs often appear as single offer contracts in FPDS, regardless of the number of offers that were received
  - Each offer is evaluated independent of the others, and multiple awards may be made, or no award may be made
- In FPDS, BAAs and SBIRs are not distinguishable from single offers
- We asked nine contract offices representing 11.5% of RDT&E definitive contracts to categorize contracts that appeared as single offers
- Of these, BAAs & SBIRs accounted for 62%



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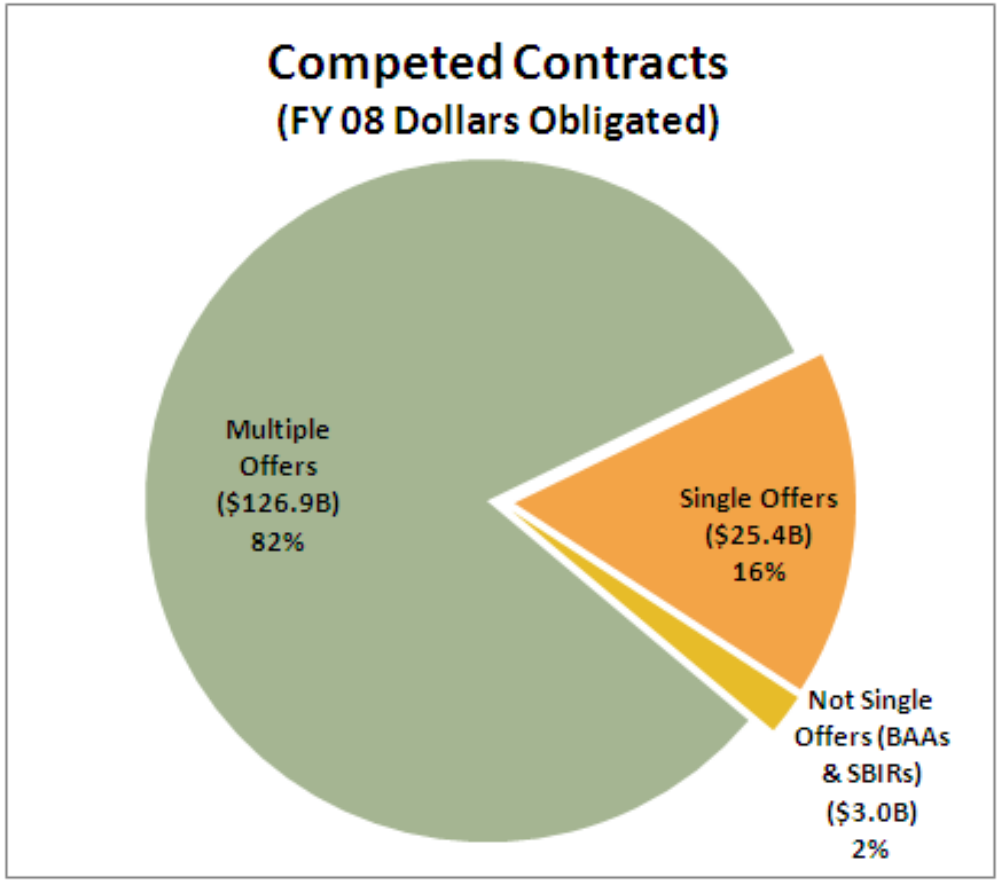
Scope of Single Offers: Excluding BAAs and SBIRs

- We estimate that $3B of the $4.8B in apparent RDT&E single offer contracts are actually BAAs or SBIRs
- This reduces the competed contracts that appear to have received only one offer to 16%, or $25.4B
- Additional research into this area would be facilitated by the ability to identify these BAA and SBIR contract types in the FPDS-NG database



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Definition of Single Offers by Award Type

- Definitive contracts include specific requirements to be provided by a single selected contractor
- Single Award Indefinite Delivery Vehicles (IDVs) select a single contractor, who will provide all of the services described in the IDV, with task orders placed as needed
  - A single award IDV task order is counted as a single offer if the original IDV contract received only a single offer. In this case, all the task orders on the IDV will be counted as having received a single offer.
- Multiple Award IDVs establish a pool of qualified contractors allowed to compete for the individual task orders
  - In this case the original IDV competition received multiple offers
  - The single offer will arise on the task order if only one of the selected contractors bids

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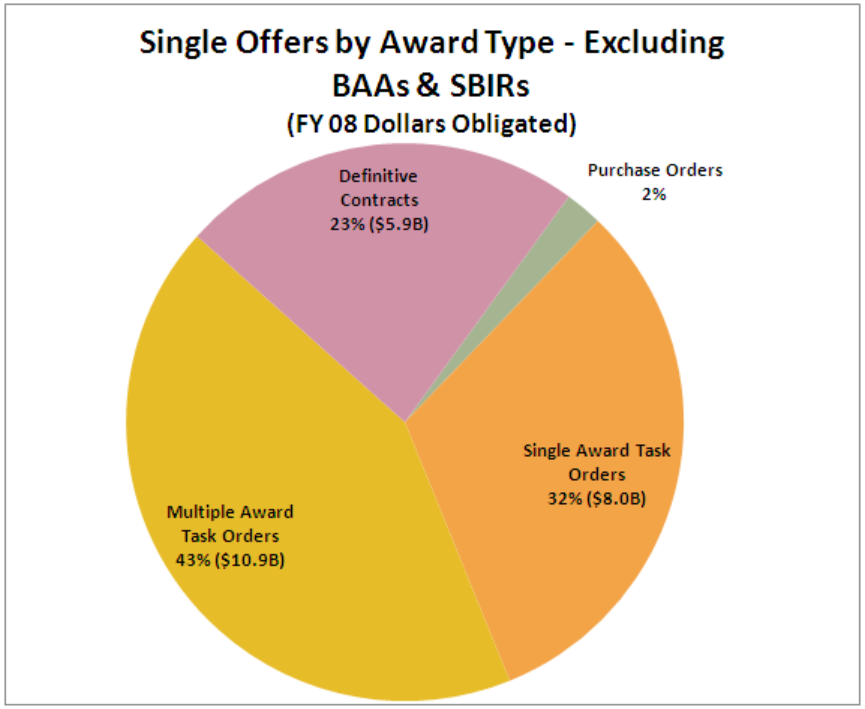
Effect of Multiple-Award IDV Task Orders

- In FY08, excluding estimated BAAs and SBIRs, there appeared to be $25.4B in competed contract dollars from single offers
  - Multiple award IDV task orders account for over 43% of dollars awarded by single offer ($10.9B), but represent only 23% of competed dollars awarded
  - Single award IDV task orders account for nearly 32%, $8.0B (30% of all competed dollars)
  - Definitive contracts account for 23%, $5.9B (46% of all competed dollars)
  - Purchase orders account for $0.5B, less than 2%.



Multiple Award IDV Task Orders are disproportionately responsible for single offers

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Multiple Award Task Orders Receive Some Benefit of Competition

- Multiple Award IDV task orders are disproportionately responsible for single offers; however:
- We believe that it is incorrect to classify multiple award task orders receiving a single offer as having had no competition
  - The IDV competition selects a set of technically qualified contractors
  - Individual task orders are awarded through a second competition amongst the selected contractors
  - It is not clear how much of the task order parameters are competed during the original competition (price, schedule, quality…)
  - However, the existence of other qualified bidders imposes discipline on any one bidder, preventing some monopolistic behavior

To the extent that firms believe that there will be multiple bids on the task orders, the task orders benefit from the competitive process

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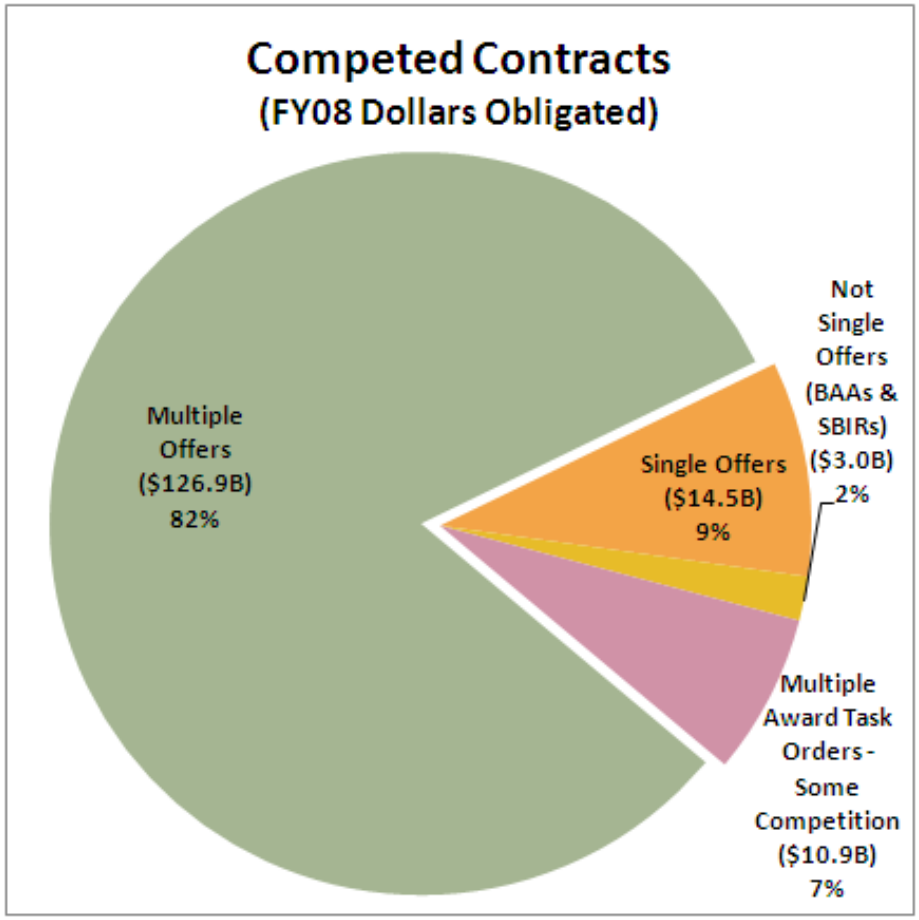
Bottom Line

- In FY08, 9% ($14.5B) of competed contract dollars received only one offer at any stage
  - 5% ($8.0B) are from task orders written on single award IDV contracts
  - The remaining 4% ($5.9B) are from definitive contracts



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Single Offers: Conclusions

- In FY08, 18% ($28.4B) of competed contract dollars in the service sector appeared to have been awarded with no competition. This appearance is misleading.
- $3.0B (estimated) resulted from BAAs or SBIRs and should be excluded.
- 16% ($25.4B) received single offers at the final award stage, but many received multiple offers at an earlier stage.
  - 7% ($10.9B) are due to multiple award task orders for which there is an initial competition to select the firms allowed to submit offers on task orders.
    - These awards receive some level of competition due to the initial stage of competition, although it is unclear how much of the benefit is passed through
- 9% ($14.5B) were awarded without multiple offers at any stage.

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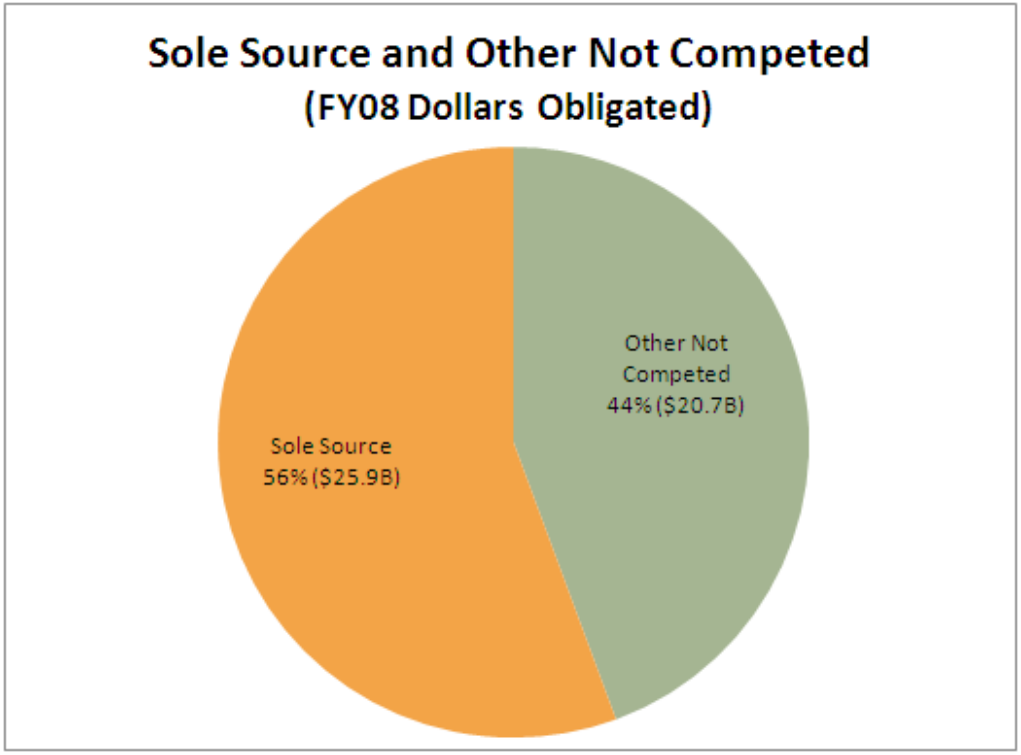
Introduction to Not-Competed Contracts

- In FY08, not-competed contracts account for $46.5B of DoD services contracts
- Sole source, a subset of not-competed, includes contracts exempted from competition requirements by specific FAR exceptions:
  - Follow-on contract
  - Only one source
  - Patent/data rights
  - Standardization
  - Utilities
  - Unsolicited research proposal
- Sole source contracts account for $25.9B, 13% of all DoD service and RDT&E contract dollars



Bridge Contracts

- We identified bridge contracts as a cause of sole source contracts.
- A bridge contract is written to cover the gap between the end of one contract and the beginning of the next
- A delay in the process either delayed the new competition, or prevented the timely award of the new contract
  - Delay on customer side (e.g., requirements not submitted on time or a change in requirements)
  - Delay at contracting office (e.g., inability to use existing contract vehicle)
  - Delay from other sources (e.g., protests)

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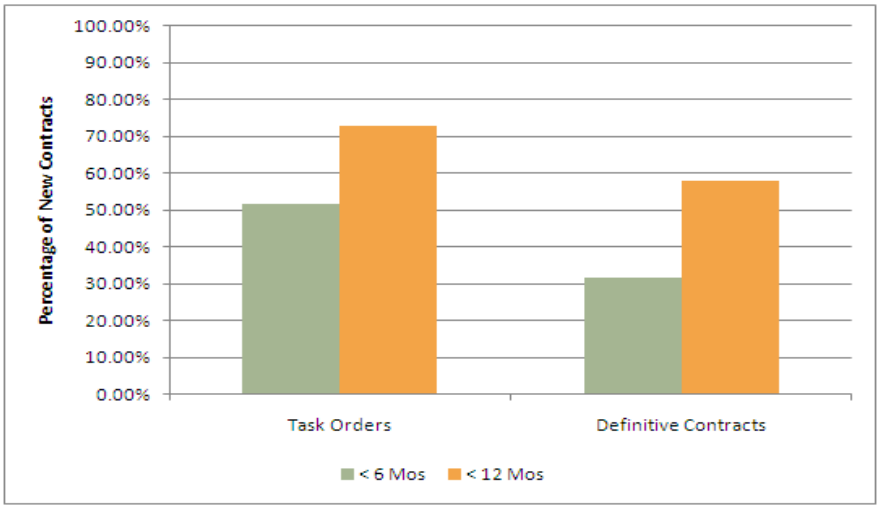
Bridge Contracts in FPDS

- FPDS does not identify bridge contracts, so we tried to quantify them using contract length as a surrogate.
- Bridge contracts appear to be a significant factor based on this analysis, but several factors complicated our assessment:
  - Some contract modifications may be bridge contracts
  - The high percentages may be an artifact of the base plus options contract format
  - Task orders may be more likely to be short-term



Due to the difficulty in accurately identifying bridge contracts in FPDS, we base our conclusions on the Justification and Authorization (J&A) data we collected from FedBizOpps

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Bridge Contracts in FedBizOpps

- We collected all J&As posted on the FedBizOpps website from March 1, 2009 through September 30, 2009
- We define a bridge contract as follows:
  - Not-competed contract or an extension to an existing contract due to a delay and the award process or competition is planned or has already been held, or
  - The J&A states that the contract or extension is a bridge contract
  - Existence of a delay, by itself, is not enough to designate a contract as a bridge contract
- We used the text of the J&A and supporting documents to classify the contracts
- We collected 958 J&As for the seven-month period

◆ 81% (777) were DoD contracts ◆ 23% (217) were DoD service contracts	These numbers appear low, given the number of not-competed contracts in the FY08 FPDS

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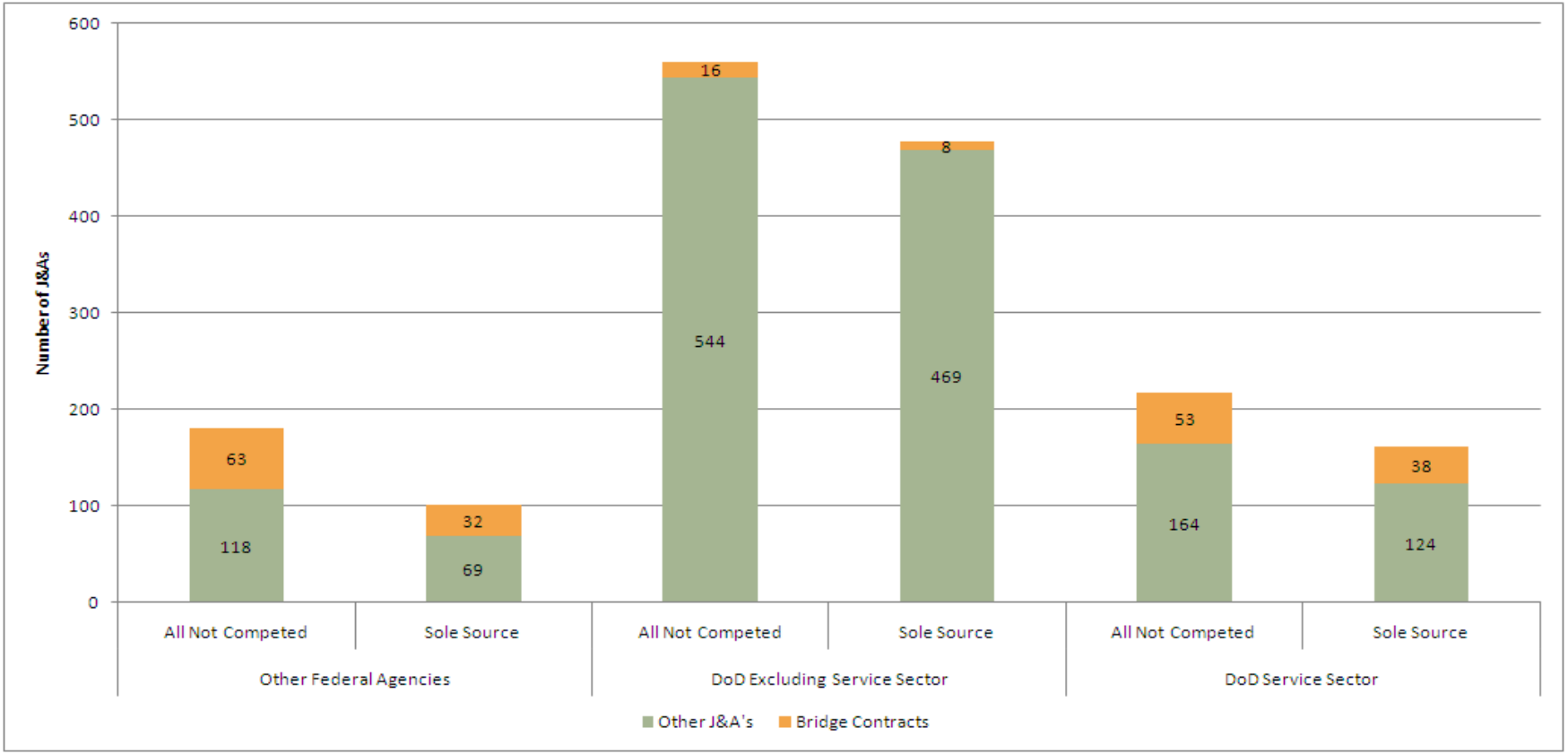
Bridge Contracts – Big Picture



- Bridge contracts occur in all Federal agencies, both in sole source and in other not-competed categories

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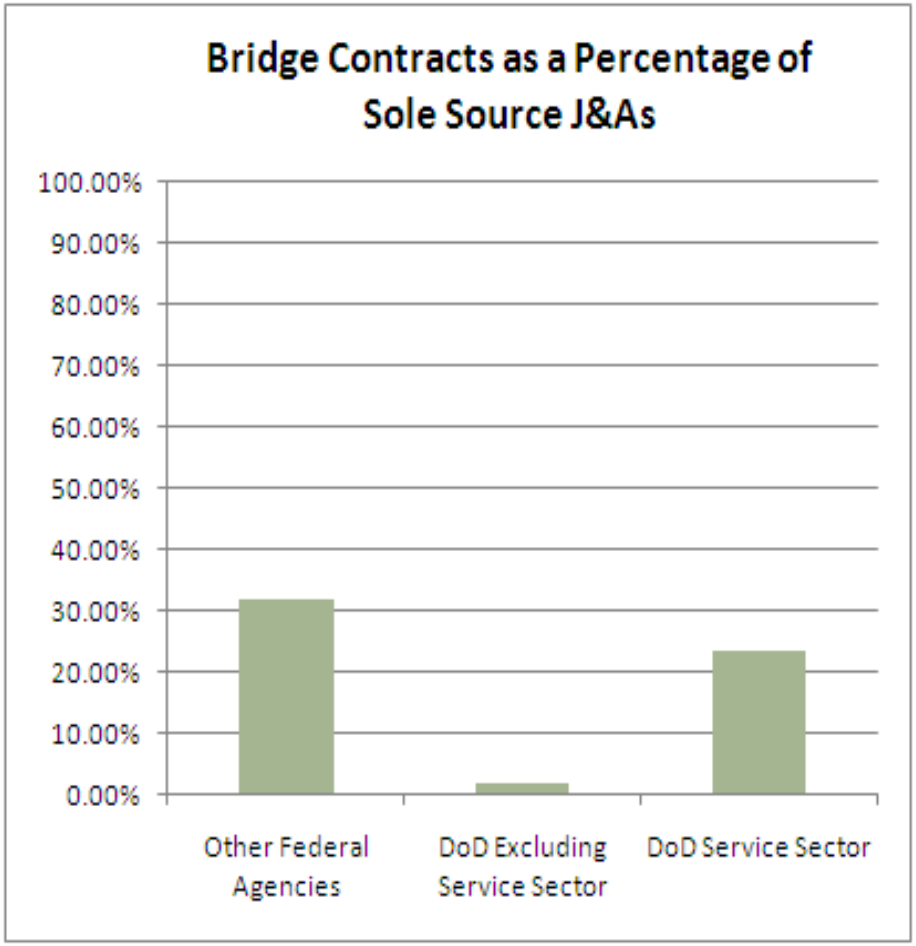
Bridge Contracts Conclusions

- Bridge contracts are a significant source of sole source contracts in DoD services
  - 23.4% of the DoD service sector J&As collected are bridge contracts vs. 1.7% in DoD (excluding service sector) as a whole or 31.7% in all other Federal agencies
  - We were able to obtain contract values for 62% of the DoD service sector sole source J&As
    - Of these, bridge contracts account for just over 10% of the contracted value



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Sole Source Conclusions

- Nearly 1 in 4 DoD service sector not-competed contracts are bridge contracts
- Though the total value of these contracts is small, this represents a potentially large cost to the DoD due to process inefficiencies
  - Administrative costs of preparing and administering the bridge contracts
    - Contracting office
    - Customer
    - Contractor
  - Places an additional strain on the limited contracting workforce
  - The DoD does not receive the benefits of competition while the bridge contracts are in force
- We have some concern that our seven months of data are not representative
  - 217 J&As collected for DoD services; however, FY08 FPDS reports over 4,000 new not-competed definitive contracts

Backups

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Differences Between BAAs, SBIRs, and RFPs
BAAs & SBIRs are not Single Offers

Many of the single offer Definitive Contracts in RDT&E are actually BAAs.

	RFP	BAA
Type of Research and Development	Focusing on a specific system or hardware solution	Scientific study and experimentation directed toward advancing the state-of-the-art
Statement of Work	The Government drafts a common SOW to which all offerors propose	The Government drafts a statement of the problem or general research interest. Each offeror proposes its own statement of work and technical approach
Proposal Comparison	All proposals are supposed to do the same thing. Winner is selected by comparing proposals	Proposals contain stand-alone unique solutions. They are not compared to one another
Nature of the Competition	Proposals address common SOW and compete, one against another. Cost, price, or best value is the deciding factor.	Each proposal presents a separate approach to solving the problem. There is technical competition in the “marketplace of ideas.” Cost or price is rarely the deciding factor on the winning proposal.
Evaluation Process	Closely follows a predetermined source selection plan	Proposals undergo a scientific review process. A proposal that is otherwise weak could be selected if it shows great technical promise

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Bridge Contract J&A Example

- **FAR 6.302-1 Only one responsible source (except brand name)**
  NAICS Code: 561720 - Janitorial Services
  Class Code: S - Utilities and Housekeeping Services
  Contract Award Date: 03/31/2009
  Subject: S--Brooke Army Medical Center Hospital Housekeeping and Linen Services
- **Description of Action:** Approval is requested to award a fixed price ***interim contract for four months*** to Quality Services International, incumbent contractor. This interim contract is necessary to ensure the continuity of services in support of the patient care and wounded warriors at the Brooke Army Medical Center until the follow-on contract is awarded…
- **Other Facts:** Proposals were received 02 Jun 2008. The Source Selection Evaluation Board (SSEB) convened from 09 Jun through 20 Jun 2008. ***Due to inconsistencies in the evaluations***, the SSEB was reconvened on 15 Aug, 18 Aug, and 24 Sep 2008. Discussion letters were issued 24 Nov 2008 with responses due 8 Dec 2008. The responses were evaluated 19 Dec 2008 and additional discussion letters were issued 22 Jan 2009 with responses due on 30 Jan 2008. The SSEB finalized their evaluations on 3 Feb 2009. On 19 Feb 2009 an amendment was issued to change the unit pricing from 2 to 5 decimal places with responses due 25 Feb 2009.

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Bridge Contracts in the J&As

	All Agencies		All DoD		All DoD Services		DoD Services with Values Attached			
Statutory Authority	Total J&As	Bridge	Total J&As	Bridge	Total J&As	Bridge	Total J&As	Bridge	J&A Values ($M)	Bridge Values ($M)
FAR 6.302-1 - Only one responsible source (except brand name)	615	73	527	43	147	35	95	19	$187.10	$19.18
FAR 6.302-1(c) - Brand name	125	5	112	3	15	3	6	1	$1.44	$0.00
FAR 6.302-2 - Unusual and compelling urgency	130	35	75	14	38	12	26	5	$20.81	$0.19
FAR 6.302-3 - Industrial mobilization; engineering, developmental or research capability; or expert services	10	2	8	2	5	1	2		$0.28	
FAR 6.302-4 - International agreement	3		2		1		1		$0.00	
FAR 6.302-5 - Authorized or required by statute	35	11	18	3	4		2		$0.25	
FAR 6.302-7 Public interest	2		2							
(blank)	38	6	33	4	7	2	3		$0.06	$0.00
Grand Total	**958**	**132**	**777**	**69**	**217**	**53**	**135**	**25**	**$209.94**	**$19.37**
Percentages		13.78%		8.88%		24.42%		18.52%		9.23%
Sole Source (FAR 6.302-1 & 6.302-1(c))	740	78	639	46	162	38	101	20	$188.54	$19.18
		10.54%		7.20%		23.46%		19.80%		10.17%
Percentage with values - Total							62.21%			
Percentage with values - Sole Source							62.35%			

Glossary

- Indefinite Delivery Vehicle (IDV) – This type of contract does not specify the quantity or specific services required. Instead, it provides a quantity range or general description of the required services.
- Single Award IDV – one contractor is selected to provide all the services required in the IDV.
- Multiple Award IDV – several qualified contractors are selected. The selected contractors compete for the individual task orders.
- Task order – An order placed against an IDV contract that details specific service requirements.