

# GAO Highlights

Highlights of [GAO-14-36](#), a report to congressional committees

## Why GAO Did This Study

Federal agencies sometimes can achieve savings by consolidating requirements from separate, smaller contracts into fewer, larger contracts. However, consolidation may negatively impact small businesses. Generally, when consolidation makes a contract unsuitable for small businesses, the contract is considered bundled, which is a subset of consolidation. Agencies must justify their actions for both consolidated and bundled requirements.

Recent National Defense Authorization Acts and a related committee report mandated that GAO review federal agency use of consolidated contracts. According to federal procurement data, DOD and GSA accounted for the vast majority of all contracts reported as consolidated in fiscal years 2011 and 2012. This report examines the extent to which (1) DOD and GSA have consolidated contracts; (2) DOD and GSA justifications complied with relevant laws and regulations; (3) DOD, GSA, and SBA addressed small business impacts as required; and (4) SBA collected and reported information on bundled contracts. GAO identified relevant laws and regulations; analyzed federal procurement data from fiscal years 2011 and 2012; reviewed consolidated, bundled, and other contracts; and interviewed DOD, GSA, and SBA officials.

## What GAO Recommends

GAO recommends that DOD update and GSA establish guidance after SBA rulemaking is complete to reflect changes in the law and that SBA comply with congressional reporting requirements for bundled contracts. DOD, GSA, and SBA concurred with the recommendations.

View [GAO-14-36](#). For more information, contact William Woods at (202) 512-4841 or [woodsw@gao.gov](mailto:woodsw@gao.gov).

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## SMALL BUSINESS CONTRACTING

### Updated Guidance and Reporting Needed for Consolidated Contracts

## What GAO Found

The Department of Defense (DOD) and the General Services Administration (GSA)—which accounted for more than 80 percent of the consolidated contracts reported by all federal agencies in fiscal years 2011 and 2012—do not know the full extent to which they are awarding consolidated contracts. This is the result of contracts being misreported in the federal procurement data system. GAO reviewed 157 contracts—more than half of all DOD and GSA contracts that were reported as consolidated—and found that 34 percent of the DOD contracts and all of the GSA contracts in fact were not consolidated. GAO also identified four DOD contracts with consolidated requirements that were not reported as such.

DOD generally justified contracts with consolidated requirements in accordance with existing regulations, but DOD and GSA have not yet implemented 2010 changes in the law. GAO found that 82 percent of the 100 DOD contracts confirmed as consolidated followed existing regulations pertaining to conducting market research, identifying alternatives, and justifying decisions. Most of the contracts that did not comply were justified, but the determinations were not made by an official at a level senior enough to meet defense regulation requirements. However, DOD regulations and guidance did not reflect the reduction in the value at which consolidated contracts must be justified—from over \$6 million to over \$2 million—as called for in the law. In October 2013, DOD lowered the dollar threshold. DOD and GSA are waiting for the Small Business Administration (SBA) to issue a final rule to implement all of the statutory changes before updating regulations. SBA issued a final rule on October 2, 2013, which takes effect no later than December 31, 2013.

DOD and SBA officials took a range of actions to address the impact of consolidation on small business. Federal law requires contracting agencies to facilitate the participation of small businesses on consolidated contracts. GAO found that half of the 100 DOD consolidated contracts reviewed were awarded to small businesses, most of which were awarded through small business set asides. Additionally, many of the consolidated contracts awarded to large businesses included measures, such as small business subcontracting plans, to address small businesses that were potentially affected by the consolidation. For the consolidated contracts considered to be bundled—for which agencies and SBA officials are specifically required to maximize small business contracting opportunities—DOD required subcontracting plans as well.

SBA does not collect complete information on bundled contracts and has not reported to congressional committees as required. Federal law requires SBA to take several actions for bundled contracts, including annual reporting to the small business committees on the extent of bundling, maintaining a database to track small business impacts, and determining if benefits were achieved through bundling. SBA officials said they have not sent reports to the committees since 2010 due to an administrative oversight. Further, SBA has not collected all required information, such as the number of small businesses affected by bundled contracts. SBA officials explained that they cannot fulfill some requirements because of limitations in existing data sources, such as the federal procurement data system, which do not collect the information needed to meet reporting requirements.