



June 2015

DHS IT CONTRACTING

Steps Taken to Enhance EAGLE II Small Business Opportunities, but Better Assessment Data Needed

Accessible Version

GAO Highlights

Highlights of [GAO-15-551](#), a report to the Committee on Homeland Security, House of Representatives

Why GAO Did This Study

DHS's EAGLE II is a suite of strategic sourcing contracts, valued at \$22 billion, which serves as DHS's mandatory source for information technology services. Strategic sourcing is a process that moves an organization away from numerous individual procurements toward a broader aggregate approach to achieve cost savings and other efficiencies. The small business community has raised questions about strategic sourcing reducing contracting opportunities.

GAO was asked to examine the EAGLE II program. This report assesses (1) key steps DHS has taken to enhance small business participation and (2) EAGLE II goals, performance measures, and progress made to date. GAO reviewed EAGLE II acquisition planning documents and interviewed DHS procurement and small business staff. GAO analyzed federal procurement data from fiscal year 2013 through the second quarter of fiscal year 2015 and assessed reliability by comparing data to a nonprobability sample of 10 EAGLE II contracts selected from a variety of DHS components.

What GAO Recommends

GAO recommends the Secretary of Homeland Security support implementation of EAGLE II goals by assessing the use of team members and teaming coordinators. DHS did not concur with GAO recommendations, citing actions already taken in soliciting and awarding the contracts. GAO believes there is still value in assessing whether team members are used for task orders, and that DHS's plan to survey EAGLE II users has merit.

View [GAO-15-551](#). For more information, contact Michele Mackin at (202) 512-4841 or mackinm@gao.gov.

June 2015

DHS IT CONTRACTING

Steps Taken to Enhance EAGLE II Small Business Opportunities, but Better Assessment Data Needed

What GAO Found

Department of Homeland Security (DHS) procurement officials reported taking three key steps to enhance small business participation in the Enterprise Acquisition Gateway for Leading-Edge Solutions II (EAGLE II) contracts:

- Creating small business tracks within each of EAGLE II's three lines of business, including socioeconomic set-aside tracks, to exclusively target competitions to small businesses in the first line of business. See table.

Eagle II lines of business	Small business track			Unrestricted track
	8(a)	HUBZone	SDVOSB	
Software design and development	✓	✓	✓	✓
Information technology program support services				✓
Independent verification and validation				✓

Source: GAO analysis of DHS data. | GAO-15-551

Note: 8(a) refers to the 8(a) Business Development Program; HUBZone refers to the Historically Underutilized Business Zone program, and SDVOSB refers to the Service-Disabled Veteran-Owned Small Business program.

- Establishing a process to maintain a steady pool of eligible small businesses by reopening the EAGLE II solicitation after requiring businesses that outgrow their small size status to leave the program.
- Requiring small business track prime contractors to team only with other small businesses.

As of March 2015, DHS had issued 74 EAGLE II task orders worth an estimated \$591 million, almost all of which—94 percent—went to small businesses. However, it is too soon to evaluate the full impact of these steps because only about 3 percent of the anticipated \$22 billion in task orders have been issued.

DHS established five goals for EAGLE II and developed performance measures to assess progress in meeting most of them. DHS established performance measures for the three EAGLE II goals related to cost savings and efficiencies through a methodology to assess cost savings, but has not fully set performance measures for the remaining two, relating to (1) the small business socioeconomic goal and (2) enhancing DHS mission capabilities. For its socioeconomic goal, DHS assesses progress via the percentage of the value of orders issued to small businesses. However, DHS does not assess whether use of team members (other small businesses) supports this goal, although DHS procurement officials told us teaming is key to enhancing small business participation. Further, DHS has not set a performance measure for assessing how the use of teaming coordinators contributes to the EAGLE II goal of enhancing DHS's mission capabilities. According to DHS, prime contractors are required to have teaming coordinators identify subcontractors with innovative services. Federal internal control standards highlight the importance of developing measures to compare expected outcomes to actual results. Without such measures, it will be difficult for DHS to have needed information to assess the extent to which the use of team members and teaming coordinators contribute toward their respective EAGLE II goals.

Contents

Letter	1
Background	2
DHS Has Taken Steps to Enhance EAGLE II Small Business Opportunities but It Is Too Soon to Assess Their Effectiveness	7
DHS Established Performance Goals, but Has Not Fully Assessed Progress for Some Goals	12
Conclusions	15
Recommendations for Executive Action	15
Agency Comments and Our Evaluation	15
Appendix I: Objectives, Scope and Methodology	18
Appendix II: Number of Bid Protests and Outcomes by Business Track	22
Appendix III: Comments from the Department of Homeland Security	24
Appendix IV: GAO Contact and Staff Acknowledgments	27
GAO Contact	27
Staff Acknowledgments	27
Appendix V: Accessible Data	28
Tables	
Table 1: EAGLE II Functional Categories (Lines of Business)	4
Table 2: Number of EAGLE II IDIQ Awards, by Functional Category and Business Track	8
Table 3: EAGLE II Goals and the Status of Related Activities as of March 2015	12
Table 4: EAGLE II Business Tracks and the Outcome of Bid Protests	22
Data Table for Figure 1: Timeline of Key EAGLE II Acquisition Steps	28
Data Tables for Figure 2: Total Value of EAGLE II Task Orders, Fiscal Year 2013 through Fiscal Year 2015, as of March 31, 2015	28
Figures	
Figure 1: Timeline of Key EAGLE II Acquisition Steps	6
Figure 2: Total Value of EAGLE II Task Orders, Fiscal Year 2013 through Fiscal Year 2015, as of March 31, 2015	11

Abbreviations

8(a)	8(a) Business Development Program
DHS	Department of Homeland Security
EAGLE II	Enterprise Acquisition Gateway for Leading-Edge Solutions II
FPDS-NG	Federal Procurement Data System-Next Generation
GSA	General Services Administration
HUBZone	Historically Underutilized Business Zone
IDIQ	Indefinite Delivery Indefinite Quantity
IT	Information Technology
CPO	Office of the Chief Procurement Officer
OSDBU	Office of Small and Disadvantaged Business Utilization
SDVOSB	Service-Disabled Veteran-Owned Small Business

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



June 24, 2015

The Honorable Michael McCaul
Chairman
The Honorable Bennie G. Thompson
Ranking Member
Committee on Homeland Security
House of Representatives

Since 2005, the Office of Management and Budget (OMB) has placed increased emphasis on making federal procurement more efficient and achieving greater cost savings for the taxpayer through strategic sourcing—a process that moves away from numerous individual procurements to a broader aggregate approach to achieve cost savings and other efficiencies—while asking agencies to consider the effects of strategic sourcing on small businesses. However, because strategic sourcing can reduce the number of available contracting opportunities, some members of the small business community have expressed concern that small businesses may be negatively affected. The Department of Homeland Security (DHS) established the Enterprise Acquisition Gateway for Leading-Edge Solutions II (EAGLE II) in fiscal year 2013 as the successor to EAGLE, which DHS used to procure information technology (IT) services from 2006 through 2013. EAGLE II is a suite of strategic sourcing contracts intended to serve as the department’s preferred source for information technology services, including software design and development, and has an estimated value of \$22 billion. EAGLE II is also intended to help leverage DHS’s buying power to reduce procurement costs, while also increasing obligations for small businesses.

You asked us to review DHS’s implementation of EAGLE II and the steps DHS took to provide opportunities to small businesses. This report assesses (1) the key steps DHS has taken to enhance small business participation and (2) EAGLE II’s overall goals, performance measures, and progress made to date.

For both objectives, we reviewed EAGLE II acquisition planning documentation and interviewed staff from the DHS’s Office of the Chief Procurement Officer (CPO) and Office of Small and Disadvantaged Business Utilization. To assess DHS’s progress in awarding EAGLE II

task orders to small businesses, we analyzed Federal Procurement Data System-Next Generation (FPDS-NG) data for fiscal years 2013, 2014, and the first two quarters of fiscal year 2015. We assessed the reliability of the FPDS-NG data by comparing information in selected data fields to contract documentation from 10 EAGLE II task orders and determined it was reliable for the purposes of this report. We used a nonprobability sample to select the task orders, choosing contracts that provided us the opportunity to determine whether DHS staff from a variety of components had correctly recorded if a small business set aside had been used for the procurement. To assess EAGLE II's goals and performance measures, we reviewed the EAGLE II Business Case to identify goals and performance measures that DHS specified during acquisition planning, DHS methodologies for calculating savings, and interviewed CPO officials. We then reviewed federal internal control standards and assessed whether DHS had established performance measures for program goals consistent with these standards. We obtained information from DHS on its progress in meeting those goals as of March 2015. GAO is also conducting a broader review on strategic sourcing for information technology services; that review, expected to be completed in 2015, also involves EAGLE and EAGLE II in addition to other government agency contract vehicles.

We conducted this performance audit from November 2014 to June 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

EAGLE II is a strategic sourcing suite of contracts designed to fulfill the majority of DHS's needs for information technology services. For example, EAGLE II is intended to provide computer-based information systems and other forms of information technology to produce, manipulate, store, communicate, and/or disseminate information and enhance mission-critical functions. As one of DHS's strategic sourcing initiatives, EAGLE II is intended to increase the efficiency of the department's acquisition and mission support capabilities, as well as improve fulfillment of socioeconomic contracting goals.

To promote the use of EAGLE II, DHS's strategic sourcing policy requires that its components use this contract vehicle when procuring information

technology services. In fact, all DHS strategic sourcing contract vehicles, including EAGLE II, are mandatory for use unless the procurement meets a specific exception. DHS's efforts are in response to OMB's strategic sourcing memorandum that requires agencies to identify commodities that could be purchased through strategic sourcing, which helps optimize performance, minimize price, increase achievement of socioeconomic goals, and improve vendor access to business opportunities.¹

EAGLE II is the successor to EAGLE, which DHS used to procure information technology services from 2006 through 2013. The period of performance for EAGLE II includes a 5-year base period, from 2013 through 2018, and one 2-year option period, from 2018 through 2020. EAGLE II contracts are structured as multiple-award Indefinite Delivery Indefinite Quantity (IDIQ) contracts.² Indefinite delivery contracts can be used when the government needs flexibility in the timing of orders within a specified period of time. Indefinite-quantity contracts provide for an indefinite quantity, within stated limits of supplies or services during a fixed period. Multiple-award refers to the fact that more than one prime contractor is awarded a contract. After award of a base IDIQ contract, products and services are procured through individual task orders during the contract period. DHS's CPO was responsible for awarding the EAGLE II IDIQ contracts, while DHS components, such as the United States Coast Guard or Transportation Security Administration, can issue task orders based on their needs.

A broad range of DHS IT service requirements are covered through EAGLE II's three lines of business, which DHS refers to as functional categories, such as software design, program support, and verification services. Within each line of business, DHS established at least two business tracks, or pathways that will distribute business opportunities, including tracks reserved for small businesses. These categories include small disadvantaged businesses such as those in the Small Business Administration's (SBA) 8(a) Business Development Program, Service-Disabled Veteran-Owned Small Business (SDVOSB) program and in the

¹ OMB, Implementing Strategic Sourcing (Washington, D.C.: May 20, 2005).

² FAR §§ 16.501-2 and 16.504.

Historically Underutilized Business Zone (HUBZone) program.³ EAGLE II also has tracks in which both large and small businesses can compete (unrestricted track). See table 1.

Table 1: EAGLE II Functional Categories (Lines of Business)

Functional categories	Small business track			Unrestricted track
	8(a)	HUBZone	SDVOSB	
Software design and development	✓	✓	✓	✓
Information technology program support services				✓
Independent verification and validation				✓

Source: GAO analysis of DHS data. | GAO-15-551

DHS Small Business Goals

Congress has set an annual government-wide goal of awarding not less than 23 percent of prime contract dollars to small disadvantaged businesses and SBA negotiates specific goals with each agency to help ensure that the federal government collectively meets this statutory goal, including those for various socioeconomic categories of small businesses. DHS's small business goal for fiscal year 2015, as negotiated with SBA, is that 32 percent of its prime contract dollars will be awarded to small businesses department wide with no less than 5 percent to small disadvantaged businesses, including Section 8(a) small businesses; 5 percent to women-owned small businesses; 3 percent to SDVOSB small businesses; and three percent to small businesses in HUBZones. Within DHS, the Office of Small and Disadvantaged Business Utilization (OSDBU) assists with negotiating DHS's small business goals with SBA, participates in small business outreach events and hosts vendor outreach sessions. In addition, the OSDBU director makes recommendations to contracting officers as to whether particular contract requirements should be set aside for small businesses.⁴ DHS has not set a specific goal for the

³ SBA's eligibility criteria for a small disadvantaged business includes the limitation that the firm be 51 percent or more unconditionally owned by one or more socially and economically disadvantaged persons. SBA's HUBZone program helps small businesses located in designated urban and rural communities gain preferential access to federal procurement opportunities.

⁴ An acquisition is set-aside (either total or partial acquisitions) when an award is going to be made exclusively to small businesses. A small business set-aside may be open to all small businesses or to a particular socioeconomic category.

percent of EAGLE II contracts that should be awarded to small businesses. As explained by DHS CPO officials, however, the value of EAGLE II task orders issued to small businesses contributes to DHS's department wide small business goals.

Timeline of EAGLE II Awards

Federal regulations require agencies to perform acquisition planning activities, including market research, for all acquisitions to ensure that the government meets its needs in the most effective, economical, and timely manner possible.⁵ Development of the EAGLE II contract award was overseen by the DHS CPO. Within the DHS CPO, the Strategic Sourcing Program Office is responsible for the DHS Strategic Sourcing Program, including development and implementation of EAGLE II.

In 2009, DHS CPO staff began acquisition planning for EAGLE II which included publishing a request for information from small businesses to gain insight into how best to structure EAGLE to provide opportunities for small business participation and publishing an additional request to gain similar perspectives from larger businesses. In addition, DHS's CPO sponsored a lessons-learned assessment of EAGLE by obtaining feedback from DHS contracting staff and EAGLE contractors on a range of topics including the procurement process for task orders, small business participation, as well as communications between prospective contractors and DHS staff.

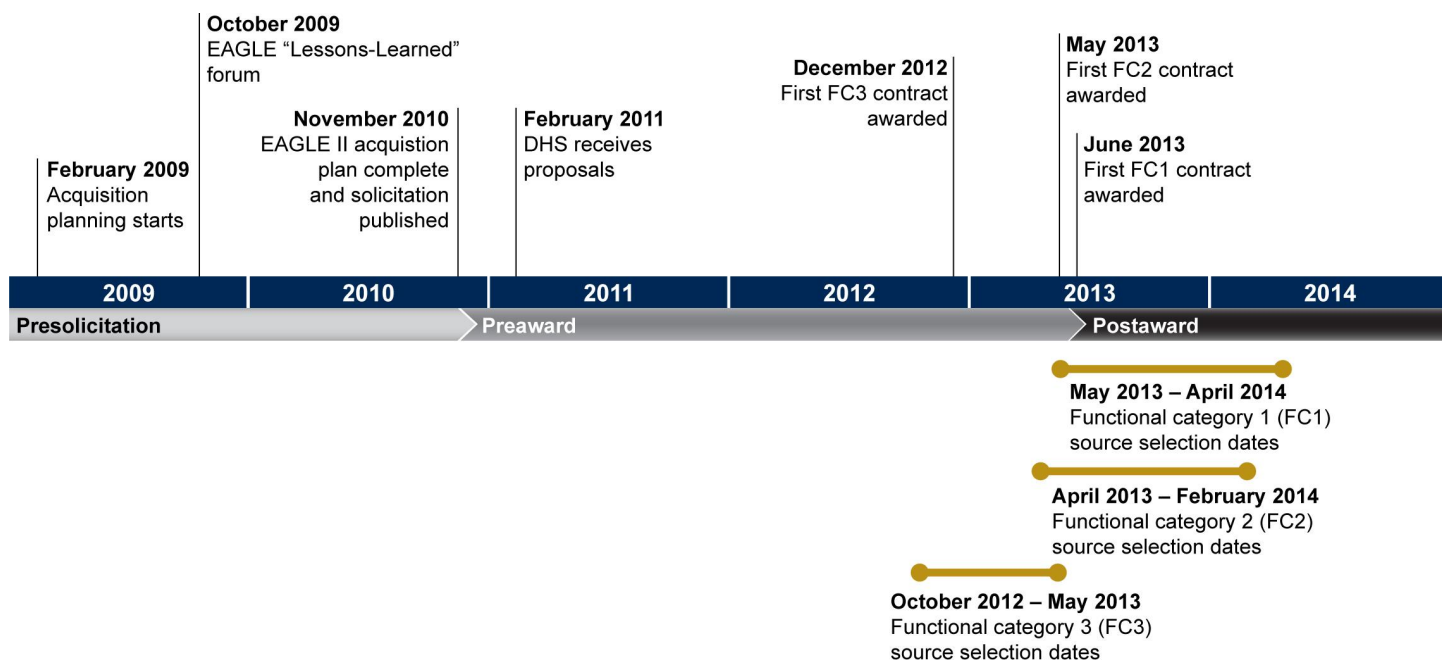
DHS made its initial EAGLE II source selection decisions in 2012 and 2013, but its final round of source selections was not finalized until 2014 because of a series of bid protests filed by businesses, large and small, objecting to the selection decisions.⁶ A bid protest is a challenge to the award or proposed award of a contract for procurement of goods and services or a challenge to the terms of a solicitation for a contract. Contractors filed a total of 56 protests with GAO regarding the EAGLE II procurement, which were ultimately dismissed, withdrawn, or denied. GAO dismissed most of the protests because DHS took corrective action by reevaluating its source selection decisions for the affected business

⁵ FAR 7.102. See GAO, *Acquisition Planning: Opportunities to Build Strong Foundations for Better Services Contracts*, [GAO-11-672](#) (Washington, D.C.: Aug. 9, 2011).

⁶ GAO's Office of General Counsel issues legal decisions, opinions, and reports on bid protests, appropriations law, and other issues of federal law.

tracks. As a result, DHS's final source selections were delayed. See figure 1 for EAGLE II's acquisition timeline and see appendix II for more information on the bid protests.

Figure 1: Timeline of Key EAGLE II Acquisition Steps



Source: GAO analysis of DHS information. | GAO-15-551

In our past work, we have assessed how strategic sourcing initiatives affect small businesses, including small disadvantaged businesses.⁷ In January 2014, we found that OMB, the General Services Administration (GSA), and selected agencies, including DHS, had taken steps to consider small businesses, including small disadvantaged businesses, in their strategic sourcing efforts. However, data and performance measures that would provide a more precise understanding of the level of inclusion were limited. We recommended the agencies, including DHS, collect baseline data and establish performance measures on the inclusion of

⁷ GAO, *Strategic Sourcing: Selected Agencies Should Develop Performance Measures on Inclusion of Small Businesses and OMB Should Improve Monitoring*, [GAO-14-126](#) (Washington D.C.: Jan. 23, 2014).

small businesses in strategic sourcing initiatives. DHS concurred with the recommendation and has implemented it.

DHS Has Taken Steps to Enhance EAGLE II Small Business Opportunities but It Is Too Soon to Assess Their Effectiveness

According to DHS CPO and OSDBU officials, three key steps enhanced EAGLE II small business opportunities. Specifically, DHS established (1) specific competition tracks for small businesses, including those with specific socioeconomic characteristics, (2) mechanisms to maintain a steady pool of eligible small businesses, and (3) opportunities for small businesses to participate as core team members. As of March 31, 2015, DHS had issued almost all EAGLE II task orders to small businesses, but it is too soon to determine the full extent to which DHS's key steps have enhanced small business participation as only about 3 percent of anticipated EAGLE II spending has occurred.

DHS Took Three Key Steps Based on Lessons-Learned to Increase Small Businesses' Ability to Compete for Task Orders

Establishing Specific Socioeconomic Small Business Award Tracks

A key outcome of the acquisition planning process and lessons-learned was DHS's decision to combine three of EAGLE's five functional categories into a single functional category (termed functional category 1) that incorporates a larger range of information technology services, such as software design and development. Users of EAGLE had experienced difficulty in determining which functional area related to their requirements because of overlapping categories. DHS CPO officials estimated that about 80 percent of EAGLE II spending would go through this new category.

DHS then established tracks to set aside competition for task orders for small businesses within each functional category, including those with specific socioeconomic characteristics. Specifically, DHS created three individual socioeconomic tracks within functional category 1 for qualifying 8(a), HUBZone, and SDVOSB small businesses and a general small business track. An OSDBU official told us that the creation of socioeconomic business tracks was the single most important step that DHS took to enhance small business participation. Small businesses can compete for task orders within the small business tracks or compete against larger businesses within the unrestricted business track. As part

of its lessons-learned from EAGLE, CPO officials concluded that small businesses were able to successfully compete with large businesses. Table 2 depicts the number of EAGLE II IDIQ awards by functional category (line of business) and business track. Each of these contractors has the potential to compete for task orders placed by DHS contracting staff for specific requirements.

Table 2: Number of EAGLE II IDIQ Awards, by Functional Category and Business Track

Functional category (Line of business)		Small business track			All small business	Unrestricted business track
		8(a)	HUBZone	SDVOSB		
1	Service delivery, including integration, software, design/development, operations and maintenance	16	7	7	12	68
2	Information technology program support services				15	11
3	Independent verification and validation				7	7
(150 total IDIQ contract awards)		Totals:			64	86

Source: GAO analysis of DHS data. | GAO-15-551

Note: The total of 64 awards refers to all small business Indefinite Delivery Indefinite Quantity awards, including within each of functional category 1's small business track categories.

To further enhance small business opportunities, DHS also established procedures in the EAGLE II ordering guide—used by component contracting staff to issue task orders under the contracts—to facilitate the use of small business set-aside opportunities. For example, after the contracting officer determines into which functional category a requirement falls, the contracting officer and the component's small business specialist are required to determine if the competition should be set aside for small businesses. In the case of functional category 1, this determination expands to whether the procurement should be set aside for competition within one or all of the small business socioeconomic tracks. In addition, a DHS small business specialist told us that the DHS Office of Procurement Operations sponsored meetings between awardees within each of EAGLE II's small business tracks and DHS program managers to promote use of the small business tracks.

Maintaining Pool of Eligible Small Businesses over Life of EAGLE II

According to DHS CPO and OSDBU officials, a second key step in enhancing small business participation was creating an “on ramp/off ramp” mechanism as a means of maintaining an eligible pool of small

Enabling Teaming
Opportunities for
Small Businesses

businesses throughout EAGLE II's performance period. DHS CPO officials explained that, during the course of EAGLE, 9 of 28 small business IDIQ awardees had been acquired by larger firms and consequently lost their small business status, effectively shrinking the pool of small businesses to compete over the contract period. EAGLE did not have a mechanism to replace these vendors with other small businesses.

To avoid a similar situation on EAGLE II, DHS developed a mechanism referred to as an "off ramp," which according to DHS requires businesses that have outgrown or otherwise lost their small business status to leave the EAGLE II program after completing any ongoing task orders. In contrast, according to DHS CPO officials, under EAGLE, these businesses were permitted to compete for orders in the unrestricted track. In addition, DHS created a new mechanism known as an "on ramp," which according to DHS, permits DHS to replenish the pool of small businesses by reopening the EAGLE II solicitation to award additional IDIQ contracts to small businesses. DHS CPO officials reported they have not yet needed to use the on ramp/off ramp mechanisms to maintain an eligible pool of small businesses because there has been no reduction in the number of small businesses as of March 31, 2015.

A third key step that DHS CPO and OSDBU officials considered significant to enhancing EAGLE II small business opportunities was specifically permitting all prime contractors to formally team with subcontractors, referred to as core team members, to compete for contract awards. As part of the EAGLE II solicitation process, DHS permitted prime contractors to designate up to four core team members in their proposals to more fully meet the broad array of information technology service requirements. DHS also instructed that businesses competing for IDIQs in the small business tracks may team only with other small businesses. CPO officials also noted that the use of teaming on EAGLE II allowed prime contractors to designate team members for the purpose of strengthening their offers. For example, the solicitation allowed prospective contractors to provide information on the core team members—such as past performance—that DHS would evaluate and consider as part of the award decisions. According to DHS OSDBU officials, teaming was a way to allow small businesses that did not receive an EAGLE II award to still participate at the task order level in meeting DHS information technology services requirements, as a team member. Further, DHS CPO officials said that the success of teaming arrangements in performing task orders was a lesson-learned from

EAGLE, in which teaming arrangements with subcontractors were encouraged, but only after award of the IDIQ contracts.

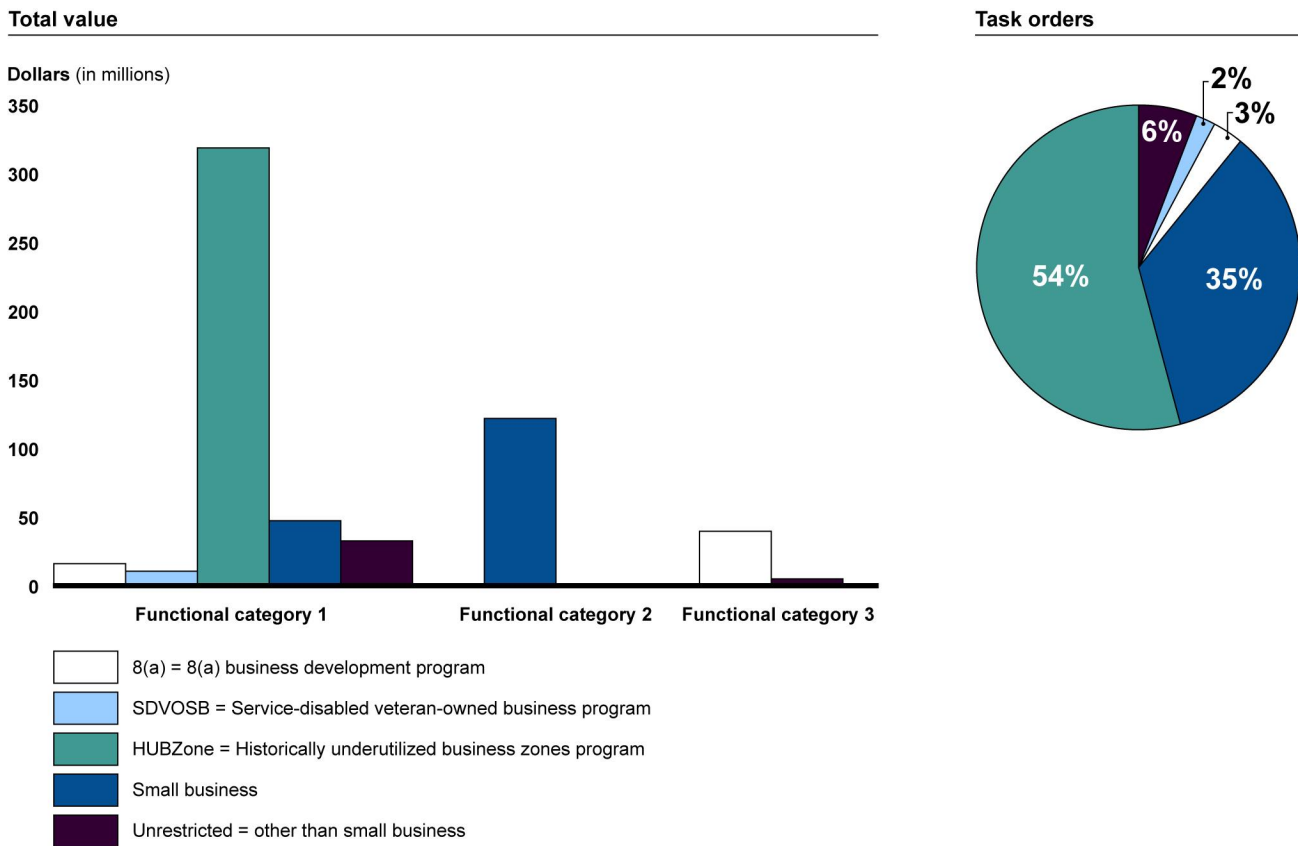
Our analysis of DHS CPO teaming data indicates that 127 of the 150 IDIQ contracts included teaming arrangements. Almost all of the small business prime contractors—60 of 64—used teaming, as did many of the 86 large businesses in the unrestricted business tracks. According to officials, DHS requires the original core team to remain together for the life of the contract including the base and option periods except for extraordinary circumstances and with the DHS contracting officer's consent.

DHS Has Issued Most Task Orders to Small Businesses, but It Is Too Soon to Evaluate the Full Effect of the Key Steps

As of March 31, 2015, DHS issued 74 EAGLE II task orders with a total estimated value of \$591 million, almost all of which—about 94 percent—was issued to small businesses. Over half of the total amount went to HUBZone businesses.⁸ However, this amount represents only about three percent of EAGLE II's potential value of \$22 billion. Figure 2 depicts the total value of EAGLE II task orders issued by functional category and business track from fiscal year 2013 through March 31, 2015 and the percentage of task orders issued by business track.

⁸ This dollar value represents the total value of EAGLE II task orders awarded as of March 31, 2015, not the amount of dollars obligated to date.

Figure 2: Total Value of EAGLE II Task Orders, Fiscal Year 2013 through Fiscal Year 2015, as of March 31, 2015



Source: GAO analysis of Federal Procurement Data System-Next Generation data. | GAO-15-551

DHS CPO officials stated the high percentage of task orders issued within functional category 1 is an early indication that the steps they took to enhance small business utilization are working as intended. However they also noted that the trend of awards to small businesses was unlikely to continue at the same levels over the life of the contract. They explained that delays in awarding some of the contracts within the unrestricted portion of functional category 1 may have contributed in particular to the high level of HUBZone task orders. DHS did not make its final source selection decisions for IDIQ awards within functional category 1's unrestricted business track until April 2014 due to a series of bid protests.⁹ In the meantime, according to DHS CPO officials, DHS

⁹ See appendix II for more information on the bid protests.

contracting officers made greater use of functional category 1's small business tracks, especially the HUBZone track which was available as early as July 2013. DHS CPO officials reported that they anticipate an uptick in EAGLE II task orders later in fiscal year 2015 and that with the availability of functional category 1's unrestricted track, they expect large businesses to win a higher amount of task orders going forward. At the same time, however, the officials expect the overall percentage of task orders issued to small businesses to be higher for EAGLE II than for EAGLE. DHS officials reported that about 10 percent of EAGLE's obligations were issued to small businesses over the 7 years of that contract vehicle.

DHS Established Performance Goals, but Has Not Fully Assessed Progress for Some Goals

DHS set five goals and objectives for EAGLE II and set performance measures for most of the goals, as shown in Table 3.

Table 3: EAGLE II Goals and the Status of Related Activities as of March 2015

EAGLE II Goals	Related Activity	Performance Measure	Progress and GAO Observations
Cost savings due to competitive pricing to drive greater discounts	Discounts to labor rates due to competition for the IDIQ awards as compared to marketplace rates. Additional savings from competition of task order awards.	An estimated 10 percent discount off of marketplace labor rates due to IDIQ competition. Additional discounts as estimated in a savings methodology due to task order competition.	DHS CPO officials told us they are in the process of quantifying the 10 percent discount, and additional analysis may take at least 18 months. DHS estimates that it has saved \$6.8 million, as of March 2015. ^a
Cost avoidance of fees by not using General Service Administration (GSA) contract vehicles to order services	Using the EAGLE II vehicle rather than GSA contract vehicles to order information technology.	Establishment of a savings methodology incorporating savings due to avoiding GSA fees. ^b	DHS estimates that it has saved \$6.8 million, as of March 2015. ^a

EAGLE II Goals	Related Activity	Performance Measure	Progress and GAO Observations
Increase the efficiency of acquisition processes	Identification of qualified vendors; an intranet site centralizing ordering procedures; and the availability of standardized labor categories making it easier for contracting staff to compare offers. ^c	Establishment of a savings methodology incorporating savings due to streamlined ordering efficiencies.	DHS estimates that it has saved \$6.8 million, as of March 2015. ^a
Enable fulfillment of DHS socioeconomic goals through the small business track	Creation of small business set aside tracks and a process to promote their use. Requirement of small business prime contractor to team only with other small businesses to broaden opportunities for such businesses.	The percent of EAGLE II task orders contributing to DHS's department wide small business goals, as measured by the total value. DHS does not measure the use of small business core team members.	Ninety-four percent of EAGLE II task orders have been awarded to small businesses. DHS has no information on whether contractors have used their small business core team members. Of the ten task orders we selected for review, only two prime contractors used a core team member to perform work.
Enhance mission performance capabilities	Award of IDIQs to contractors DHS considered skilled in the latest technologies. According to DHS, all contractors are required to have a teaming coordinator to find subcontractors with new and innovative services.	DHS established source selection criteria to select qualified contractors. DHS does not have a performance measure to assess the expected benefits of teaming coordinators, such as finding subcontractors with innovative services.	IDIQ contracts awarded. DHS does not have information on the usefulness of teaming coordinators. During acquisition planning for the unrestricted business track, vendors reported mixed views about the need for teaming coordinators.

Source: GAO analysis of DHS information. | GAO-15-551

Notes:

^aIn March 2013, the DHS Strategic Sourcing Program Office developed an EAGLE II savings methodology that determined a five percent discount rate should be used to assess collectively savings attributable to three factors—competition for task orders, cost avoidance of GSA fees, and increased efficiency of the contracting process. Based on \$129.9 million in task orders issued as of March 2015, DHS estimated that it has saved \$6.8 million from using EAGLE II. GAO is conducting additional work about the benefits of strategic sourcing that will be released later this year.

^bGSA awards interagency contracts that can be used by other agencies to order products or services. GSA charges fees for the use of these contracts.

^cDHS requires that prospective vendors use standardized labor categories when proposing labor rates.

DHS has not fully set performance measures for two of DHS's stated goals for EAGLE II: fulfillment of socioeconomic goals and enhancing DHS mission performance capabilities. According to DHS strategic sourcing guidance, staff are to collect and review performance data to ensure program objectives are met. Further, federal internal control standards state that the ability to compare actual performance to planned or expected results can help managers identify and analyze significant

differences in expected outcomes. However, as reflected in table 3, DHS does not have performance measures or collect information that would allow them to assess the extent to which: (1) use of core team members may be furthering EAGLE II's socioeconomic goals and (2) the activities of teaming coordinators may have furthered DHS's goal of enhancing its mission capabilities by finding subcontractors with new and innovative services. DHS CPO officials explained that they considered inclusion of core team members and teaming coordinators in the EAGLE II solicitation to be sufficient to meet goals. At the same time, however, they recognized that tracking team member use at the task order level would be difficult. For example, the officials noted that almost five years have passed since the time of the original EAGLE II offers in 2011, and that the contractors may now not have the same relationships with their core team members. In terms of teaming coordinators, DHS CPO officials told us they have received informal feedback that teaming coordinators are helpful in locating subcontractors with innovative technologies. However, as indicated by the market research during acquisition planning for the unrestricted business track, vendors reported mixed views to DHS as to whether companies should be required to have teaming coordinators, for example, questioning the additional costs. Without establishing performance measures to gauge progress, and collecting needed information, DHS will not be able to fully assess if its goals for EAGLE II are being met.

We also identified a potential barrier to DHS's ability to measure the full extent of small business participation. DHS does not consistently record the use of set asides within FPDS-NG, which may limit DHS's ability to accurately track results. Within FPDS-NG, the government's procurement database, the "type of set-aside" field is a key data element that contracting staff are supposed to check to indicate a small business set-aside award. In our assessment of contract documentation, we found that contracting staff did not correctly record the use of set-asides for seven of the eight task orders awarded to small businesses in our sample. Without correct FPDS-NG data, DHS and others will not be able to correctly assess the extent to which DHS has used its small business tracks to set aside task orders for small business competition. Based on the results of our assessment, data in the FPDS-NG understates the extent to which DHS staff have set aside task orders to promote small business participation. During the course of our review, DHS CPO officials corrected the errors in the seven contracts we identified after we brought this issue to their attention. The officials agreed to take additional steps to correct this problem going forward by creating an automated process to check for coding errors. CPO officials are also planning to issue additional

guidance. In addition, one DHS component reported that it was providing additional training to contracting officers, including step-by-step instructions on how to report set asides, to avoid future reporting errors.

Conclusions

DHS took a number of actions aimed at enhancing small businesses participation in EAGLE II and a large proportion of the dollars obligated so far have gone to small businesses. However, only a fraction of the anticipated \$22 billion in spending has occurred to date, so it is too soon to fully assess the effectiveness of steps taken. In this early stage, DHS has an opportunity to improve how it measures performance against its stated goals. Specifically, the department has established the use of core team members as a key element in enhancing opportunities for small businesses that did not receive prime contracts and teaming coordinators to improve DHS mission performance, but does not collect information on the extent of use of these entities. Without this information, it will be difficult for DHS to assess their contributions towards its EAGLE II goals such as promoting small business participation. Further, given the mixed reviews from vendors as to the benefits of teaming coordinators, DHS could better position itself to ensure that new and innovative contractors support DHS over the life of the EAGLE II contracts. Evaluating the usefulness of these activities could also be beneficial to future DHS strategic sourcing vehicles seeking to employ teaming approaches.

Recommendations for Executive Action

To support effective implementation of EAGLE II goals for enhancing small business participation and access to innovative technology, we recommend that the Secretary of Homeland Security direct the Office of the Chief Procurement Officer to take the following two actions:

- Collect and review information on the use of small business core team members to determine whether their use is helping to increase small business participation.
- Collect and review information to assess how teaming coordinators have provided DHS with greater access to innovative technology.

Agency Comments and Our Evaluation

We provided a draft of this product to the Secretary of Homeland Security for comment. In its written comments, reproduced in appendix III, DHS acknowledged our recognition of the key steps it has taken to increase small business participation but did not concur with our two recommendations.

Regarding our recommendation that DHS collect and review information on the use of small business core team members to determine whether their use is helping to increase small business participation, DHS stated that the actions it took during the solicitation phase as well as the ordering procedures and safeguards included in the awarded contracts have already achieved this goal and addressed this recommendation. While these actions are important, monitoring contractor use of their core team members post-award is also significant. As DHS notes in its letter, use of small business core team members was intended to maximize opportunities for companies that may not have individually been competitive. Our report shows that this approach was largely successful in the solicitation phase since almost all small businesses that were awarded EAGLE II contracts took advantage of this opportunity and had at least one small business core team member. However, being a small business core team member does not guarantee that the company will actually be used to conduct work. As a result, the impact of these efforts will be unknown if DHS does not gather information to monitor whether small business core team members are actually used to conduct work at the task order level. For example, as noted in the report, of ten task orders we reviewed, only 2 prime contractors used a core team member to conduct work. Further, such information would also prove helpful to DHS when planning for EAGLE II's successor, just as EAGLE II benefited from the lessons-learned from EAGLE contractors. Given that the base period of performance for EAGLE II ends in 2018, DHS is likely to begin its acquisition planning for EAGLE II's successor in just a few years.

Regarding our recommendation that DHS collect and review information to assess how teaming coordinators have provided DHS with greater access to innovative technology, DHS explained that it did not concur because it has no valid means to evaluate a teaming coordinator's individual efforts in bringing innovative products and services to EAGLE II task orders. Nevertheless, DHS reported its plans to survey the DHS Chief Information Officer community, as the principal user of the EAGLE II contracts, to indicate whether they are seeing new and innovative solutions and services in the proposals received. While this outcome may not link directly to contractor teaming coordinator activities, it could provide DHS with useful insights. To the extent that the survey obtains information on how contractor proposals have contributed to enhancing DHS's access to new and innovative solutions and also seeks information on factors that may contribute to the results, it has the potential to satisfy our recommendation. Again, this information would prove useful as DHS plans for the EAGLE II successor contracts, especially since the

contracting community reported mixed reviews about teaming coordinators.

DHS also provided technical comments that we incorporated into the report as appropriate.

We are sending copies to the Secretary of Homeland Security, appropriate congressional committees, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-4841 or by e-mail at mackinm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IV.



Michele Mackin, Director
Acquisition and Sourcing Management

Appendix I: Objectives, Scope and Methodology

Enterprise Acquisition Gateway for Leading-Edge Solutions II (EAGLE II) is a suite of strategic sourcing contracts, which serves as the Department of Homeland Security's (DHS) preferred source for procuring information technology services. Our objectives were to assess (1) the key steps DHS has taken to enhance small business participation and (2) EAGLE II's goals and performance measures and progress made to date.

To identify and describe the key steps DHS took to enhance small business participation on EAGLE II prior to awarding the Indefinite Delivery Indefinite Quantity (IDIQ) contracts, we reviewed DHS acquisition planning documentation. This documentation, including the EAGLE II acquisition plan, the market research report, and summary of lessons-learned, contains the bases for decisions made by DHS's Office of the Chief Procurement Officer (CPO) before proceeding with the EAGLE II solicitation. These decisions included deciding whether to use EAGLE II rather than other contract vehicles to procure information technology services, how to structure EAGLE II to increase small business participation, and how to facilitate the use of teaming arrangements. We also reviewed the DHS EAGLE II solicitation and Ordering Guide to document the final decisions DHS made for implementing EAGLE II, including how to structure the business tracks and how ordering procedures should be used to facilitate setting aside task orders for competition within the small business tracks. To better understand DHS's decision making during acquisition planning, we interviewed staff from the DHS CPO about the planning process and the steps they considered as key to enhancing small business participation. We also interviewed the Director of the DHS Office of Small and Disadvantaged Business Utilization Office (OSDBU), and a small business specialist from DHS's Office of Procurement Operations, to obtain their perspectives on which steps were key to enhancing small business participation. To obtain an additional small business perspective, we reviewed correspondence submitted by a small business advocacy group and interviewed its representative. In addition, to understand how a series of bid protests delayed finalization of EAGLE II IDIQ awards, we analyzed DHS bid protest data to identify the dates on which the protests were filed and resolved. We also analyzed EAGLE II source selection decisions to identify the dates on which DHS finalized its selection decisions for each EAGLE II business track.

To determine the number and estimated value of EAGLE II task order awards as well as the business size of the recipients, we analyzed Federal Procurement Data System-Next Generation (FPDS-NG) data for fiscal years 2013, 2014, and the first two quarters of fiscal year 2015. We

assessed the reliability of the FPDS-NG data by (1) performing electronic testing of the required data fields, (2) reviewing data documentation and validation rules, and (3) comparing data for selected data fields, including the award date, total dollar value, and type of set-aside, to contract documentation for 10 EAGLE II task orders. We selected a non-probability sample of task orders, selecting contracts that provided us the opportunity to determine whether DHS staff from a variety of components had correctly recorded if a small business set aside had been used for the procurement. Our task order selection was made using November 2014 FPDS-NG data, at which time DHS had awarded 54 task orders. We concluded that while the FPDS-NG data was reliable for the purposes of assessing the number and estimated value of task orders as well as the business size of the recipient, it was not reliable for the purpose of determining whether DHS had set aside the task order award for small business competition due to the errors we identified and discussed in our report. As a result, our analysis reflects the estimated values of awards made to EAGLE II prime contractors based on the specific functional category business track for which they won their IDIQ award. DHS CPO officials corrected the errors in the 7 contracts we identified, and agreed to take additional steps to correct this problem, as discussed in this report.

To determine the number of prime contractors that used core team members when making offers for the IDIQ awards, we analyzed information DHS had compiled for each IDIQ award. We assessed the accuracy of this information by identifying whether both DHS's information and the listing of core team members on the Federal Business Opportunities website listed one or more team members for 12 of the 150 IDIQ awardees.¹ We selected 4 contracts from Functional Category 1's unrestricted business track, and 1 from each of the other eight business tracks, for a total of 12 contracts. We determined that the DHS information on core team members was reliable for the purposes of this report. In addition, to identify if prime contractors used one or more of their core team members on the 10 task orders, we then reviewed DHS information indicating whether the prime contractors had used one or more of their core team members in performing work under a task order.

¹ Federal Business Opportunities, commonly referred to as FedBizOpps, is a web-based government portal which allows all potential vendors to consider federal procurement opportunities.

To identify EAGLE II's goals and performance measures and progress made to date, we assessed the January 2011 EAGLE II Solutions Business Case to identify EAGLE II goals and performance measures that DHS specified during acquisition planning.² We interviewed DHS CPO officials to obtain their perspectives on the goals, related activities, and performance measures and to refine our understanding of what they intended EAGLE II to accomplish. To assess the progress EAGLE II has made towards meeting each goal, we undertook a range of activities. First, to identify DHS progress in meeting its socioeconomic goals, we analyzed FPDS-NG data to assess the value of contracts awarded to small businesses as of March 31, 2015, the most recent quarter of FPDS-NG data. Second, to identify how DHS measures cost savings, including fees avoided by using EAGLE II rather than other strategic sourcing vehicles and enhancements to EAGLE II's acquisition efficiencies, we obtained and reviewed the strategic sourcing saving methodology sponsored by the DHS Strategic Sourcing Program Office, and obtained saving estimates from this office. Third, to verify DHS's assertion that it had increased the efficiency of the acquisition process by consolidating ordering information for its staff on the EAGLE II intranet, DHS provided us with access and we directly examined the contents of the EAGLE II intranet. We then reviewed federal internal control standards and assessed whether DHS had established performance measures for program goals consistent with these standards. We obtained information from DHS on its progress in meeting those goals as of March 2015.

GAO is also conducting additional work about the benefits of strategic sourcing for information technology services, including opportunities that may exist to leverage the government's buying power and barriers to the use of strategic sourcing. This review, expected to be completed in 2015, also involves EAGLE and EAGLE II in addition to other government agency contract vehicles.

We conducted this performance audit from November 2014 to June 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our

² DHS Enterprise Acquisition Gateway for Leading Edge II (EAGLE II) Solutions Business Case, Version 3.0, January 2011. The EAGLE II business case contains analyses that DHS used to justify its decisions for proceeding with the EAGLE II, including its goals for the program.

findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Number of Bid Protests and Outcomes by Business Track

The Department of Homeland Security (DHS) made its initial EAGLE II source selection decisions in 2012 and 2013, but its final round of source selections was not finalized until 2014 because of a series of bid protests filed by businesses, for the unrestricted and small business tracks, objecting to the selection decisions.¹ A bid protest is a challenge to the award or proposed award of a contract for procurement of goods and services or a challenge to the terms of a solicitation for a contract. A total of 46 large and small businesses filed a total of 56 bid protests with GAO. These protests took place from August 2012 through July 2014 and were all resolved by late 2014. The number of bid protests varied by functional category and by business track, with the highest number of protests (21) filed by large businesses in functional category 1's unrestricted business track. Most of the bid protests (44 of the 56 bid protests filed) were dismissed. GAO sustained none of the cases. According to DHS officials, the agency took corrective action for the dismissed cases by reevaluating its source selection decisions. Table 4 depicts the number of bid protests businesses filed within each of EAGLE II's business tracks and the outcomes of each.

Table 4: EAGLE II Business Tracks and the Outcome of Bid Protests

Functional category (FC)	Business track	Number of protests	Bid protest outcome		
			Dismissed	Withdrawn	Denied
FC1	Unrestricted	21	20	1	0
	8(a)	13	12	0	1
	SDVOSB	4	3	0	1
	HUBZone	2	1	0	1
	All small business	5	3	1	1
FC2	Unrestricted	3	1	0	2
	All small business	2	1	1	0
FC3	Unrestricted	4	2	2	0
	All small business	2	1	0	1
Total		56	44	5	7

Source: GAO Presentation of DHS Data. | GAO-15-551

Note: 8(a) refers to the 8(a) Business Development program; HUBZone refers to the Historically Underutilized Business Zone program, and SDVOSB refers to the Service-Disabled Veteran-Owned Business program.

¹ GAO's Office of General Counsel issues legal decisions, opinions, and reports on bid protests, appropriations law, and other issues of federal law.

Appendix II: Number of Bid Protests and Outcomes by Business Track

Note: We did not include 10 internal DHS bid protests or 5 protests made to the Court of Federal Claims or supplemental protests to GAO.

Appendix III: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

June 15, 2015

Michele Mackin
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: Draft Report GAO-15-551, "DHS IT CONTRACTING: Steps Taken to Enhance EAGLE II Small Business Opportunities, but Better Assessment Data Needed"

Dear Ms. Mackin:

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO's) work in planning and conducting its review and issuing this report.

DHS is pleased to note GAO's recognition of the steps the Department has taken to enhance small business opportunities under EAGLE II. Increasing small business participation remains at the forefront of DHS's contracting initiatives and the Department has achieved much success in this regard. In fiscal year (FY) 2014, DHS awarded more than \$4.6 billion of its prime contracting dollars to small businesses, representing about 35 percent of total contract spending, greatly exceeding the federal government-wide goal of 23 percent.

The Department's commitment to meeting and exceeding these goals is evidenced by the outstanding grade it has earned from the Small Business Administration Annual Small Business Procurement Scorecard, which rates the success of 24 Federal agencies in meeting their small business contracting goals. DHS continues to be a leader in federal small business contracting with 6 consecutive grades of "A" from FYs 2009 - 2014.

The draft report contained two recommendations, with which the Department non-concurs. Specifically, GAO recommended that the Secretary of Homeland Security direct the Office of the Chief Procurement Officer to:

Recommendation 1: Collect and review information on the use of small business core team members to determine whether their use is helping to increase small business participation.

Response: Non-Concur. While DHS agrees with the objective of increasing small business participation on EAGLE II, it believes that actions taken during the solicitation phase as well as the ordering procedures and safeguards included in the awarded contracts have already effectively achieved this goal and addressed this recommendation.

The EAGLE II contracts include safeguards to ensure that the work awarded to small businesses is appropriately performed by small businesses. As required by contract section F.8.4 *Annual Small Business 50% Report*, all EAGLE II small business prime contractors must submit an annual report to the EAGLE II Contracting Officer on their compliance with FAR 52.219-3 *Limitations on Subcontracting*. Prime contractors are restricted from subcontracting more than 50 percent of the cost of contract performance incurred for personnel to other than small businesses, or in the case of Historically Underutilized Business Zone (HUBZone) and Service-Disabled Veteran-Owned Businesses (SDVOSB) set-asides, to other than HUBZone or SDVOSB small business contractors, respectively. A contractor that violates these limitations will be subject to appropriate administrative action, which may include corrective action plans, unfavorable Contractor Performance Assessment Reports, and restrictions on receiving new orders.

The EAGLE II contracts also include provisions to maximize small business participation. EAGLE II ordering procedures allow for the use of set-asides to small businesses. As described in section 3.1.1 of the EAGLE II ordering guide (section 3.1.1), the Task Order Contracting Officer “*may explicitly limit competition for the requirement to the appropriate FC [Functional Category] and a single Small Business category, including, for FC1, Service Disabled Veteran-Owned Business, HUB Zone, 8(a), or Other Small Business, or alternatively, all four small business categories.*”

Additionally, in the solicitation phase, DHS allowed for the use of small business core team members to maximize opportunities and participation by small businesses in receiving EAGLE II Indefinite Delivery Indefinite Quantity contracts. The EAGLE II solicitation allowed the use of the corporate experience(s) and past performance(s) for up to five companies (a prime and up to four core team members) in the proposal submission, encouraging and affording opportunities to companies that may not have individually been competitive. This flexibility was included to increase the pool of small businesses capable of meeting the requirements of the EAGLE II solicitation and also enable small businesses to more effectively compete against large businesses. DHS achieved the intent of this goal as more than 500 proposals were received from small businesses, resulting in 64 EAGLE II prime contract awards to small businesses.

Based on these actions, DHS requests that GAO consider this recommendation resolved and closed.

Recommendation 2: Collect and review information to assess how teaming coordinators have provided DHS with greater access to innovative technology.

Response: Non-Concur. Section G.2.2.2 of the EAGLE II Contract identifies the role of the Teaming Coordinator as *“a single point of contact for core team members and prospective subcontractors and shall continuously review the market place for companies that provide new and innovative products and professional services with which to subcontract.”* Given this definition, DHS has no valid means to evaluate a Teaming Coordinator’s individual efforts in bringing innovative products and services to EAGLE II Task Orders. Since only one contractor will be successful in competing for an individual task order, it would be impractical to measure the effectiveness of the teaming coordinator in providing greater access to new and innovative products and services that were proposed and not selected for award.

However, DHS believes that a survey of the DHS Chief Information Officer community, as the principal user of the EAGLE II contracts, would indicate whether they are seeing new and innovative solutions and services in the proposals received. Therefore, DHS is taking action to conduct such a survey by the end of the second quarter of FY 2016. Estimated Completion Date: March 31, 2016.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously submitted under separate cover. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Sincerely,

for

Jim H. Crumpacker, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Michele Mackin, (202) 512-4841 or mackinm@gao.gov

Staff Acknowledgments

In addition to the contact named above, W. William Russell, Assistant Director; Peter Anderson, Sonja Bensen, Virginia Chanley, Wendell K. Hudson, Julia Kennon, and Roxanna Sun made key contributions to this report.

Appendix V: Accessible Data

Data Table for Figure 1: Timeline of Key EAGLE II Acquisition Steps

	Month and year	Step
Presolicitation	February 2009	Acquisition planning starts
	October 2009	EAGLE "Lessons-Learned" forum
	November 2009	EAGLE II acquisition plan complete and solicitation published
Preaward	February 2011	DHS receives proposals
	October 2012 – May 2013	Functional category 3 (FC3) source selection dates
	December 2012	First FC3 contract awarded
	April 2013 – February 2014	Functional category 2 (FC2) source selection dates
	May 2013	First FC2 contract awarded
	May 2013 – April 2014	Functional category 1 (FC1) source selection dates
Postaward	June 2013	First FC1 contract awarded

Source: GAO analysis of DHS information. | GAO-15-551

Data Tables for Figure 2: Total Value of EAGLE II Task Orders, Fiscal Year 2013 through Fiscal Year 2015, as of March 31, 2015

Total value

	8(a)	SDVOSB	HUBZone	Small business	Unrestricted
Functional category 1	16	10.6	318.7	47.3	32.6
Functional category 2				121.7	0
Functional category 3				39.6	4.9

Task orders

SDVOSB	8(a)	Small business	HUBZone	Unrestricted
2%	3%	35%	54%	6%

Source: GAO analysis of Federal Procurement Data System-Next Generation data. | GAO-15-551

Key: **8(a)** = 8(a) business development program; **SDVOSB** = Service-disabled veteran-owned business program; **HUBZone** = Historically underutilized business zones program; **Unrestricted** = other than small business.

Appendix III: Comments from the Department of Homeland Security

Page 1

U.S. Department of Homeland Security
Washington, DC 20528

June 15, 2015

Michele Mackin
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

RE: Draft Report GAO-15-551, "DRS IT CONTRACTING: Steps Taken to Enhance EAGLE II Small Business Opportunities, but Better Assessment Data Needed"

Dear Ms. Mackin:

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DRS) appreciates the U.S. Government Accountability Office's (GAO's) work in planning and conducting its review and issuing this report.

DRS is pleased to note GAO's recognition of the steps the Department has taken to enhance small business opportunities under EAGLE II. Increasing small business participation remains at the forefront of DRS' s contracting initiatives and the Department has achieved much success in this regard. In fiscal year (FY) 2014, DRS awarded more than \$4.6 billion of its prime contracting dollars to small businesses, representing about 35 percent of total contract spending, greatly exceeding the federal government-wide goal of 23 percent.

The Department's commitment to meeting and exceeding these goals is evidenced by the outstanding grade it has earned from the Small Business Administration Annual Small Business Procurement Scorecard, which rates the success of 24 Federal agencies in meeting their small business contracting goals. DRS continues to be a leader in federal small business contracting with 6 consecutive grades of "A" from FYs 2009 - 2014.

The draft report contained two recommendations, with which the Department non-concurs. Specifically, GAO recommended that the Secretary of Homeland Security direct the Office of the Chief Procurement Officer to:

Page 2

Recommendation 1: Collect and review information on the use of small business core team members to determine whether their use is helping to increase small business participation.

Response: Non-Concur. While DHS agrees with the objective of increasing small business participation on EAGLE II, it believes that actions taken during the solicitation phase as well as the ordering procedures and safeguards included in the awarded contracts have already effectively achieved this goal and addressed this recommendation.

The EAGLE II contracts include safeguards to ensure that the work awarded to small businesses is appropriately performed by small businesses. As required by contract section F.8.4 *Annual Small Business 50% Report*, all EAGLE II small business prime contractors must submit an annual report to the EAGLE II Contracting Officer on their compliance with FAR 52.219-3 *Limitations on Subcontracting*. Prime contractors are restricted from subcontracting more than 50 percent of the cost of contract performance incurred for personnel to other than small businesses, or in the case of Historically Underutilized Business Zone (HUBZone) and Service-Disabled Veteran-Owned Businesses (SDVOSB) set-asides, to other than HUBZone or SDVOSB small business contractors, respectively. A contractor that violates these limitations will be subject to appropriate administrative action, which may include corrective action plans, unfavorable Contractor Performance Assessment Reports, and restrictions on receiving new orders.

The EAGLE II contracts also include provisions to maximize small business participation. EAGLE II ordering procedures allow for the use of set-asides to small businesses. As described in section 3.1.1 of the EAGLE II ordering guide (section 3.1.1), the Task Order Contracting Officer *"may explicitly limit competition for the requirement to the appropriate FC [Functional Category] and a single Small Business category, including, for FCJ, Service Disabled Veteran-Owned Business, HUB Zone, 8(a), or Other Small Business, or alternatively, all four small business categories."*

Additionally, in the solicitation phase, DHS allowed for the use of small business core team members to maximize opportunities and participation by small businesses in receiving EAGLE II Indefinite Delivery Indefinite Quantity contracts. The EAGLE II solicitation allowed the use of the corporate experience(s) and past performance(s) for up to five companies (a prime and up to four core team members) in the proposal submission, encouraging and affording opportunities to companies that may not have individually been competitive. This flexibility was included to increase the pool of small businesses capable of meeting the requirements of the EAGLE II solicitation and also enable small businesses to more effectively compete against large businesses. DHS achieved the intent of this goal as more than 500 proposals were received from small businesses, resulting in 64 EAGLE II prime contract awards to small businesses.

Page 3

Based on these actions, DHS requests that GAO consider this recommendation resolved and closed.

Recommendation 2: Collect and review information to assess how teaming coordinators have provided DHS with greater access to innovative technology.

Response: Non-Concur. Section G.2.2.2 of the EAGLE II Contract identifies the role of the Teaming Coordinator as *"a single point of contact for core team members and prospective subcontractors and shall continuously review the market place for companies that provide new and innovative products and professional services with which to subcontract."* Given this definition, DHS has no valid means to evaluate a Teaming Coordinator's individual efforts in bringing innovative products and services to EAGLE II Task Orders. Since only one contractor will be successful in competing for an individual task order, it would be impractical to measure the effectiveness of the teaming coordinator in providing greater access to new and innovative products and services that were proposed and not selected for award.

However, DHS believes that a survey of the DHS Chief Information Officer community, as the principal user of the EAGLE II contracts, would indicate whether they are seeing new and innovative solutions and services in the proposals received. Therefore, DHS is taking action to conduct such a survey by the end of the second quarter of FY 2016. Estimated Completion Date: March 31, 2016.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously submitted under separate cover. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Sincerely,

Signed by
Jim H. Crumpacker, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#). Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#). Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548