Why GAO Did This Study

Federal regulations require that contracting officers assign the NAICS code that best describes the principal purpose of the acquisition. SBA’s OHA is responsible for reviewing appeals of NAICS code assignments. Questions have been raised about whether agencies assign the appropriate NAICS codes to ID/IQ contracts with multiple task orders.

GAO was asked to review several issues related to NAICS codes. In this report, GAO examines (1) what contracting officers consider when assigning NAICS codes to federal contracts and the status of efforts to clarify code assignment and (2) industry views on NAICS code assignment and the number and outcomes of appeals.

GAO reviewed policies and procedures of the four agencies with the highest ID/IQ obligations from fiscal years 2011–2015: Army, Navy, Department of Homeland Security (DHS), and Department of Health and Human Services (HHS); reviewed one contract and 10 related task orders at each of the selected agencies and interviewed the related contracting officers; analyzed 2016 federal contracting data to identify commonly used NAICS codes and size standards; interviewed three industry groups and five firms that filed appeals for industry views on NAICS code assignment; and analyzed SBA decisions on NAICS code appeals in 2014–2016.

The Department of Defense, DHS, and SBA had no comments on the report. The General Services Administration and HHS had technical comments, which we incorporated as appropriate.

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