



441 G St. N.W.
Washington, DC 20548

Accessible Version

December 18, 2017

Congressional Committees

Minority- and Women-Owned Business Contracting: Analysis of DOD Contract Awards, Fiscal Years 2010-2016

Section 890 of the National Defense Authorization Act for Fiscal Year 2017 contained a provision for us to report on the number and types of contracts for the procurement of products or services that the Department of Defense (DOD) awarded to minority-owned and women-owned businesses. This report examines Federal Procurement Data System-Next Generation (FPDS-NG) data on DOD contracting with minority- and women-owned businesses for fiscal years 2010-2016.

To address our objective, we used FPDS-NG data to identify trends in DOD's procurement of products and services from minority- and women-owned businesses for fiscal years 2010-2016. Although the Act contained a provision for us to review only fiscal years 2010 through 2015, we added fiscal year 2016 because it was the most recent year for which complete data were available at the time of our review. All obligations data are presented in constant fiscal year 2016 dollars adjusted for inflation using the fiscal year gross domestic price index. We analyzed this data to determine which contract types were used; the percentage of obligations used to purchase products versus services; the top products and services procured; and the number of contracts awarded from fiscal years 2010-2016. For the purposes of this report, in calculating the number of contracts awarded during fiscal years 2010-2016, we counted the award of purchase orders, definitive contracts, and indefinite delivery vehicles—which are contracts or agreements that allow agencies to place orders against them. However, we did not count delivery orders or calls awarded through indefinite delivery vehicles. We assessed the reliability of the FPDS-NG data by electronically testing for errors in accuracy and completeness and reviewed related documentation. We determined the data to be sufficiently reliable for the purposes of this report.

We conducted this performance audit from July 2017 through December 2017 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.

In summary, from fiscal years 2010 to 2016, DOD obligated over \$230 billion to minority- and women-owned businesses, more than 80 percent of which was through fixed-price contracts. DOD awarded almost 444,500 contracts to these businesses during this time frame. See the enclosure which contains our detailed analysis of these data.

Agency Comments

We provided a draft of this report to DOD and the Small Business Administration (SBA) for comment. DOD had no comments on the draft report. In an email response, SBA suggested that we break out obligations to small minority and small women-owned businesses, noting that distinguishing small business participation from other-than-small business participation would bring an additional level of clarity to the issue. We recognize that there may be value in providing this type of analysis, but it is beyond the scope of our mandated review. Separately, we have reported on DOD's achievement of small business contracting goals.¹

We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Administrator of SBA; and other interested parties. In addition, the report is 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 woodsw@gao.gov. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report were Tatiana Winger (Assistant Director); Joe E. Hunter (Analyst-in-Charge); Suellen Foth; Stephanie M. Gustafson; Julia M. Kennon; Sarah M. Martin; Sylvia Schatz; and Robin M. Wilson.



William T. Woods
Director, Acquisition and Sourcing Management

Enclosure

¹GAO, *Contracting Data Analysis: Assessment of Government-wide Trends*, [GAO-17-244SP](#) (Washington, D.C.: Mar. 9, 2017).

List of Committees

The Honorable John McCain
Chairman
The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Thad Cochran
Chairman
The Honorable Richard J. Durbin
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Mac Thornberry
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Kay Granger
Chairwoman
The Honorable Pete Visclosky
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives



Background

DOD obligates billions of dollars for contracts yearly to buy products and services—nearly \$300 billion in fiscal year 2016—from various types of businesses. A business generally must self-identify as a minority-owned business or a women-owned business, as applicable, in the federal government's contractor registry. If a business is subsequently awarded a contract, this information is then captured in the Federal Procurement Data System-Next Generation, the government's primary repository for information on contract awards and obligations.

Contract Types

DOD procures a variety of products and services through various contract types in support of its missions and activities. These contract types generally include: **fixed price**—where, subject to certain exceptions, the government pays a fixed price to the contractor even if the actual total cost of producing the product or service falls short of or exceeds the contract price; **cost-reimbursement**—where the government pays the contractor's allowable costs incurred, to the extent prescribed by the contract; and **time-and-materials/labor-hour**—where the government pays the contractor fixed per-hour labor rates that include wages, overhead, general and administrative costs, and profit as well as the actual cost of materials. In a labor-hour contract, materials are not supplied by the contractor.

View [GAO-18-195R](#). For more information, contact William T. Woods at (202) 512-4841 or woodsw@gao.gov

December 2017

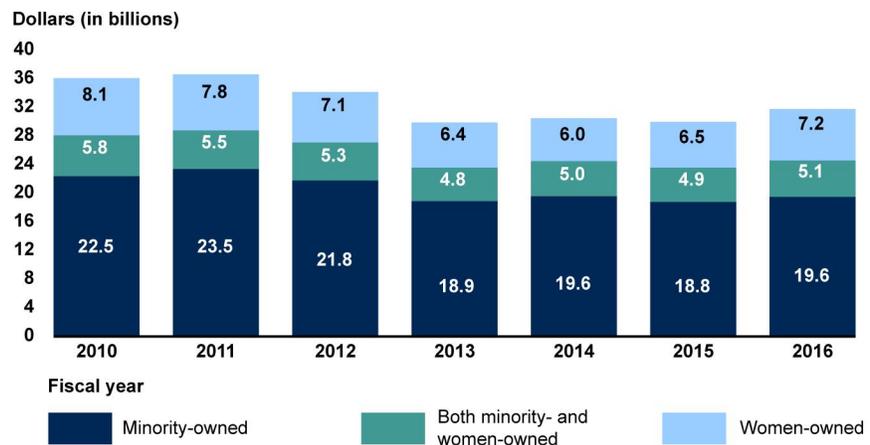
Minority- and Women-Owned Business Contracting

Analysis of DOD Contract Awards, Fiscal Years 2010-2016

Findings

From fiscal years 2010 to 2016, the Department of Defense (DOD) obligated over \$230 billion to minority- and women-owned businesses. GAO's analysis of federal procurement data found that DOD's obligations to these businesses decreased by 12 percent over this time, from over \$36 billion to almost \$32 billion (see figure). This decrease is significantly smaller than the approximately 27 percent decrease in overall DOD contract obligations for the same period.

DOD Obligations to Minority- and Women-Owned Businesses, Fiscal Years 2010-2016



Source: GAO analysis of Federal Procurement Data System-Next Generation. | GAO-18-195R

Note: All data are in constant fiscal year 2016 dollars adjusted for inflation using fiscal year gross domestic price index.

For the period fiscal years 2010 through 2016,

- DOD obligated over \$184 billion or more than 80 percent of its obligations to minority- and women-owned businesses through fixed-price contracts. The remaining obligations were under cost-reimbursement, and time-and-materials/labor-hour contracts.
- Almost 23 percent of minority- and women-owned businesses contract obligations were for products, with almost all of the remaining 77 percent for services. By obligation amount, the top product was information technology software at over \$3 billion; the top service was professional engineering and technical support at over \$14 billion.
- DOD awarded almost 444,500 contracts to these businesses. The number of contracts decreased by about 4 percent over this time, from almost 66,750 in fiscal year 2010 to about 63,900 in fiscal year 2016.