

Highlights of [GAO-10-809](#), a report to the Republican Leader, U.S. Senate

Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act), estimated to cost \$862 billion over 10 years, is intended to stimulate the economy and create jobs. The Recovery Act provides funds to federal agencies and states, which in turn may award contracts to private companies and other entities to carry out the purposes of the Recovery Act. Contracts using Recovery Act funds are required to be awarded competitively to the maximum extent practicable.

GAO was asked to examine the use and oversight of noncompetitive Recovery Act contracts at the federal and state levels. GAO determined (1) the extent that federal contracts were awarded noncompetitively; (2) the reasons five selected federal agencies (the Departments of Defense, Energy, and Health and Human Services; the National Aeronautics and Space Administration; and the Small Business Administration (SBA)) awarded noncompetitive contracts; (3) the oversight these agencies and their inspectors general (IG) provide for Recovery Act contracts; and (4) the level of insight five selected states (California, Colorado, Florida, New York, and Texas) have into the use of noncompetitive Recovery Act contracts.

What GAO Recommends

GAO recommends that the five IGs assess the need to allocate audit resources to noncompetitive 8(a) Recovery Act contracts. The IGs concurred or had no comment.

View [GAO-10-809](#) or [key components](#). For more information, contact John Needham, 202-512-4841, NeedhamJK1@GAO.GOV.

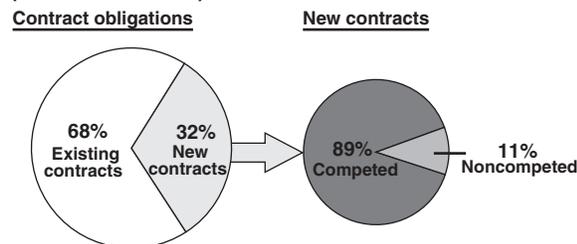
RECOVERY ACT

Contracting Approaches and Oversight Used by Selected Federal Agencies and States

What GAO Found

More than two-thirds of the \$26 billion obligated for Recovery Act federal contract actions through May 2010 were on contracts that were in place before the enactment of the Recovery Act. Most of these contracts had been awarded competitively. For new federal Recovery Act contract actions, 89 percent of the dollars were obligated on competed actions, as shown in the figure.

Recovery Act Obligations on Existing and New Federal Contract Actions as of May 12, 2010 (Dollars in Millions)



Source: GAO analysis of Federal Procurement Data System-Next Generation data as of May 12, 2010.

Most of the Recovery Act dollars obligated noncompetitively on new contract actions went to socially and economically disadvantaged small businesses under SBA's 8(a) program.

The goal of using Recovery Act funds quickly on high-priority projects drove the contracting approaches of the five federal agencies, particularly their use of existing contracts. Officials explained that whether an existing contract had been competed originally did not influence the decision to use a pre-existing contract because the level of competition had been established before Recovery Act funds were available.

The selected federal agencies implemented additional review processes, internal reporting, and coordination efforts for the Recovery Act. Some IGs for these agencies focused initial Recovery Act oversight on areas the IGs considered to be higher risk than contracts, such as grant programs. The IG reviews to date have not focused specifically on contracting, including the use of noncompetitive awards to 8(a) program businesses. GAO's recent reviews of the 8(a) program, however, have found that safeguards for ensuring that only eligible firms receive 8(a) contracts may not be working as intended.

The five states varied on the type and amount of data routinely collected on noncompetitive Recovery Act contracts. GAO could not determine the full extent to which such contracts are being used. The states generally rely on their pre-Recovery Act contracting policies and procedures, which generally require competition. The states do not routinely provide state-level oversight of contracts awarded at the local level, where a portion of Recovery Act contracting occurs. Officials from the selected states' audit organizations said that if they were to address Recovery Act contracting issues, it could be done through the annual Single Audit or other reviews of programs that involve Recovery Act funds.