

Why GAO Did This Study

Competition is the cornerstone of a sound acquisition process and a critical tool for achieving the best return on investment for taxpayers. In fiscal year 2012, DOD obligated \$359 billion through contracts and task orders, of which 57 percent was competed. DOD also obligates billions of dollars annually on contracts that are awarded competitively, but for which the government received only one offer. DOD implemented the Better Buying Power initiative in 2010, in an effort to increase competition.

The conference report for the National Defense Authorization Act for Fiscal Year 2012 directed GAO to report on DOD's non-competitive and one-offer contracts. GAO examined (1) trends in DOD's use of noncompetitive awards; (2) factors influencing DOD's competition rate; (3) the extent to which justifications provided insight into the reasons for noncompetitive awards; and (4) the impact of DOD's new requirement for competitive solicitations that only elicit one offer. GAO analyzed federal procurement data for fiscal years 2008 through 2012, reviewed DOD policy and competition reports, examined nongeneralizable samples of awards, and interviewed DOD officials.

What GAO Recommends

GAO recommends that DOD identify, track, and consider the specific factors that affect competition when setting competition goals; develop guidance to apply lessons learned from past procurements to help achieve competition in the future; and collect reliable data on one-offer awards. DOD concurred with these recommendations.

View [GAO-13-325](#). For more information, contact Michael J. Courts at (202) 512-4841 or courtsm@gao.gov.

DEFENSE CONTRACTING

Actions Needed to Increase Competition

What GAO Found

The Department of Defense's (DOD) competition rate for all contract obligations declined over the past five fiscal years, from 62.6 percent in fiscal year 2008 to 57.1 percent in fiscal year 2012. GAO also found that the competition rate in fiscal year 2012 varied by specific DOD component with the Air Force having the lowest at 37.1 percent and the Defense Logistics Agency the highest at 83.3 percent. The majority of the noncompetitive awards cited the availability of only one responsible source to meet the government's needs as the reason for using noncompetitive procedures.

A number of factors affect DOD's competition rate, but these factors are not always considered when setting DOD's annual competition goals. For example, reliance on an original equipment manufacturer throughout the life cycle of a program has been a long-standing challenge for DOD competition, and budget uncertainty can also hinder DOD's ability to compete. Noncompetitive purchases that DOD makes on behalf of foreign governments can also affect DOD's competition rate. DOD does not systematically consider these and other factors when setting its annual competition goals. For example, it sets competition goals for individual DOD components by simply adding two percentage points to the rate achieved in the previous year. Without identifying and tracking the specific factors affecting competition DOD cannot set meaningful goals for improving competition or accurately gauge its progress toward achieving them.

Many of the noncompetitive justifications GAO reviewed included the required elements as defined by the Federal Acquisition Regulation; however, the level of insight into the reasons for noncompetitive awards varied. For example, some justifications included clear descriptions of market environments where only one source was available to meet the government's needs or described planned actions that could help improve competition in the future. However, other justifications provided limited insight into the reasons for the noncompetitive award or did not fully describe actions that the agency could take to increase future competition. Without this information, DOD may be missing opportunities to gain a fuller understanding of why past acquisitions were not competitive and may be unable to apply those lessons to effectively facilitate competition for future acquisitions.

In 2010, DOD introduced a new requirement that applies to competitive awards that elicit only one offer (one-offer awards); however, the impact of the requirement is unknown because of unreliable data. To address the risk associated with one-offer awards, the requirement established rules that were intended to help ensure adequate solicitation time, ensure that contract requirements are not unnecessarily restrictive, and verify that offers received are fair and reasonable. However, GAO's analysis of 35 one-offer awards determined that contracting officers had incorrectly coded 10 of these awards in the procurement database that DOD relies on to measure the impact of its new requirement. Six of the 10 awards were noncompetitive awards and the remaining 4 had received multiple offers. As a result, GAO determined that DOD's data cannot be used to accurately calculate the amount obligated on one-offer awards during fiscal year 2012. Without reliable data, DOD cannot accurately measure the impact of its new requirement.