

# GAO Highlights

Highlights of [GAO-14-178](#), a report to congressional committees

## Why GAO Did This Study

Federal agencies rely on the commercial marketplace for a range of goods and services. In 1996, Congress authorized the use of simplified acquisition procedures for commercial items now valued up to \$6.5 million under the Test Program for Certain Commercial Items. The test program is currently authorized until January 2015. However, due to a lack of reliable data, Congress has had limited insights into the actual use and benefits of the test program.

The House Armed Services Committee report that accompanied the National Defense Authorization Act for Fiscal Year 2013 mandated GAO to report on the use of the authority provided under the test program. This report addresses (1) the extent to which federal agencies have used the test program, and (2) its benefits and risks, if any. DOD, DHS, and DOI accounted for 74 percent of test program use in fiscal year 2011 based on data reported in FPDS-NG. For five components within these three agencies, GAO assessed data, reviewed regulations and agency policies, analyzed 26 of the largest test program contracts, and interviewed contracting officials.

## What GAO Recommends

GAO recommends that (1) DOD, DHS, and DOI collect and assess data to evaluate program use; and (2) DHS and DOI require a commercial item determination for certain acquisitions to better manage risk. DOD concurred, but DHS and DOI did not, stating that current procedures were adequate. GAO maintains that both recommended actions are still warranted for DHS and DOI.

View [GAO-14-178](#). For more information, contact Timothy J. DiNapoli (202) 512-4841 or [dinapolit@gao.gov](mailto:dinapolit@gao.gov).

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## FEDERAL CONTRACTING

### Commercial Item Test Program Beneficial, but Actions Needed to Mitigate Potential Risks

## What GAO Found

Federal agencies use the test program for a relatively small portion of all commercial items and services bought. In fiscal year 2011, of the \$90 billion agencies obligated on new awards for commercial items and services, federal agencies obligated \$1.9 billion or about 2 percent using the test program, based on data reported in the Federal Procurement Data System-Next Generation (FPDS-NG). Within the largest reported users of the test program—the Departments of Defense (DOD), Homeland Security (DHS), and the Interior (DOI)—the five components GAO reviewed used the test program for about 9 percent of obligations, and 12 percent of the components' new commercial awards that fell within test program thresholds in fiscal year 2011. Agency officials cited the types of goods and services being acquired, the complexity of the acquisition, and the existence of other contracting approaches as factors affecting test program use. For example, the Coast Guard's Aviation Logistics Center used the test program for 139 of 370 new awards that fell within test program thresholds, whereas its Headquarters Contract Operations used the test program for only 3 of 164 new awards. Coast Guard officials explained that the commercial nature of the parts and services bought by the Aviation Logistics Center lends itself to using the test program, while the headquarters office used existing contracts, which can be another means to fulfill recurring needs for commercial supplies such as information technology services. DOD, DHS, and DOI officials acknowledge that they do not collect or assess data to determine whether the test program is used to the maximum extent practicable. As such, its limited use may indicate missed opportunities.

GAO found that the test program reduced contracting lead time and administrative burdens and generally did not incur additional risks above those on other federal acquisition efforts for those contracts GAO reviewed. GAO compared agencies' estimated timeframes for awarding contracts using negotiated procedures—which officials reported would be used in the absence of the test program—with actual lead times for eight competitively awarded test program contracts and found that test program contracts were generally awarded in fewer days. For example, the Army awarded a \$1.3 million contract for blast barriers and bunkers in 20 days, about 160 days less than suggested by command guidance. According to officials from the agencies and components GAO reviewed, test program contracts are reviewed using existing internal controls and standard contract review processes. GAO found that contracting officers generally documented their efforts to identify commercial sources, but 16 of the 26 test program contracts GAO reviewed were awarded noncompetitively. While these awards were justified and approved in accordance with federal regulations when required, GAO and others have found that noncompetitive contracting poses risks of not getting the best value because these awards lack a direct market mechanism to help establish pricing. In some cases, DOD requires contracting officers to prepare a determination that the acquisition meets the commercial item definition. Neither DHS nor DOI have a similar requirement, potentially increasing their risks. Not ensuring the proper classification of an item as commercial can leave the government vulnerable to accepting prices that may not be the best value.