

Why GAO Did This Study

Section 866 of the Ike Skelton National Defense Authorization Act for Fiscal Year 2011 established a pilot program authorizing DOD to award contracts for MPNDI to nontraditional defense contractors—companies that had not contracted with DOD for at least a year. The pilot program was designed to streamline acquisition procedures and to serve as an incentive for nontraditional defense contractors to innovate in areas useful to DOD.

Section 866 mandated that GAO assess DOD's use of the pilot program to acquire items that otherwise might not have been available to DOD, assisted in meeting urgent operational needs, and protected the interests of the U.S. in paying fair and reasonable prices. This report addresses the extent to which DOD awarded contracts that met these goals and issues potentially affecting use of the pilot program. To conduct this work, GAO reviewed applicable laws, the Federal Acquisition Regulation, the Defense Federal Acquisition Regulation Supplement, DOD's annual reports to Congress on the pilot program from fiscal years 2011 to 2013, and DOD's implementing guidance. GAO collected information from DOD, the military departments, and selected defense organizations.

What GAO Recommends

GAO recommends that DOD identify how the pilot program can help DOD attract nontraditional contractors, to test flexibilities or streamlined procedures not otherwise available under existing authorities, and include issues hindering its use in its annual reports to Congress. DOD concurred with GAO's recommendations.

View [GAO-15-285](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or dinapolit@gao.gov.

DOD ACQUISITIONS

Opportunities May Exist to Increase Utility of Nondevelopmental Items Pilot Program

What GAO Found

Since the Department of Defense (DOD) implemented a pilot program in 2011 to award contracts for military purpose nondevelopmental items (MPNDI), it has not awarded any contracts using the authority. An MPNDI is generally an item that meets a validated military requirement and has been developed exclusively at private expense. GAO's analysis identified a number of issues that may be contributing to the lack of use of the pilot program, including the following:

- **Limited awareness of the pilot program:** In several instances, DOD officials from commands and contracting activities that GAO interviewed were unaware of the pilot program prior to GAO's review. Further, the Air Force noted that the program had not been well publicized within the department.
- **Challenges in meeting all the criteria required to use the pilot program:** DOD program and contracting officials that GAO contacted stated that it was difficult to identify proposed acquisitions that could meet all the criteria for using the pilot program, which include that the items must be developed at private expense, the initial lot of items be delivered within nine months after contract award, contractors be nontraditional defense contractors, competitive procedures be used, and contracts are \$50 million or less.
- **The ability to use other flexibilities to obtain needed items:** Contracting officials from the military departments with whom GAO spoke identified other existing authorities—such as commercial item acquisition procedures—that they would use to acquire items they identified as potentially covered by the pilot program.

DOD officials told GAO that they were aware of these issues but had no ongoing efforts to address them. GAO's prior work has identified several sound management practices to effectively implement or assess pilot programs, including developing objectives that link to the goals of the pilot and ensuring the results of the pilot are communicated to stakeholders. In the case of the MPNDI pilot program, DOD has not proactively identified opportunities to use the pilot program in areas useful to DOD—a goal of the pilot—such as by identifying specific industries, technologies or capability gaps where its use may provide an additional incentive for nontraditional defense contractors to do business with DOD. Additionally, DOD has not determined whether the pilot program provides new flexibilities or the opportunity to use streamlined acquisition procedures that are not already available under other authorities. Lastly, DOD's annual reports to Congress have not identified whether there are specific requirements under the pilot program, such as the need to award contracts competitively, that might hinder its use. Determining whether the pilot program provides meaningful value to the department requires that DOD do more than make the authority available for use by its personnel. Unless DOD takes action to identify opportunities to use the authority and report on issues hindering its use, DOD may miss an opportunity to make an informed decision as to whether the authority provided under the pilot program would provide value to the department.