December 2018

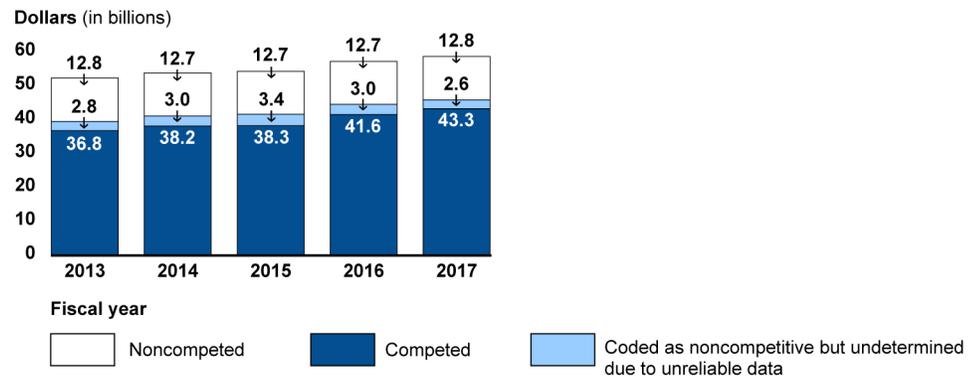## INFORMATION TECHNOLOGY

Agencies Need Better Information on the Use of Noncompetitive and Bridge Contracts

Why GAO Did This Study

The federal government spends tens of billions of dollars each year on IT products and services. Competition is a key component to achieving the best return on investment for taxpayers. Federal acquisition regulations allow for noncompetitive contracts in certain circumstances. Some noncompetitive contracts act as "bridge contracts"—which can be a useful tool to avoid a lapse in service but can also increase the risk of the government overpaying. There is currently no government-wide definition of bridge contracts.

GAO was asked to review the federal government's use of noncompetitive contracts for IT. This report examines (1) the extent that agencies used noncompetitive contracts for IT, (2) the reasons for using noncompetitive contracts for selected IT procurements, (3) the extent to which IT procurements at selected agencies were bridge contracts, and (4) the extent to which IT procurements were in support of legacy systems. GAO analyzed FPDS-NG data from fiscal years 2013 through 2017 (the most recent and complete data available). GAO developed a generalizable sample of 171 fiscal year 2016 noncompetitive IT contracts and orders awarded by DOD, DHS, and HHS—the agencies with the most spending on IT, to determine the reasons for using noncompetitive contracts and orders, and the extent to which these were bridge contracts or supported legacy systems.

What GAO Recommends

GAO recommended DOD and HHS identify the reasons why competition data for certain orders in FPDS-NG were misreported and take corrective action. DOD and HHS concurred.

What GAO Found

From fiscal years 2013 through 2017, federal agencies reported obligating more than $15 billion per year, or about 30 percent, of information technology (IT) contract spending on a noncompetitive basis (see figure).

Reported Competition on Information Technology Contract Obligations, Fiscal Years 2013-2017 (fiscal year 2017 dollars)

Source: GAO analysis of Federal Procurement Data System - Next Generation data. | GAO-19-63

GAO found, however, that Departments of Defense (DOD), Homeland Security (DHS), and Health and Human Services (HHS) contracting officials misreported competition data in the Federal Procurement Data System-Next Generation (FPDS-NG) for 22 of the 41 orders GAO reviewed. GAO's findings call into question competition data associated with nearly $3 billion in annual obligations for IT-related orders. DHS identified underlying issues resulting in the errors for its orders and took corrective action. DOD and HHS, however, had limited insight into why the errors occurred. Without identifying the issues contributing to the errors, DOD and HHS are unable to take action to ensure that competition data are accurately recorded in the future, and are at risk of using inaccurate information to assess whether they are achieving their competition objectives.

GAO found that DOD, DHS, and HHS primarily cited two reasons for awarding a noncompetitive contract or order: (1) only one source could meet the need (for example, the contractor owned proprietary technical or data rights) or (2) the agency awarded the contract to a small business to help meet agency goals.

GAO estimates that about 8 percent of 2016 noncompetitive IT contracts and orders at DOD, DHS, and HHS were bridge contracts, awarded in part because of acquisition planning challenges. GAO previously recommended that the Office of Federal Procurement Policy define bridge contracts and provide guidance on their use, but it has not yet done so. GAO believes that addressing this recommendation will help agencies better manage their use of bridge contracts.

Additionally, GAO estimates that about 7 percent of noncompetitive IT contracts and orders were used to support outdated or obsolete legacy IT systems. Officials from the agencies GAO reviewed stated these systems are needed for their mission or that they are in the process of modernizing the legacy systems or buying new systems.

United States Government Accountability Office