



April 2023

DOD CONSTRUCTION CONTRACTS

Contractor Proximity to Work Sites Varied

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Why GAO Did This Study

DOD spends billions of dollars on construction projects on military installations in the United States. Construction ranges from larger projects, such as building barracks or a new airplane runway, to small projects, such as minor maintenance, or road repairs.

Congress included a provision in statute for GAO to review contracting approaches used to maintain and upgrade military installations within the United States and the proximity of a contractor's primary business location to the military installation where the work is to be performed (e.g., work site), among other things. GAO examined the extent to which (1) prime contractors and subcontractors are based within 60 miles from where the work is performed—which for the purposes of this report GAO defined as “local”; and (2) contractor location was considered when awarding selected contracts.

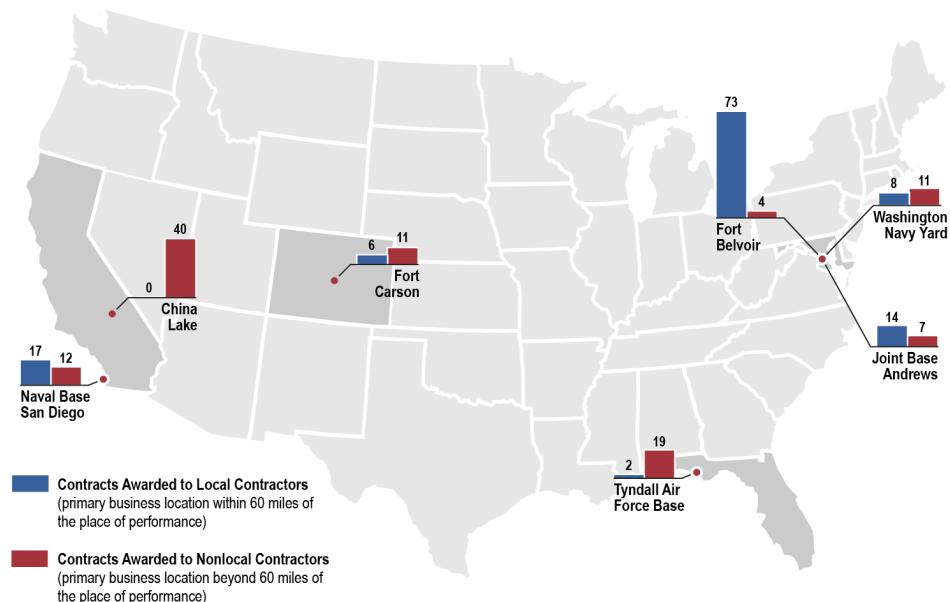
GAO selected a sample of seven installations representing the three military departments and calculated the distance between the primary business location of the prime contractor to the construction projects at those installations in fiscal years 2020 and 2021. GAO also selected a nongeneralizable sample of 28 contracts for more in-depth review, to represent a mix of small and other than small businesses, and contract values. GAO reviewed contract file documents and interviewed contracting officers, project managers, and contractors.

What GAO Found

A variety of construction projects and maintenance and repair projects help the Department of Defense (DOD) support normal functions and maintain military readiness by ensuring that DOD facilities are updated and that runways, roads, and utility structures are maintained. Depending on the circumstances, federal statutes and regulations require DOD to consider various factors when awarding these contracts, such as promoting competition and small businesses. In general, DOD is not required to consider the business location of construction contractors or subcontractors when making contract awards.

For the seven selected military installations in this review, GAO found that the proximity of the contractors' primary business locations to the work sites varied. Just over half of the prime contractors for the 224 construction contracts at those installations were located within 60 miles of where the work was performed. The use of local contractors was driven, in part, by whether the installation was in a remote location and the overall demand for construction contractors within the area.

Prime Contractors within and beyond 60 Miles of the Work Site for the Seven Selected Military Installations



Source: GAO analysis of Federal Procurement Data System data and Department of Defense data. | GAO-23-106035

GAO found that DOD did not consider contractor location in the award process for nearly all of the 28 construction contracts that GAO reviewed. Contracting officers stated that the distance between a contractor's primary business location and the work site is generally not relevant to the contractor's ability to complete quality work.

View [GAO-23-106035](#). For more information, contact Marie A. Mak at 202-512-4841 or makm@gao.gov.

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Abbreviations

DFARS	Defense Federal Acquisition Regulation Supplement
DOD	Department of Defense
FAR	Federal Acquisition Regulation
FPDS	Federal Procurement Data System
NAVFAC	Naval Facilities Engineering Systems Command
PSC	product and service codes
SBA	Small Business Administration
USACE	U.S. Army Corps of Engineers

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April 26, 2023

The Honorable Jack Reed
Chairman
The Honorable Roger Wicker
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Mike Rogers
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Department of Defense (DOD) spends billions of dollars annually to build, upgrade, and maintain facilities at military installations throughout the United States. Military construction projects help DOD support normal military installation functions and maintain readiness. DOD must ensure that facilities, such as barracks, hangars, and warehouses, and nonbuildings like runways, roads, piers, and utility structures are maintained and upgraded as needed.

Throughout the country, construction companies perform a broad spectrum of work for DOD. Construction work ranges from major projects, such as building airfields and shipyards, to minor repairs, such as filling potholes or installing fencing. Depending on the circumstances, various statutes and regulations require DOD to take different considerations—such as competition, company size, past performance, and capabilities—into account when awarding these contracts.

The National Defense Authorization Act for Fiscal Year 2022 included a provision for us to review aspects of DOD construction contracting within the United States, including the proximity of DOD construction contractors' primary business locations in relation to where the work is performed.¹ This report assesses the extent to which (1) the prime contractors and subcontractors working at selected military installations were based within 60 miles of where the work was performed, and (2)

¹Pub. L. No. 117-81 § 2882 (2021).

contractor location was considered when awarding selected contracts. For the purposes of this report, we refer to prime contractors and subcontractors with primary business locations within 60 miles of where the work is performed as being “local.”² Appendix I provides additional information on how often DOD competitively awarded military construction contracts and the number of small businesses awarded such contracts.

To determine the extent to which DOD construction contractors’ locations were based within 60 miles of where the work was performed, we selected seven military installations representing each of the three military departments, ranging from remote to more densely populated areas. We created lists of construction contracts and orders, which we refer to collectively in this report as contracts, from the Federal Procurement Data System (FPDS) awarded in fiscal years 2020 and 2021 at each of these installations. From these lists, we compared the zip code associated with the place of performance—which for the purposes of this report we refer to as the work site—to the zip code of the prime contractor’s primary business address and calculated the distance between these points. DOD officials verified these data elements.

To calculate the distance of subcontractors’ locations in relation to where the work was performed, we selected a nongeneralizable sample of 28 construction contracts based on obligation value, a mix of local and nonlocal prime contractors compared with the work site, and a mix of small and large businesses. We identified the subcontractors that performed work on these 28 contracts through payroll records or project directories maintained by prime contractors. As we did with prime contractors, we compared the zip code associated with the place of performance with the zip code of the subcontractor’s primary business address and calculated the distance between these points.

To determine if a contractor’s location was considered when awarding a contract, we analyzed contract file documents for our 28 selected contracts, such as market research reports, acquisition plans, solicitations, and source selection decision documents. We interviewed contracting officials and DOD officials responsible for project management and oversight (for purposes of our report we refer to these officials as “project managers”). We also interviewed officials who

²Unless stated otherwise, in this report we refer to a contractor’s primary business location as the contractor’s location.

promote small business participation in contracting and representatives from five contractors to obtain their perspectives on the merits and challenges of requiring contractors to be located within 60 miles of where the work is to be performed.

For the information in appendix I, we analyzed data from FPDS on the extent to which DOD obligations in fiscal years 2017–2022 were made on competitively awarded contracts for construction contracts as well as facility maintenance and repair. We also analyzed this data to determine the level of small business participation. We adjusted obligations for inflation based on the fiscal year 2022 gross domestic product price index. We assessed data reliability by comparing data elements from FDPS with contract files and interviewed agency officials; we determined the data were reliable for the purposes of our review. See appendix II for more information on our scope and methodology.

We conducted this performance audit from May 2022 to April 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

DOD assigns construction agents to execute responsibilities associated with military construction. Within the United States, the U.S. Army Corps of Engineers (USACE) is the construction agent for the Army and the Naval Facilities Engineering Systems Command (NAVFAC) is the construction agent for the Navy. Within the United States, the Air Force may use either USACE or NAVFAC for its military construction.

Federal agencies are subject to laws and regulations intended to promote competition for government contracts and to provide maximum practicable opportunities to support small businesses. The Federal Acquisition Regulation (FAR) generally requires agencies to perform acquisition planning and conduct market research to promote and provide for, among other things, full and open competition.³ In fiscal years 2017 through 2022, 94 percent of obligations on DOD construction contracts, or

³FAR 7.102(a). By statute and under the FAR, agencies generally must use full and open competition when awarding contracts, unless an exception applies. 10 U.S.C. § 3201; 41 U.S.C. § 3301; FAR 6.101.

just under \$105 billion, were made through contracts that DOD identified in FPDS as competitive versus noncompetitive.⁴ During this same time, about 85 percent of obligations on DOD maintenance and repair contracts, or just under \$63 billion, were awarded using competitive procedures.

The FAR generally requires that acquisitions above the simplified acquisition threshold be set aside for small businesses if there is a reasonable expectation that two or more responsible small businesses will submit offers at fair market prices.⁵ In fiscal years 2017 through 2022, of the approximately 4,100 vendors to which DOD awarded construction contracts, a little over 3,200 were identified as small businesses. During this same time frame, of the nearly 7,000 vendors to which DOD awarded maintenance and repair contracts, approximately 5,700 were identified as small businesses.

In general, there is no requirement that DOD award contracts to contractors located in a specific geographic area or region.⁶ However, within the Small Business Administration's (SBA) 8(a) Business Development Program, there are requirements and procedures that tie the location of a program participant's place of business to the place of

⁴For detail on our FPDS analysis of contracts DOD identified as awarded competitively, see Appendix II, Objectives, Scope, and Methodology. Even for contracts identified as noncompetitive, agencies may have solicited more than one source.

⁵See FAR 19.502-2(b). Additionally, the Defense Federal Acquisition Regulation Supplement (DFARS) requires that acquisitions of construction, including maintenance and repairs, under \$3 million shall be set aside for small businesses, unless the contracting officer determines that the criteria for a set-aside cannot be met. DFARS 219.502-2.

⁶In the context of emergency acquisitions, procedures exist for limiting competition to local firms. For example, the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended by the Post-Katrina Emergency Management Reform Act of 2006, requires agencies to give a contracting preference, to the extent feasible and practicable, to local firms during the term of a major disaster or emergency declaration by the President. 41 U.S.C. § 5150. The FAR implements this requirement and provides that the preference may be given as a local area set-aside or an evaluation preference. See FAR 26.202(a), 26.202-1, 26.202-2. The FAR also generally requires that construction contracts include a clause making contractors responsible for obtaining any necessary licenses and permits and for complying with any federal, state, and municipal laws, codes, and regulations applicable to performance of the work. See FAR 36.507, 52.236-7.

contract performance.⁷ Specifically, the Small Business Act requires 8(a) construction contracts be awarded “to the maximum extent practicable” within the county or state where the work is to be performed.⁸ SBA implemented this statutory provision by requiring that, in order to be awarded a sole source or competitive 8(a) construction contract, an 8(a) program participant must have a bona fide place of business within an applicable geographic location determined by SBA.⁹

In August 2021, SBA issued a policy notice temporarily placing a moratorium on the bona fide place of business requirement for all construction contracts offered to the 8(a) program before September 30, 2022. According to the notice, the bona fide place of business requirement had become difficult to meet during the COVID-19 pandemic, as certain locales imposed restrictions on business activities. Because employees were expected to telework on a significant basis for the foreseeable future, SBA determined that it was not practicable to impose the bona fide place of business requirement at the time. SBA extended the moratorium on the requirement through September 30, 2023.

Prime Contractor and Subcontractor Proximity to Work Sites Varied at Selected Installations

Specific Installation Circumstances Affected Local Availability of Contractors, and About Half Were Located within 60 Miles

For the seven selected DOD installations in our review, 54 percent of contracts were awarded to prime contractors with a primary business location within 60 miles of the work site. We found variation between the seven installations in whether they used local firms, in part due to factors such as how isolated the base was and the level of construction activity in

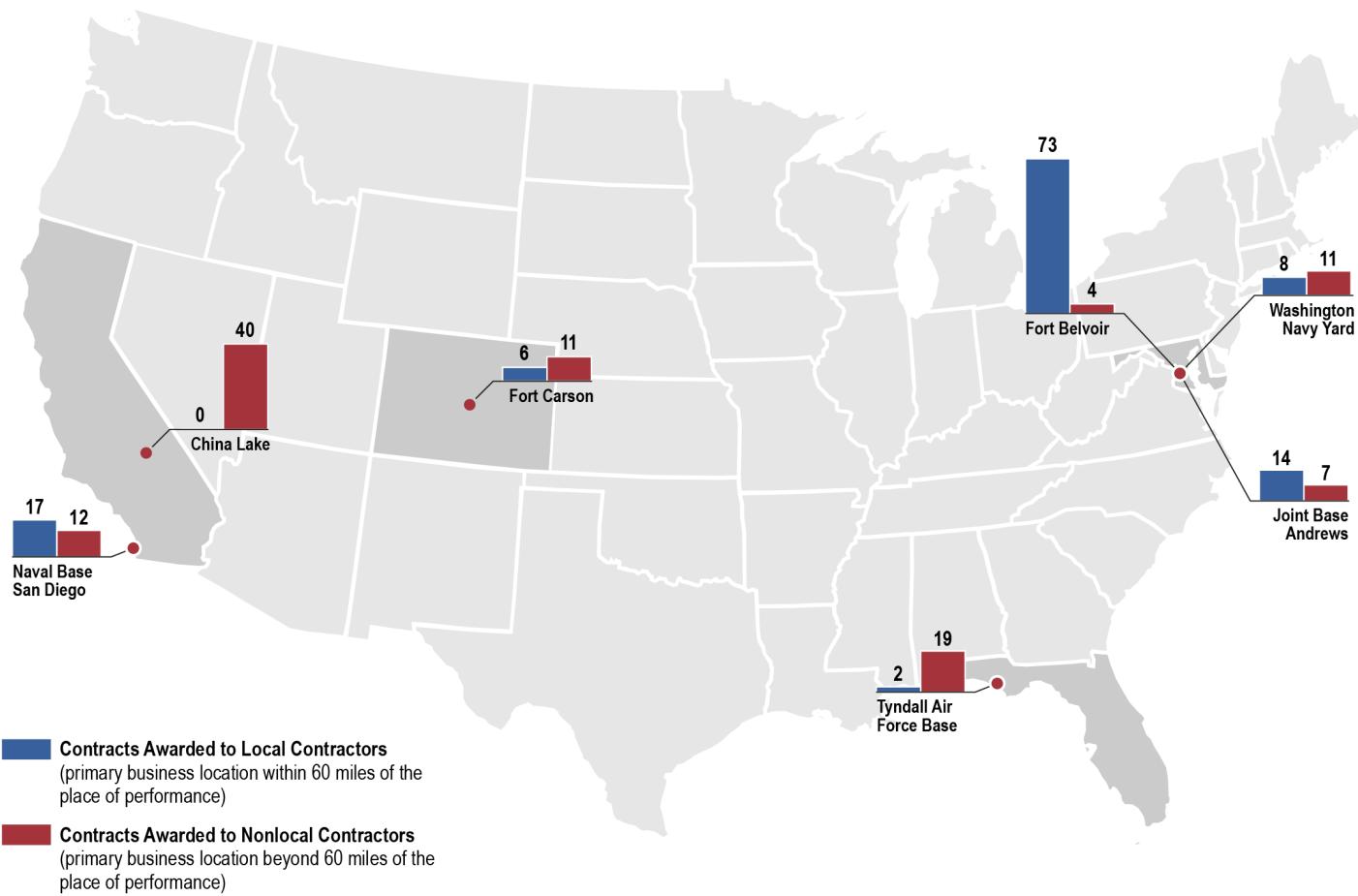
⁷The 8(a) program was created to help small businesses owned and controlled by socially and economically disadvantaged individuals and entities. The program provides various types of business assistance. One key benefit of the program is the ability of participants to receive federal contract awards set aside solely for 8(a) firms.

⁸15 U.S.C. § 637(a)(11).

⁹13 C.F.R. §§ 124.501(k), 124.507(c).

the surrounding area. Figure 1 illustrates the number of local and nonlocal prime contractors at each installation in our sample.

Figure 1: Number of Prime Contractors Located within and beyond 60 Miles of the Work Site for the Seven Military Installations



Source: GAO analysis of Federal Procurement Data System and Department of Defense data. | GAO-23-106035

Prime contractors at Fort Belvoir, Joint Base Andrews, and Naval Base San Diego were predominately located within 60 miles of their respective installations. Contracting officials and project managers at these installations stated that the availability of prime contractors in their area of responsibility was adequate. In contrast, prime contractors at China Lake, Fort Carson, Tyndall Air Force Base, and the Washington Navy Yard

were predominately located more than 60 miles away from the work site. Contracting officers and project managers at these installations stated that there was a range of factors that contributed to the distance of the prime contractors' locations from the work sites.

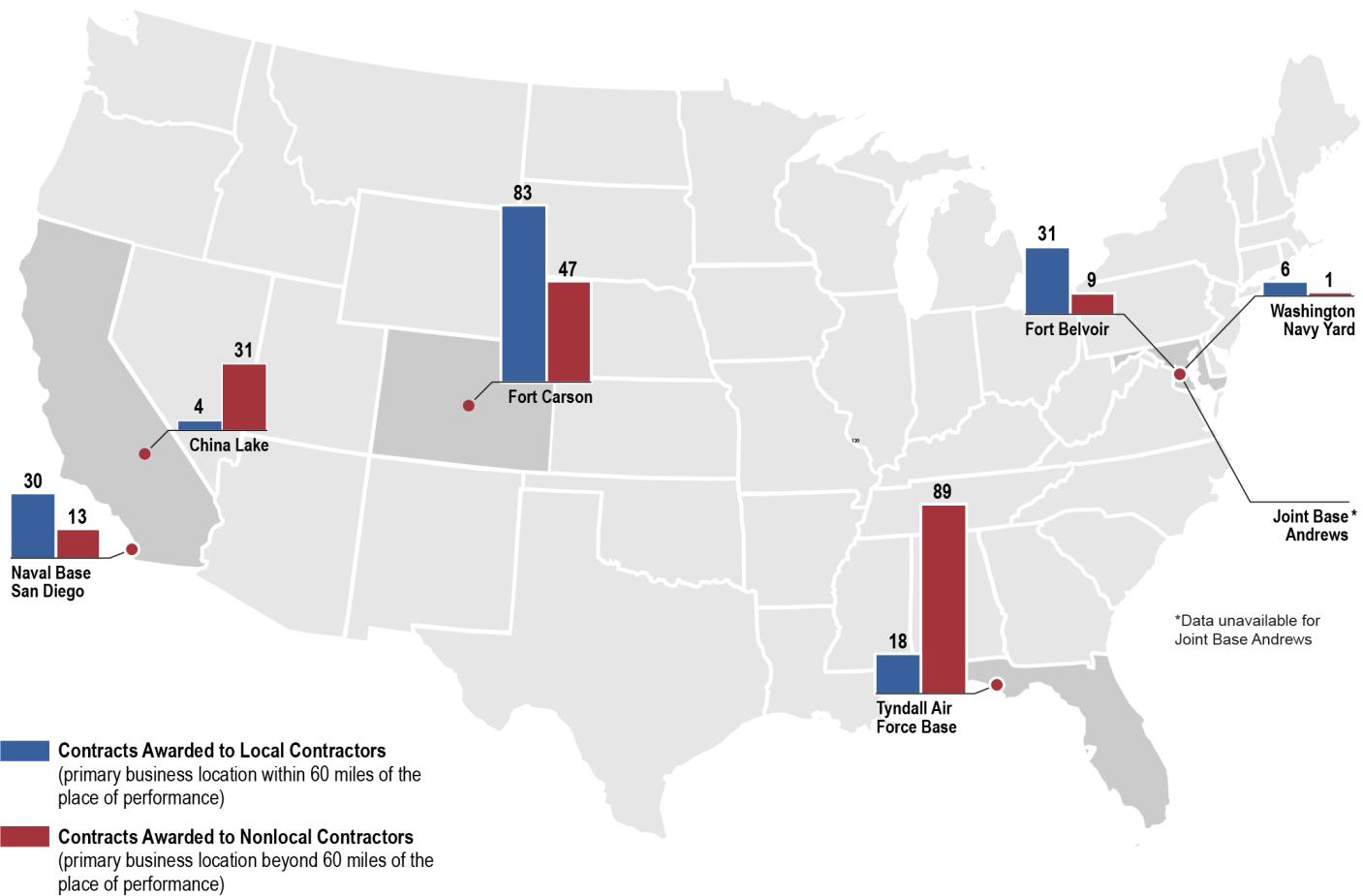
Naval Air Weapons Station China Lake. Contracting officers and project managers at China Lake explained that there are no contractors within 60 miles that can perform large scale projects for military construction. They said that most of their prime contractors are located in Los Angeles and San Diego, which are 200 to 300 miles away. In line with this, we found that approximately half (21 of 40) of the prime contractors working at China Lake had primary business locations in either San Diego or Los Angeles. In addition, the closest prime contractor at China Lake was located about 100 miles away.

Tyndall Air Force Base. A project manager at Tyndall Air Force Base stated that most prime contractors come from regions that are more than 60 miles from the installations. The project manager considered places like Jacksonville and Pensacola—which are 270 and 115 miles away, respectively—to be a close distance to Tyndall. The project manager also noted that Hurricane Michael in 2018 affected the local labor pool, as firms that would normally be available to do work at Tyndall are busy rebuilding the area outside of the installation.

Prime Contractors Used Local Subcontractors about Half of the Time

Overall, we found that just under half of the subcontractors that we identified were located within 60 miles of an installation in our sample. We found, however, variation in the level of local subcontractors hired by prime contractors for the seven installations we reviewed (see figure 2).

Figure 2: Number of Subcontractors within and beyond 60 Miles of the Work Site for the Seven Military Installations



Source: GAO analysis of Federal Procurement Data System and Department of Defense data. | GAO-23-106035

Similar to the prime contractors in our review, the distance of subcontractors' locations from the work site was based on installation-specific factors. Most subcontractors were local at Fort Belvoir, Fort Carson, the Navy Yard, and Naval Base San Diego. For example, we found that 25 of the 43 subcontractors at Naval Base San Diego were located within 30 miles of the installation. Several contracting officers and project managers stated that the installation was in a populous area and finding subcontractors was not an issue. However, one project manager stated that there are certain projects that require specialized equipment that only a few contractors have. Sometimes these contractors are

located far away. Another example of an installation-specific factor relates to projects located on islands off the California coast.¹⁰ One contracting officer, who has responsibility for awarding contracts throughout NAVFAC's Southwest region, explained that it is difficult to transport workers and equipment onto these islands due to the islands' locations, which requires either a plane or a barge.

Subcontractor availability at some installations depends on the population of that area. For example, Fort Carson contracting officers stated that there is an adequate pool of subcontractors in the Colorado Springs area. However, they also have responsibility for awarding contracts for installations throughout the Omaha district, and they noted that subcontractor availability in the district as a whole is dynamic.¹¹ Specifically, contracting officers and project managers stated that it is difficult for prime contractors to find local subcontractors in areas like the Dakotas, which have a sparse population. Another factor to finding subcontractors in these remote areas is the number of projects occurring at any given time, which may further limit the number of available local subcontractors.

In contrast, a majority of subcontractors at Tyndall Air Force Base and China Lake were not local. We found that, on average, subcontractors were located approximately 300 miles away from Tyndall Air Force Base and 150 miles away from China Lake. Contracting officers and project managers at Tyndall Air Force Base stated that there is usually a sufficient number of subcontractors for prime contractors to use in the larger surrounding area. Environmental and economic events, however, have resulted in an inadequate pool of subcontractors within 60 miles of the installation in recent years. These officials stated that Hurricane Michael greatly affected subcontractor availability in the area, as potential subcontractors for government construction projects became busy with commercial and residential rebuilding of the hurricane-damaged area.

¹⁰NAVFAC is headquartered at the Washington Navy Yard and consists of component commands across the United States and abroad. Each component command covers a specific geographical area. Naval Base San Diego is part of NAVFAC Southwest command, whose geographic area of responsibility includes six states on the West Coast. The islands mentioned in this example are not part of our analysis but do fall under the purview of the contracting officers we interviewed.

¹¹USACE is headquartered in Washington, D.C., and is divided into eight divisions. Each division is further divided into districts. The Omaha District covers Fort Carson, CO, and the contracting officers and project managers are responsible for construction throughout the district.

Contracting Officers Generally Did Not Consider Contractor Location in the Award of Construction Contracts

DOD Generally Did Not Consider Contractor Location for Construction Contracts

DOD generally considered contractor past performance, technical capabilities, project management plans, and/or price in awarding the 28 construction contracts in our review and did not consider contractor location. Additionally, DOD officials and industry representatives stated that a 60 mile restriction for the primary business location of prime contractors could adversely affect military construction projects.

For the 28 contracts in our review, DOD generally used past performance, technical capabilities, project management plans, and/or price as the evaluation factors for the awards. DOD considered geographic location of the contractor in the award of one of the 28 contracts in our sample. Specifically, the Navy placed an order under a contract that was awarded through a competition limited to 8(a) program participants having a bona fide place of business within the SBA's Washington Metropolitan Area and Baltimore Districts.¹² The order was for a repair of a guard post at the Marine Barracks at the Washington Navy Yard.

Several contracting officers and project managers stated that contractor location was not relevant to a contractor's ability to complete quality work. For example, numerous contracting officers said that a contractor's proximity to the work site did not affect performance. Further, some of the project managers stated that as long as the prime contractors have knowledge of local subcontractors and good relationships with the subcontractors, then the projects will likely be successful.

Additionally, contracting officers and project managers mentioned that construction companies are transitory and contractors often set up satellite offices near work sites to help manage projects.¹³ For instance, a firm that was located approximately 240 miles from Tyndall Air Force Base received several construction awards for work there. The firm established a branch office near the installation to oversee the projects

¹²The contract was a single-award, indefinite-delivery, indefinite-quantity contract. The SBA's Washington's Metropolitan District encompasses: the District of Columbia; Prince George's and Montgomery Counties, Maryland; Arlington, Fairfax, and Loudon Counties; and Alexandria, Fairfax, and Falls Church cities in Virginia. The Baltimore District includes all of Maryland besides the two counties adjacent to Washington, D.C.

¹³For the purposes of this report, we refer to "offices" as a location other than the contractor's primary business location.

and store materials, according to a contracting officer. The project manager said that the quality of the work was high and projects were completed in a timely manner.

Construction industry representatives also stated that their companies' headquarters locations did not affect their ability to successfully complete projects and that they often had multiple ongoing projects in different areas. Most industry representatives we spoke with said that they consider the type of construction work involved in a solicitation when deciding whether to pursue a project, rather than how close their primary business location is to a project's location. Industry representatives also stated that their business location is not important because their businesses are set up to operate in different areas. For example, to perform projects in nonlocal areas, some said that they partner with local companies in joint ventures, set up temporary offices or trailers near work sites, or recruit local subcontractors when possible.

Contracting Officials and Industry Representatives Stated That Geographic Restrictions on Awards May Cause Adverse Effects

Most DOD contracting officers and project managers we spoke with stated that limiting military construction awards to local contractors (e.g., within 60 miles of the work site) could result in less competition, increased costs, the inability to complete certain projects, or challenges for small business programs. Specifically:

- A contracting officer noted that contractors might respond to a requirement to be local by establishing additional permanent offices near military installations. This practice, the contracting officer said, might increase overhead costs, which the contractor could pass on to the government.
- Several contracting officers stated that a local requirement could make it difficult to find a qualified contractors capable of performing the work in more remote areas. As discussed above, all four of the contracting officers at China Lake we spoke with stated that there currently are no firms capable of performing major construction projects at or near the installation. Further, a project manager at China Lake echoed this sentiment and stated that their office would not be able to complete projects at China Lake due to the lack of available local contractors if they were required to use local contractors.
- Some contracting officers and project managers stated that projects that required specialized skills or equipment, such as paving an airfield or building port facilities, require contractors that might not be local to the installations. For example, a NAVFAC project manager

said that some projects at facilities in San Diego require large dockside cranes to be brought in and the only contractors that have this specialized equipment are in Los Angeles or Seattle.

- Finally, a contracting officer stated that a geographic restriction might adversely affect some small businesses participating in mentor-protégé programs, if both partners were required to be within 60 miles of the installation. For example, a NAVFAC contracting officer stated that in the DOD's small-business mentor-protégé program, a prime contractor and subcontractor are not always in the same location. Therefore, adding a geographic restriction might limit their ability to partner together unless they were located near the same installation.¹⁴

Officials in the military department's small business programs offices said that requiring awards to be limited to contractors within 60 miles of the work site would adversely affect small businesses as well as the program offices' missions to facilitate small business work with the military. These officials stated that this kind of restriction might reduce the pool of eligible contractors in a given area, thereby limiting competition and driving up prices. Officials from the Navy and Air Force repeated that finding eligible, capable construction firms would be especially onerous for projects at remote installations. An Army Office of Small Business Programs official added that, while some small businesses may seek to establish offices near installations if that would allow them to compete for contracts, this could increase contract costs. This official also stated that a requirement for a geographic restriction could limit competition and adversely affect project delivery at installations with limited numbers of prime contractors and subcontractors in the immediate area.

Similarly, a majority of the industry representatives we interviewed stated that a required geographic restriction of this sort would limit their contracting opportunities, which could affect their companies' bottom lines. Most of the industry representatives stated that, if their firms were required to have a local office within 60 miles of an installation in order to compete for contracts there, they would likely open and maintain offices near military installations. Similar to what DOD officials said, they noted that this would increase their overhead costs, which might get passed on to the government.

¹⁴For more information on the mentor-protégé program, see GAO, *Mentor-Protégé Programs Have Policies That Aim to Benefit Participants But Do Not Require Postagreement Tracking*, GAO-11-548R (Washington, D.C.: June 15, 2011).

Agency Comments

We provided a draft of this report to the Department of Defense and the Small Business Administration for review and comment and neither agency had any comments.

We are sending copies of this report to the appropriate congressional committees and the Secretary of Defense, the Commanding General of the U.S. Army Corps of Engineers, the Commander of Naval Facilities Engineering Systems Command, and the Administrator of the Small Business Administration. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or MakM@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink, appearing to read "Marie A. Mak".

Marie A. Mak
Director, Contracting and National Security Acquisitions

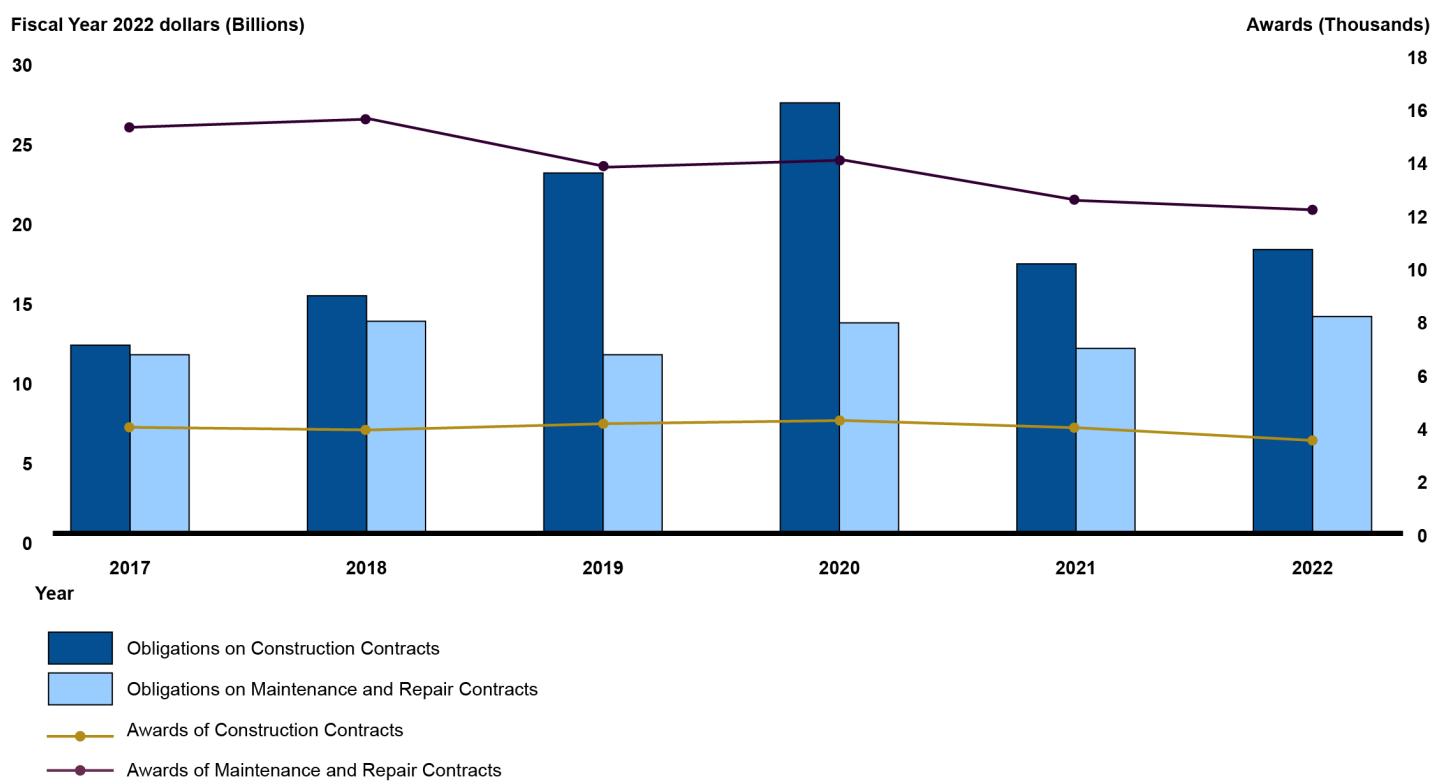
Appendix I: Data on Competition and Small Business Participation in DOD Construction and Maintenance and Repair Contracts

From fiscal years 2017 through 2022, the Department of Defense (DOD) obligated \$111 billion for construction contracts and \$74 billion for maintenance and repair contracts.¹ During this time frame, the average number of construction contracts awarded per year was approximately 4,000, and the average number of maintenance and repairs contracts awarded was approximately 14,000, as reported by DOD to the Federal Procurement Data System (FPDS). Figure 3 provides an overview of dollars obligated and number of awards in the construction and maintenance and repair categories.

¹We identified the obligations for construction contracts through FPDS data on contracts that DOD coded under the product service code Y—Construction of Structures and Facilities. We identified the obligations for maintenance and repair contracts through FPDS data on contracts that DOD coded under the product service code Z—Maintenance, Repair or Alteration of Real Property. We refer to contracts and orders under indefinite-delivery contract vehicles collectively as contracts.

Appendix I: Data on Competition and Small Business Participation in DOD Construction and Maintenance and Repair Contracts

Figure 3: Number of Awards and Obligations in Department of Defense Construction and Maintenance and Repair Contracts, Fiscal Years 2017–2022



Source: GAO analysis based on Federal Procurement Data System data. | GAO-23-106035

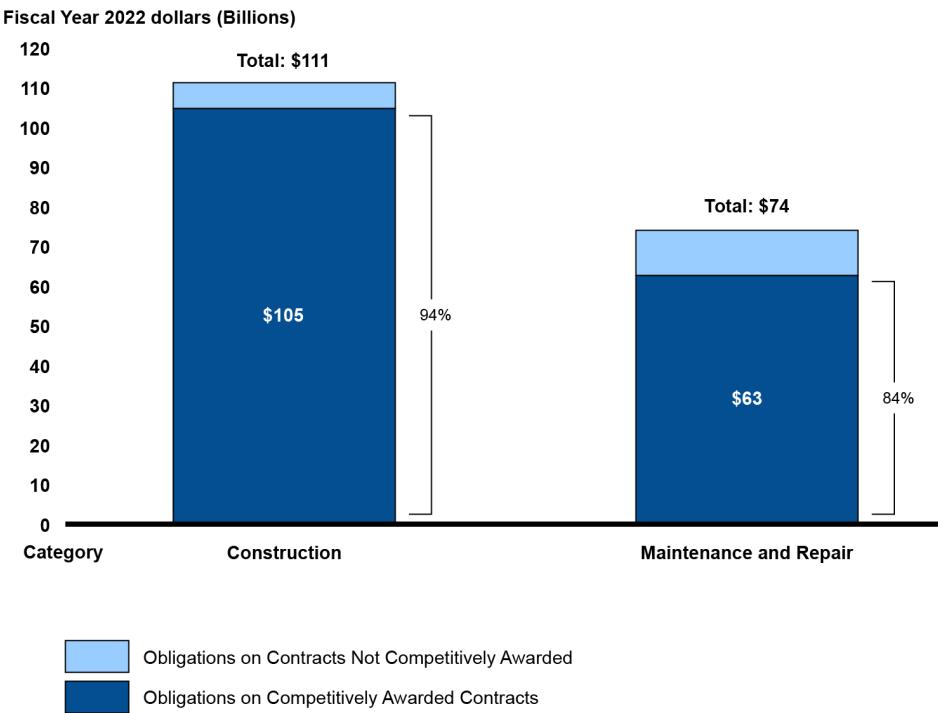
Extent of Competition

During this time frame, DOD competitively awarded a majority of the contracts in both categories. Figures 4 summarizes the obligations on these contracts and the competition metrics in fiscal years 2017 through 2022.²

²For detail on our FPDS analysis of contracts DOD identified as competitively awarded, see appendix II.

Appendix I: Data on Competition and Small Business Participation in DOD Construction and Maintenance and Repair Contracts

Figure 4: Department of Defense Obligations on Competitively Awarded Contracts for Construction and Maintenance and Repairs, Fiscal Years 2017–2022

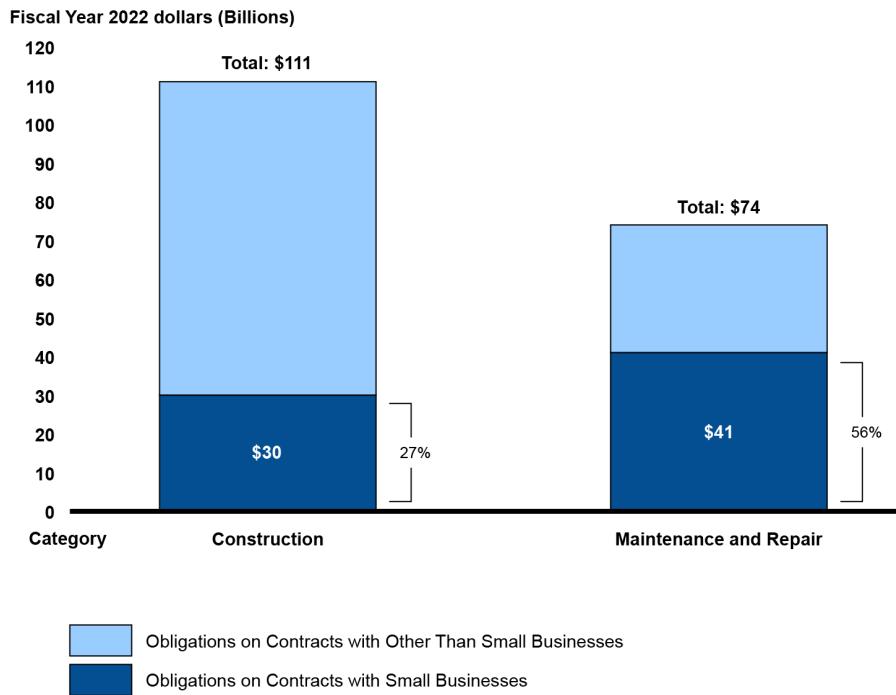


Small Business Participation

Figure 5 provides an overview of obligations on contracts with small businesses for construction and maintenance and repair, in fiscal years 2017 through 2022.

Appendix I: Data on Competition and Small Business Participation in DOD Construction and Maintenance and Repair Contracts

Figure 5: Department of Defense Obligations on Contracts with Other than Small and Small Businesses for Construction and Maintenance and Repair, Fiscal Years 2017–2022



Source: GAO analysis based on Federal Procurement Data System data. | GAO-23-106035

Appendix II: Objectives, Scope, and Methodology

To determine the extent that the location of prime contractors performing DOD contracts for construction were based within 60 miles of where the work was performed, we selected seven military installations from all three military departments and included two installations that had recent natural disasters on or near the installation, resulting in major construction projects. We also included installations in areas that ranged from remote to more densely populated areas.¹ We selected the following installations:

- Naval Air Weapons Station China Lake, CA
- Naval Base San Diego, CA
- Tyndall Air Force Base, FL
- Ft. Carson, CO
- Ft. Belvoir, VA
- Navy Yard, Washington D.C.
- Joint Base Andrews, MD

We used information from the Federal Procurement Data System (FPDS) from fiscal years 2020–2021 to create lists of recent construction contracts coded with a product service code (PSC) Y—Construction of Structures and Facilities at these installations.² We generally limited data to contracts awarded by Naval Facilities Engineering Systems Command (NAVFAC) and U.S. Army Corps of Engineers (USACE). Knowledgeable officials, such as contracting officers, verified that the place of performance field listed in FPDS was accurate. We also checked these lists for any indication that the place of performance was incorrectly

¹We conducted this review pursuant to a provision in the National Defense Authorization Act (NDAA) for Fiscal Year 2022. Specifically, section 2882 of the NDAA for Fiscal Year 2022 directs GAO to review the contracting approaches DOD uses to maintain and upgrade military installations within the United States, including: (1) the extent to which DOD uses competitive procedures when awarding contracts for military construction; (2) the number of small businesses awarded contracts for military construction, and the percentage these contracts comprise of all such contracts; (3) the extent to which the primary business location of contractors for military construction is within 60 miles of the military installation where the contract is to be performed; (4) the extent to which the primary business location of subcontractors and suppliers for military construction contracts are within 60 miles of the military installation where the contract is to be performed; and (5) the extent to which the source selection procedures for contracts for military construction involved consideration of whether offerors are small businesses or that are businesses within 60 miles of the military installation where the contract is to be performed. Pub. L. No. 117-81 § 2882 (2021).

²Unless otherwise indicated, references to contracts include both contracts and orders under indefinite-delivery contract vehicles.

identified. For instance, we examined the information in the description of requirement field in FPDS to see if it identified where the work for the contract was performed. If the information on the location did not match what was listed in the place of performance field, we removed the contract from our list.

We identified 224 prime contracts across these installations. We determined that, for the seven installations we selected, we could use the contract lists and location data in FPDS to report on the distance between a prime contractor's primary business address and work site. To do this, we used the center points between the two locations' zip codes resulting in an "as the crow flies" distance.

To determine the extent that the location of subcontractors were based within 60 miles of where the work was performed, we selected a nongeneralizable sample of 28 contracts and orders from fiscal years 2020–2021. We selected four contracts—identified in FPDS as Construction of Structures and Facilities—at each of the seven installations. We selected the contracts based on a variety of factors, such as business size, whether the contractor was considered local—having the primary business location 60 miles or closer to the work site—and finally contract value.

We first searched in the Federal Funding Accountability and Transparency Act Subaward Reporting System for the 28 contracts we selected to determine if subcontractor addresses were available. Though all 28 contracts were listed in the system, only two of the contracts had any subcontractors listed. Neither of these entries included the subcontractors' addresses.

Subsequently, we used a variety of other sources to identify subcontractor business addresses, such as payroll records or project directories that listed subcontractors. We identified a total of 363 subcontractors. For some contracts, the subcontractor information was either not available or missing. Specifically, subcontractor information was not available on contracts where the project had not yet used subcontractors or the contract file was missing documentation.

For the 363 subcontractors we identified, similar to the analysis completed above for prime contractors, we used the center point between a subcontractor's office address zip code and the zip code of the work site.

To assess if DOD considered whether firms were based within 60 miles of the work site when awarding a contract, we reviewed relevant portions of the Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS), and regulations for the Small Business Administration's 8(a) business development program. We analyzed documents in the contract files for our 28 selected contracts, including market research reports, acquisition plans, solicitations, and source selection decision documents. We also interviewed contracting officers and DOD officials responsible for project management and oversight (which for the purposes of this report we refer to as project managers) about how, if at all, a contractor's location was considered in source selection decisions and if that location affected performance on contracts.

Additionally, we interviewed officials from each military service's Office of Small Business Programs to discuss how a contractor's proximity to a project might affect a small business's ability to successfully compete for construction contracts. We also interviewed representatives from five contractors, selected to represent a mix of other than small and small businesses, which we identified through our contract file review or through the Society of American Military Engineers.

For data provided in appendix I, we analyzed FPDS data to determine the extent that DOD competitively awarded construction contracts.³ To identify trends, we analyzed data on contracts that had a PSC code beginning with Y (indicating Construction) and PSC beginning with Z (indicating Maintenance, Repair or Alteration of Real Property) for fiscal years 2017 through 2022. Additionally, we analyzed the same data for the extent to which DOD awarded contracts to small businesses. We adjusted obligations for inflation based on the fiscal year 2022 gross domestic product price index. To assess the data reliability, we reviewed relevant documentation, such as the FPDS data dictionary and DOD's fiscal year 2021 procurement data quality summary, and interviewed

³For purposes of this report, contracts awarded competitively included (1) contracts and orders coded in FPDS as "full and open competition," "full and open after exclusion of sources," and "competed under simplified acquisition procedures"; and (2) orders coded as "subject to fair opportunity," "fair opportunity given provided," and "competitive set aside." Noncompetitive contracts included (1) contracts and orders coded in FPDS as "not competed," "not available for competition," and "not competed under simplified acquisition procedures"; and (2) orders coded as an exception to "subject to fair opportunity," including "urgency," "only one source," "minimum guarantee," "follow-on action following competitive initial action," "other statutory authority," and "sole source." Even for contracts identified as noncompetitive, agencies may have solicited more than one source.

agency officials and compared specific data elements in FPDS against the contract files of the 28 contracts in our sample.

We also reviewed relevant portions of the FAR, DFARS, and Small Business Administration's regulations for the 8(a) business development program. Further, we interviewed knowledgeable officials for any discrepancies that we found to determine the reason for the difference. We found the data are reliable to report on the extent of competition, obligation amounts on contracts awarded to small businesses, the number of contracts awarded and the number of contractors that received awards. We also interviewed officials from the Small Business Administration on the 8(a) program and officials from the three military department Office of Small Business Programs.

We conducted this performance audit from May 2022 to April 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Marie A. Mak, (202) 512-4841 or makm@gao.gov

Staff Acknowledgments

In addition to the contact named above, Tatiana Winger, Assistant Director; Victoria Klepacz, Analyst-in-Charge; Matthew T. Crosby, Lorraine Ettaro, Suellen Foth, Megan Graves, Stephanie Gustafson, Andrew Ringlee, Alyssa Weir, and Adam Wolfe made key contributions to this report.

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