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Inspector General
United States Department of Defense

Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts

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Acronyms

ACC-APG	Army Contracting Command-Aberdeen Proving Ground
BAA	Broad Agency Agreement
DASA (P)	Deputy Assistant Secretary of the Army (Procurement)
DAS (C)	Deputy Assistant Secretary of the Air Force (Contracting)
DASN (AP)	Deputy Assistant Secretary of the Navy (Acquisition and Procurement)
DFARS	Defense Federal Acquisition Regulation Supplement
DPAP	Defense Procurement and Acquisition Policy
GAO	Government Accountability Office
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System – Next Generation
GAO	Government Accountability Office
ID/IQ	Indefinite Delivery/Indefinite Quantity
NAVFAC	Naval Facilities Engineering Command
OUSD (AT&L)	Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics
SBIR	Small Business Innovation Research
STTR	Small Business Technology Transfer
USAMRMC	United States Army Medical Research and Materiel Command

INSPECTOR GENERAL
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October 4, 2012

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts (Report No. DODIG-2013-002)

We are providing this report for your information and use. The Services did not follow applicable single-bid guidance when awarding approximately $656.1 million in contracts, and did not verify that modifications were only made within the 3-year limitation from base contract award. As a result, the Services have not realized potential cost savings associated with increased competition for 31 of the 78 single-bid contracts and with re-competing 39 of the 47 contract modifications reviewed. We considered management comments on a draft of the report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Comments from the Deputy Assistant Secretary of the Army for Procurement, Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology), and Deputy Assistant Secretary for Contracting, Office of the Assistant Secretary of the Air Force for Acquisition, were responsive and we do not require additional comments. Comments from the Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics), and the Deputy Assistant Secretary of the Navy, Acquisition and Procurement, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition), were partially responsive and require additional comments. Therefore, we request comments on Recommendations 1.c and 3.c by November 5, 2012.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, send a portable document format (.pdf) file containing your comments to audclev@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9077 (DSN 664-9077).

Jacqueline L. Wicecarver
Jacqueline L. Wicecarver
Assistant Inspector General
Acquisition and Contract Management

Report No. DODIG-2013-002 (Project No. D2011-D000AT-0253.000) October 4, 2012

Results in Brief: Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts

What We Did

Our audit objective was to determine whether DoD followed applicable guidance when awarding competitive contracts after receiving a single offer. Specifically, we reviewed 107 contracts, valued at almost $1.4 billion, 47 contract modifications, valued at $461.3 million, and 83 Broad Agency Agreement (BAA) and Small Business Innovation Research (SBIR) contracts, valued at $96.3 million, to determine whether the Services followed single-bid guidance.

What We Found

The Services did not:

- follow single-bid guidance for 31 of 78 single-bid contracts because the Services' Competition Advocates did not adequately monitor their commands' implementation of the guidance to verify proper application;
- develop adequate plans to increase competition because Defense Procurement and Acquisition Policy (DPAP) did not provide effective oversight of the plans and the Competition Advocates did not:
  - develop specific steps to improve competition rates in their plans;
  - develop specific steps to prevent 39 of 47 contract modifications, valued at $390.9 million, from exceeding the 3-year limitation on awarding contract modifications without first re-competing; and
- correctly code the remaining 29 of 107 contracts in the Federal Procurement Data System-Next Generation (FPDS-NG) database because the Services' Competition Advocates did not establish an adequate review process to verify that contracting officers correctly input contract type.

Additionally, DPAP allowed the single-bid guidance to expire because DPAP did not incorporate the single-bid guidance requirements in policy within 180 days. DPAP also did not classify 83 BAA and SBIR contracts as having effective competition because DPAP incorrectly identified them in the DoD Effective Competition Report.

As a result, the Services have not realized potential cost savings associated with increased competition and re-competing $390.9 million in contract modifications. DoD also cannot accurately assess the percent of improvements in DoD achieving effective competition.

What We Recommend

We recommend that the Director, DPAP review the Services' competition reports; direct the Services' Competition Advocates to develop a plan related to the length of contract modifications; and modify the DoD Effective Competition Report.

We recommend that the Services' Competition Advocates develop procedures to adequately monitor their commands' implementation of the single-bid guidance; develop steps to increase competition in their competition plans and 3-year period of performance plans; and monitor their contracting officers' FPDS-NG input.

Management Comments and Our Response

The Army and Air Force comments were responsive and do not require additional comments. DPAP and Navy comments were partially responsive and require additional comments. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics)	1.c	1.a and 1.b
Deputy Assistant Secretary of the Army for Procurement, Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology)		2.a, 2.b, 2.c, and 2.d
Deputy Assistant Secretary of the Navy, Acquisition and Procurement, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition)	3.c	3.a, 3.b, and 3.d
Deputy Assistant Secretary for Contracting, Office of the Assistant Secretary of the Air Force for Acquisition		4.a, 4.b, and 4.c

Please provide comments by November 5, 2012.

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Introduction

Objective

The audit objective was to determine whether DoD properly awarded single-bid competitive contracts. Specifically, we determined whether DoD followed applicable guidance when awarding competitive contracts after receiving a single offer. See Appendix A for a discussion of the scope and methodology and prior coverage related to the objective.

Background on Single-Bid Contracts

The Office of Management and Budget identified instances where DoD awarded competitive contracts when only a single bid was received as high risk. According to the Office of Federal Procurement Policy, competitions that receive only one bid in response to a solicitation deprive agencies of the ability to compare alternatives and determine a fair and reasonable price. In this regard, the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD [AT&L]) also defined instances where DoD awarded contracts using competitive procedures where only a single bid was received, as ineffective competition.

Single-Bid Guidance

The Federal Acquisition Regulation (FAR) 15.403-1(c)(ii), "Prohibition on obtaining certified cost or pricing data," March 2005, states that a contracting officer may determine that adequate price competition existed when one bid was received to a competitive solicitation if there was reasonable expectation that two or more contractors would submit offers. Therefore, it was common practice within DoD to conclude that a bid submitted by a single contractor in response to full and open competition met the standard for adequate price competition because the contracting officer expected that two or more contractors would submit offers. DoD initiated action in September 2010 to scrutinize contracts awarded using competitive procedures where only a single bid was received.

OUSD (AT&L) issued several memorandums providing single-bid guidance.[1] As one of the goals in the single-bid guidance, OUSD (AT&L) required the Services' Competition Advocates to develop a plan to improve effective competition by 10 percent per year by removing obstacles to competitive bidding. The Services' Competition Advocates are the Deputy Assistant Secretary of the Army for Procurement, Office of the Assistant

[1] The OUSD (AT&L) single-bid guidance includes the following memoranda: "Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending," September 14, 2010; "Implementation Directive for Better Buying Power-Obtaining Greater Efficiency and Productivity in Defense Spending," November 3, 2010; "Improving Competition in Defense Procurements," November 24, 2010; and, "Improving Competition in Defense Procurement-Amplifying Guidance," April 27, 2011.

Secretary of the Army (Acquisition, Logistics, and Technology); the Deputy Assistant Secretary of the Navy, Acquisition and Procurement, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition); and the Deputy Assistant Secretary for Contracting, Office of the Assistant Secretary of the Air Force for Acquisition. The Services' Competition Advocates are responsible for promoting the acquisition of commercial items, promoting full and open competition, and challenging barriers to competition.

OUSD (AT&L) required that the Secretaries of the Military Departments conduct a review by January 31, 2011, of knowledge-based services contracts to determine the length of time the contracts were in effect before re-competition occurred. OUSD (AT&L) stated that the period of performance for single-bid knowledge-based services contracts should be limited to 3 years and required that each Secretary of the Military Departments develop a plan by March 1, 2011, to bring into compliance the 3-year period of performance limitation for knowledge-based services contracts.

OUSD (AT&L) required the following before issuing single-bid competitive contracts:

- When a solicitation is open for less than 30 days and only a single bid is received, the contracting officer should cancel and re-advertise the solicitation for a minimum of 30 additional days unless a waiver is obtained from the head of the contracting activity.
- When a solicitation is open for at least 30 days or has been re-advertised and only a single bid is received, the contracting officer should conduct negotiations with the offeror, unless a waiver is obtained by the head of the contracting activity.
- Negotiations should be based on certified cost or pricing data or data other than certified cost and pricing data. The contracting officer must document the negotiation in the business clearance/pricing negotiation memorandum.

OUSD (AT&L) clarified that:

- the single-bid guidance is applicable to all competitive procurements of supplies and services above the $150,000 simplified acquisition threshold, including commercial items and construction;
- the single-bid guidance does not apply to procurements in support of contingency operations, humanitarian assistance, disaster relief, peacekeeping operations, or recovery from nuclear, biological, chemical, or radiological attacks against the United States; and,
- contracting officers should use price or cost analysis in determining the contract price to be fair and reasonable rather than depending on the standard at FAR 15.403-1(c)(ii).

Tracking DoD Competition

Defense Procurement and Acquisition Policy (DPAP), OUSD (AT&L) established and monitored the improvements in achieving effective competition rates that were required by the single-bid guidance. DPAP defined effective competition as a market condition

that exists when more than one offer is received in response to a solicitation issued under full and open competitive procedures for:

- contracts and purchase orders;
- Simplified Acquisition Procedure Blanket Purchase Orders;
- delivery or task orders issued under multiple award schedules, Government-wide acquisition contracts, and indefinite delivery/indefinite quantity (ID/IQ) contracts;
- Blanket Purchase Agreements under Schedules; and
- single award ID/IQ contracts and the resulting delivery or task orders.

DPAP developed the DoD Effective Competition Report in the Federal Procurement Data System-Next Generation (FPDS-NG)[2] to identify all contract actions that resulted from competitive procedures where only a single bid was received. The DoD Effective Competition Report included actions resulting from Broad Agency Agreements (BAA), Small Business Innovation Research (SBIR), and Small Business Technology Transfers (STTR) contracts. DPAP developed a DoD FY 2010 baseline for Service efforts in achieving effective competition and used the baseline to establish FY 2011 effective competition goals for the Services. Table 1 depicts the baselines, goals, and achieved effective competition rates for the Services.

Table 1. Service Competition Baseline Rates, Goals, and Achievements

Service	FY 2010 Baseline	FY 2011 Goal	FY 2011 Achieved
Army	78.2	86.0	80.0
Navy	77.3	85.1	77.7
Air Force	70.5	77.5	85.0

Universe and Sample of FY 2011 Single-Bid Obligations

As of December 12, 2011, FPDS-NG included 17,525 contract actions, valued at over $24 billion, that the Services awarded between November 24, 2010 and September 30, 2011, under reportedly competitive circumstances in which a single offer was received. We reviewed a nonstatistical sample of contract actions that included 107 contracts, valued at almost $1.4 billion; 47 contract modifications, valued at approximately $461.3 million; and 83 BAA and SBIR contracts, valued at $96.3 million.

[2] FPDS-NG is a comprehensive computer-based tool established by the Office of Federal Procurement Policy that collects, develops, and disseminates procurement data to Congress, the Executive Branch, and the private sector.

Internal Control Weaknesses Within the DoD Single-Bid Program

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses in the implementation of single-bid guidance issued by OUSD (AT&L). Specifically, the Services' Competition Advocates did not adequately monitor their commands' implementation of the single-bid guidance to verify that contracting offices were properly following the single-bid guidance. The Services' Competition Advocates also did not establish an adequate review process to verify the accuracy of the contracting officers' input of single-bid competitive contracts information in FPDS-NG. Additionally, DPAP did not provide effective oversight of the implementation of the Services' plans to increase competition and incorporate the single-bid guidance requirements in policy before its expiration. We will provide a copy of the report to the senior official responsible for internal controls in OUSD (AT&L) and the Services.

Finding. Implementation of the DoD Single-Bid Guidance Needs Improvement

The Services did not follow DoD single-bid guidance when awarding 31 contracts, valued at approximately $656.1 million, out of the sample of 78[3] contracts awarded as competitive, valued at approximately $1 billion, that we reviewed. This occurred because the Services' Competition Advocates did not adequately monitor their commands' implementation of the single-bid guidance to verify the contracting offices were properly following the single-bid guidance.

Additionally, the Services' plans for increasing competition were not adequate because:

- the Competition Advocates did not develop specific steps to improve competition rates in their plans;
- the Competition Advocates did not develop specific steps to prevent 39 of 47 contract modifications, valued at $390.9 million, from exceeding the 3-year limitation on awarding contract modifications without first re-competing; and
- DPAP did not provide effective oversight of the Services' implementation of the plans.

DPAP allowed the single-bid guidance to expire. This occurred because DPAP did not incorporate the single-bid guidance requirements in policy within 180 days of issuance. In this regard, DPAP did not timely initiate action to include the single-bid guidance in the Defense Federal Acquisition Regulation Supplement (DFARS). DPAP also did not classify the 83 BAA and SBIR contracts reviewed, valued at $96.3 million, as having effective competition. This occurred because DPAP did not identify BAA, SBIR, and STTR contracts as having effective competition in the DoD Effective Competition Report.

In addition, the Services improperly coded 29 of 107 contracts initially selected for review as single-bid competitive contracts in FPDS-NG because the Services' Competition Advocates did not establish an adequate review process to verify the accuracy of the contracting officers' input of single-bid competitive contracts information into FPDS-NG.

As a result, the Services have not realized potential cost savings associated with increased competition at initial contract award and with re-competing 39 contract modifications, valued at $390.9 million. Furthermore, the Services and OUSD (AT&L) cannot accurately determine the percentage of improvement in Service competition rates achieved in FY 2011.

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[3] Of the 107 contracts we reviewed, 29 were improperly coded. Therefore, we could only apply the single-bid guidance to 78 of the contracts.

Implementation of Single-Bid Guidance Could Be Improved

The Services did not follow DoD single-bid guidance when awarding 31 contracts, valued at approximately $656.1 million, out of the sample of 78 contracts awarded as competitive, valued at approximately $1 billion, that we reviewed. Specifically, contracting offices:

- issued 16 of 31 single-bid contracts, valued at $165.3 million, without advertising solicitations for 30 days;
- issued 8 of 31 single-bid contracts, valued at $471.0 million, without adequately determining price reasonableness; and
- issued 7 of 31 single-bid contracts, valued at $19.8 million, without advertising solicitations for 30 days and adequately determining price reasonableness.

This occurred because the Services' Competition Advocates did not adequately monitor their commands' implementation of the single-bid guidance to verify that contracting offices were properly following the single-bid guidance. Table 2 illustrates the 31 instances where the Services did not follow applicable single-bid guidance. See Appendix B. for a breakout of all 78 sample contracts by Service.

Table 2. Improper Implementation of Single-Bid Guidance by Service

Service	30 Day Rule		Price Reasonableness		Both	
	Number	Value (millions)	Number	Value (millions)	Number	Value (millions)
Army	9	$150.0	8	$471.0	7	$19.8
Navy	4	2.1	0	0	0	0
Air Force	3	13.3	0	0	0	0
Total	**16**	**$165.3***	**8**	**$471.0**	**7**	**$19.8**

*Column does not sum because of rounding.

The Services Did Not Always Advertise Solicitations for 30 Days

The Services' contracting offices issued 16 of the 31 single-bid contracts, valued at $165.3 million, without advertising solicitations for 30 days. OUSD (AT&L) guidance required contracting officers to advertise solicitations for at least 30 days to facilitate the receipt of multiple offers. However, the Services did not always follow this guidance. For example, the United States Army Medical Research and Materiel Command (USAMRMC) advertised a solicitation for a commercial DNA sequencer from March 1, 2011, through March 8, 2011, a total of 7 days. USAMRMC received only one offer. Instead of re-soliciting the solicitation for an additional 30 days as the single-bid guidance required, USAMRMC awarded the contract to the single offeror on March 22, 2011. The contracting officials stated that they did not believe the November 24, 2010, OUSD (AT&L) memorandum applied to commercial items. The

OUSD (AT&L) guidance did not specifically exclude commercial items and DPAP intended for the single-bid guidance to apply to acquisitions of commercial items. Posting a solicitation for less than 30 days hinders competition because contractors may not have sufficient time to prepare and provide a well-developed proposal.

Determination of Price Reasonableness Needs Improvement

The Army awarded 8 of the 31 single-bid contracts, valued at $471.0 million, without adequately determining price reasonableness. OUSD (AT&L) guidance required the contracting officers to use price or cost analysis to make a determination of price reasonableness rather than depend on the expectation of competition as stated in FAR 15.403-1(c)(ii). However, the Army did not always adhere to this guidance. For example, the Army Contracting Command-Aberdeen Proving Ground (ACC-APG) issued four task orders, between March and August 2011, to a single-bid competitive contract they awarded in 2003 for the Common Hardware/Software System. ACC-APG did not conduct price reasonableness determinations for the orders. Instead, the contracting officer relied on the price determination made in 2003 when ACC-APG awarded the base contract. According to a DPAP official, OUSD (AT&L) intended that the single-bid guidance apply to task/delivery orders, regardless of the date when the contract was awarded.

Contracts Without Proper Solicitations and Price Reasonableness Determinations

In the remaining 7 of 31 instances, the Army awarded single-bid competitive contracts, valued at $19.8 million, without advertising solicitations for at least 30 days and adequately determining price reasonableness. For example, ACC-APG solicited a requirement for tactical radios on May 27, 2011. ACC-APG closed the solicitation 10 days later, after receiving only one offer. The contracting office also did not perform a price reasonableness determination. Without making an adequate price reasonableness determination, the contracting office may not have received the best price for the Army.

Better Oversight of Single-Bid Guidance Implementation Needed

The Services' Competition Advocates did not adequately monitor their commands' implementation of the single-bid guidance to verify that contracting officers were properly following the single-bid guidance. DPAP required that all contracting officers follow the single-bid guidance. To confirm that contracting officers were adhering to procurement policy, the Competition Advocates are responsible for reviewing the contracting operations of their agency. Within the Navy, the Competition Advocate used their formal, internal Procurement Performance Management Assessment Program reviews to confirm that Navy contracting officer's properly implemented the single-bid guidance. Even with the Competition Advocate oversight, we noted that the Navy contracting officers did not advertise 4 of 25 solicitations in our sample for at least 30 days.

Competition Advocates within the Army and Air Force did not establish a formal process to confirm that their contracting officer's were advertising solicitations for at least 30 days and sufficiently determining price reasonableness. Of the 31 instances of

inadequate implementation of the single-bid guidance, 24 occurred within the Army and 3 occurred within the Air Force. *The Services' Competition Advocates should develop plans and procedures to adequately monitor their commands' implementation of the single-bid guidance and require contracting offices to implement the single-bid guidance.*

Competition Reports Lacked Specific Detail

The Services' competition plans were not adequate because the Services' Competition Advocates did not include specific steps to improve competition rates in their competition plans and DPAP did not adequately review the content of the Services' competition plans. DPAP issued, "Competition Report for FY 2010," December 16, 2010, to provide implementing guidance for drafting the competition plans and to require each Competition Advocate to provide their FY 2010 competition report to DPAP by January 21, 2011. DPAP required the Services to include historical data in their competition reports, as well as, goals and plans for increasing competition on a fiscal year basis.

In response, the Services' Competition Advocates prepared FY 2010 competition reports but did not include specific goals and plans for increasing competition. For example, the Navy FY 2010 Competition Report outlined FY 2010 achievements and barriers to competition and identified a FY 2011 competition goal of increasing the competition rate by two percent over the competition rate achieved during FY 2010. However, the report did not identify specific, measurable steps Navy components should take to accomplish the goal. Specific, measurable steps would enable the Navy Competition Advocate to hold contracting offices within the Navy accountable for actions that could increase competition. *The Services' Competition Advocates should develop specific goals and plans to increase competition and include metrics to track improvements in their competition plans.*

However, the report did not identify specific, measurable steps Navy components should take to accomplish the goal.

DPAP manages the single-bid program and receives the Services' competition reports. Although, the December 16, 2010, DPAP memorandum required the Services' Competition Advocates include plans for attaining future years' competitive contract award goals, a DPAP representative acknowledged that the competition reports only presented a historical look at competition. DPAP could better manage the Services' ability to reach their competitive contract award goals if the competition reports included measurable goals and plans to achieve improved competitive contract award rates. *DPAP should review the Services' competition reports to verify that they include specific goals and plans for increasing competition.*

Management Actions for the Development of Goals and Plans to Increase Competitive Contract Awards

In May 2012, the Air Force Competition Advocate provided us with the "Air Force Competition Report Fiscal Year 2011," January 2012, indicating that the competition report addressed goals and plans to increase competitive procurements. The competition report outlined contracting office practices used to achieve effective competition.

Specifically, the competition report indicated that the Air Force continued to pursue competition by engaging Competition Advocates early in the acquisition process and used available resources to ensure the widest dissemination of contract opportunities. Additionally, the report indicated that the Air Force awarded multiple-award ID/IQ contracts where appropriate, emphasized robust market research, challenged overly restrictive requirements, and used industry days to convey program needs and increase industry participation. The report identified that the Air Force achieved a FY 2011 effective competition rate of 85 percent and DPAP assigned a FY 2012 effective competition goal of 93.5 percent. According to an Air Force representative, the Air Force achieved an effective competition goal of 88.5 percent by the end of the second quarter of FY 2012. If the Air Force removes the award of contract modifications, the effective competition goal achieved increases to 97 percent. Therefore, we did not make a recommendation for the Air Force Competition Advocate to develop specific goals and plans to increase competition and include metrics to track improvements in their competition plans.

Single-Bid Contract Modifications Exceeded 3-Year Limitation

The Services' plans related to the 3-year limitation of contract modifications were not adequate to prevent 39[4] of 47 contract modifications, valued at $390.9 million, from being awarded after the 3-year limitation after contract award without re-competing the requirement. This occurred because the Services did not develop specific goals and plans to reduce the number of contract modifications awarded that exceeded the 3-year award limitation and DPAP did not effectively monitor the Services' reviews and plans related to enforcing the 3-year award limitation of making contract modifications to single-bid competitive knowledge-based services contracts. OUSD (AT&L) required the Secretaries of the Military Departments to review knowledge-based services contracts to determine the length of the contract performance period before the contract requirements were re-competed and develop a plan to bring into compliance the 3-year performance limitation for knowledge-based services contracts. OUSD (AT&L) stated that the period of performance for single-bid knowledge-based services contracts should be limited to 3 years. The Services' Competition Advocates should have conducted a review and developed a plan relating to the 3-year limitation on making contract modifications awarded on single-bid competitive knowledge-based services contracts.

> *The Services' plans…were not adequate to prevent 39 of 47 contract modifications, valued at $390.9 million, from being awarded after the 3-year limitation...*

[4] The Services' awarded 8 of 47 contract modifications after November 24, 2010, that had not reached the 3-year limitation after contract award.

Table 3 illustrates the results of our review of single-bid knowledge-based services contract modifications by Service.

Table 3. Knowledge-based Services Contract Modifications Exceeding 3 Years

Service	Modifications Reviewed	Value (millions)	Modifications Exceeding 3 Years	Value (millions)
Army	17	$280.6	14	$255.9
Navy	20	128.4	18	112.0
Air Force	10	52.3	7	22.9
Total	**47**	**$461.3**	**39**	**$390.9***

*Column does not sum because of rounding.

The Deputy Assistant Secretary of the Navy (Acquisition and Procurement) (DASN [AP]) initiated a review of the length of contract performance periods in the Navy and developed a plan related to the 3-year period of performance limitation in awarding knowledge-based services contract modifications, as required by the OUSD (AT&L). The Navy's review resulted in the DASN (AP) issuing, "Enhancing Competition for Services Contracts," December 21, 2011. The DASN (AP) issuance established an optimum recommended period of performance of 3 years for all new Navy knowledge-based services contracts and 5 years for all other service contracts. However, the Navy issuance did not address existing contracts. According to a Navy representative, the Navy is allowing knowledge-based services contracts to expire under their own timeline because Navy does not have the contracting workforce to re-award the contracts. Of the 20 Navy knowledge-based services contract modifications we reviewed, Navy issued 18 contract modifications at least 3 years after they awarded the single-bid competitive contracts. Of these 18 knowledge-based services contract modifications, 10 modifications were over 6 years from base contract award. The Navy could have potentially realized cost savings associated with re-competing the 18 contracts. *The Navy Competition Advocate should identify existing single-bid competitive knowledge-based services contracts with planned future modifications that would exceed the 3-year limitation for modification award and establish a plan to re-compete those contracts for potential competition cost savings.*

> *Of the 20 Navy knowledge-based services contract modifications…10 modifications were over 6 years from base contract award.*

The Army and Air Force Competition Advocates did not conduct a review or develop a plan to review the length of the performance period of their knowledge-based services contracts. Of the 27 Army and Air Force knowledge-based service contract modifications we reviewed, Army issued 14 and Air Force issued 7 contract modifications that were awarded at least 3 years after they awarded the single-bid competitive contracts. The Army and Air Force could have potentially realized cost savings associated with re-competing the 21 contracts. *As with the Navy, the Army and Air Force Competition Advocates should conduct a review to identify single-bid*

competitive knowledge-based services contracts where future planned modifications would exceed the 3-year limitation for modification award and establish a plan to re-compete those contracts for potential competition cost savings.

DPAP did not monitor the Services' reviews and plans related to the 3-year limitation of making contract modifications after contract award for single-bid competitive contracts. On November 3, 2010, OUSD (AT&L) required the Secretaries of the Military Departments provide a plan by March 1, 2011, related to the period of performance for contract modifications made for single-bid knowledge-based services competitive contracts. DPAP did not follow up with the Services to confirm that the Services conducted adequate reviews and developed a plan to reduce the percentage of contract modifications that exceeded the 3-year limitation for modification award. *DPAP should direct the Services' Competition Advocates to conduct adequate modification reviews and develop plans to verify that contracting officers re-compete planned modifications that exceed the 3-year limitation for modification award after base contract award for single-bid competitive knowledge-based services contracts.*

Single-Bid Guidance Expired

DPAP allowed the single-bid guidance to expire before incorporating the single-bid guidance requirements in DoD policy. The DoD Instruction 5025.01, "DoD Directives Program," updated on July 1, 2010, requires the Office of the Secretary of Defense Components to incorporate all DoD memorandums into existing DoD issuances or convert them into new DoD issuances before their 180-day expiration. OUSD (AT&L) issued single-bid guidance memorandums between September 14, 2010, and April 27, 2011. The single-bid guidance memorandums effectively expired on October 24, 2011.

OUSD (AT&L) did include the initiative for Competition Advocates to develop a plan to improve the rate of effective competition in the "DoD FY 2011 Strategic Management Plan," December 30, 2010. However, OUSD (AT&L) did not subsequently provide the detailed single-bid requirements in the "DoD FY 2011 Strategic Management Plan," December 30, 2010. Specifically, the DoD FY 2011 Strategic Management Plan did not include the single-bid requirements to advertise solicitations for at least 30 days and use price or cost analysis to make fair and reasonable price determinations.

Management Actions to Include Single-Bid Guidance in the Defense Federal Acquisition Regulation Supplement

On July 25, 2011, OUSD (AT&L) proposed an amendment to the DFARS to address acquisitions using competitive procedures in which only one offer is received. The amendment will incorporate the single-bid guidance in the DFARS. DoD issued the single-bid update to the DFARS on June 29, 2012. Therefore, we did not make a recommendation for DPAP to revise DoD procurement policy to incorporate the detailed requirements in the single-bid guidance.

Selected Research Contract Actions That Should Be Classified as Having Effective Competition

DPAP did not classify the 83 BAA and SBIR contracts, valued at $96.3 million, as having effective competition. DPAP, in the design of the DoD Effective Competition Report, did not identify BAA, SBIR, and STTR[5] contracts as resulting from having effective competition. BAA, SBIR, and STTR contracts represent a different type of competition than for standard procurements. The BAA is a competitive solicitation that requests research ideas for a general area. The BAAs are continuously open, normally for at least 1 year, and proposals are evaluated throughout the year when received. An agency will award contracts against the BAA based on the technical feasibility of the proposal and fund availability. The SBIR and STTR programs are intended to increase technological innovation. The SBIR and STTR programs are structured in three phases[6] where offerors cannot progress into the next phase until successfully completing the first phase. An agency will award contracts against the SBIR and STTR solicitations based on the technical feasibility and commercial potential of the proposed research efforts. Further, contracting officers commonly code the BAA, SBIR, and STTR contracts as competitive single-bids in FPDS-NG. Table 4 illustrates the number of BAA and SBIR contracts per Service.

Table 4. BAA and SBIR Contracts by Service

Service	Total	Value (millions)	Reviewed	Value (millions)
Army	506	$331.9	26	$30.6
Navy	401	391.3	13	11.9
Air Force	668	373.5	44	53.8
Total	**1,575**	**$1,096.7**	**83**	**$96.3**

For the DoD Effective Competition Report in FPDS-NG, DPAP identified all instances where one bid to a solicitation was received as not having effective competition. The DoD Effective Competition Report included BAA, SBIR, and STTR contract actions as having ineffective competition because the contracting officers coded them as receiving a single bid, even though the solicitations receive multiple bids. A DPAP representative stated that SBIR and STTR contract actions are specifically identified in FPDS-NG and could be reclassified as having effective competition. Additionally, the DPAP representative stated that it might be possible to identify BAA contract actions in

[5] The overall single-bid contract actions the Services issued included BAA, SBIR, and STTR contracts. Our above sample only included BAA and SBIR contracts. However, the STTR and SBIR programs are structured the same and represent the same type of competitive environment. Therefore, our review results are applicable to STTR contracts, as well as, BAA and SBIR contracts.

[6] Phase I is to establish the technical merit, feasibility, and commercial potential of the proposed research effort. Phase II is to continue the research efforts initiated in Phase I. Phase III is for the small business to pursue commercialization objectives resulting from the Phase I and II research activities.

FPDS-NG. Furthermore, DPAP representatives stated that the intent of the single-bid guidance was to address routine procurement actions, not BAAs, SBIRs, or STTRs. Excluding BAA, SBIR, and STTR contracts from statistics for contracts as having ineffective competition would assist DPAP and the Services in accurately assessing their competition rates. *Therefore, DPAP should modify the DoD Effective Competition Report to exclude BAA, SBIR, and STTR contracts from being assessed in statistics as having ineffective competition.*

Improving the Coding of Single-Bid Competitive Contracts

The Services' contracting officers incorrectly coded 29 of 107 contracts initially selected for review as single-bid competitive contracts in FPDS-NG because the Services' Competition Advocates did not establish an adequate review process to verify the accuracy of the contracting officers' input of single-bid competitive contracts information into FPDS-NG. Table 5 illustrates the number of miscoded contracts by Service.

Table 5. Miscoded Contracts by Service

Service	Total Contracts Reviewed	Value (millions)	Contracts Miscoded	Value (millions)
Army	51	$786.9	15	$116.7
Navy	32	422.9	7	163.7
Air Force	24	152.1	7	79.6
Total	**107**	**$1,361.9**	**29**	**$360.0**

The Services' contracting officers incorrectly coded 19 of 29 contracts as single-bid competitive contracts when the contracts received multiple bids. The Services solicited the request for proposals on contracts under full and open competition procedures. The Services received multiple bids for each solicitation; however, the Services' contracting officers coded the contracts as single-bid competitive contracts in FPDS-NG. For example, the Naval Facilities Engineering Command (NAVFAC) issued request for proposal N69450-10-R-1760 on April 1, 2011, and closed it on May 19, 2011. NAVFAC received four bids to the solicitation and awarded contract N69450-11-C-1760 on September 7, 2011. In error, the NAVFAC contracting officer coded the contract as a single-bid competitive contract in FPDS-NG.

Additionally, the Services' contracting officers incorrectly coded 8 of 29 contracts as single-bid competitive contracts for contracts that were solicited under other than full and open competition procedures. FAR section 6.302, "Circumstances permitting other than full and open competition," March 2005, lists seven circumstances that permit other than full and open competition. For example, the Naval Air Systems Command awarded N0019-11-C0300 after determining that only one responsible source was available to satisfy agency requirements. However, the contracting office incorrectly coded the contract as a single-bid competitive contract in FPDS-NG rather than coding it as limited

competition. In the two remaining instances, the Navy and Air Force incorrectly coded orders as single-bid competitive actions when the orders were never issued.

The Services' Competition Advocates did not adequately review the contracting officers' input of single-bid competitive contracts information into FPDS-NG. Accurate coding of single-bid competitive contracts would enable the Services' Competition Advocates to accurately assess improvements in their Commands' competition rate. *The Services' Competition Advocates should develop procedures to monitor their contracting officers' input of single-bid competitive contract information into FPDS-NG.*

Management Actions Related to the Accuracy of Single-Bid Competitive Contract Data in FPDS-NG

In May 2012, the Air Force Competition Advocate provided us with the "Air Force Competition Report Fiscal Year 2011," dated January 2012, indicating that the competition report addressed the coding of single-bid competitive contracts in FPDS-NG. Specifically, the competition report indicated that all Air Force contracting personnel were required to attend FPDS-NG coding training to ensure FPDS-NG data were entered correctly. Establishing mandatory FPDS-NG training should help to reduce coding errors within FPDS-NG; however, the Air Force Competition Advocate should develop procedures to monitor the contracting officers' input of single-bid competitive contract information into FPDS-NG.

Conclusion

The Services have not realized potential cost savings associated with increased competition at initial contract award and with re-competing 39 contract modifications, valued at $390.9 million. The Services can increase competition by re-competing single-bid contracts that exceed the 3-year limitation on awarding contract modifications after base contract award.

Furthermore, the Services and the OUSD (AT&L) cannot accurately measure improvements in Service competition rates for FY 2011. The OUSD (AT&L) reported that the Army, Navy, and Air Force achieved FY 2011 effective competition rates of 80 percent, 77.7 percent, and 85 percent, respectively. The effective competition rates do not accurately represent the level of competition achieved by the Services because the rates included contracts improperly coded as single-bid and did not recognize BAA, SBIR, or STTR contracts as having effective competition. Without an accurate representation of the level of competition achieved by the Services, the Services and the OUSD (AT&L) do not know their actual effective competition rates realized and the OUSD (AT&L) cannot set realistic improvement goals for effective competition.

Management Comments on the Finding and Our Response

Management Comments on Effective Competition Goal

The DASN (AP) stated that a sentence in the background read, "As one of the goals in the single-bid guidance, OUSD (AT&L) required the Services' Competition Advocates develop a plan to improve effective competition by 10 percent per year by reducing funds obligated to single-bid contracts." He stated that while the desired outcome from improvements in effective competition would yield a lower percentage of funds obligated to single-bid contracts over time, the OUSD (AT&L) guidance preferred achieving improvements in effective competition through removing obstacles to competitive bidding in solicitation. Therefore, DASN (AP) suggested that the sentence be revised to read, "As one of the goals in the single-bid guidance, OUSD (AT&L) required the Services' Competition Advocates to develop a plan to improve effective competition by 10 percent per year by removing obstacles to competitive bidding."

Our Response

As a result of the DASN (AP) comments, we revised the sentence in the final report.

Management Comments on 3-Year Limitation

DASN (AP) stated that the draft report stated, "OUSD (AT&L) stated that the period of performance for single-bid, knowledge-based services contracts should be limited to 3 years," while the guidance stated that the "period of performance for single-award knowledge-based services contracts should normally be limited to 3 years, including options." He also stated the general 3-year period of performance applied to the entire population of knowledge-based services contracts rather than just those competitive solicitations where a single bid was received.

Additionally, DASN (AP) stated that OUSD (AT&L) clarified that its guidance was not intended as a mandatory limitation on contract length, instead leaving this decision regarding applicability of the 3-year general rule to the Senior Services Managers. He stated that there were other instances in the draft report where OUSD (AT&L) guidance said "single-award" and was replaced with "single-bid."

Our Response

While the DASN (AP) stated that the terms single-award and single-bid have different meanings, a DPAP representative confirmed that in this instance, single-award actions and one-bid proposals were considered to be the same. Additionally, although the Department of the Navy Senior Services Manager decided to allow existing services contracts to run to completion, the Navy may achieve additional cost savings by re-competing existing single-bid, competitive, knowledge-based services contracts exceeding 3 years. Therefore, we made no revisions to the final report.

Management Comments on the Single-Bid Guidance Expiration

The Director, DPAP stated that the draft report references DoD Instruction 5025.01, "DoD Directives Program," as it applies to DoD issuances that were defined as DoD Directives, DoD Instructions, DoD Manuals, DoD Publications, DoD Directive-Type Memorandums, and Administrative Instructions. He also stated that DoD Instruction 5025.01 provided policy for the DoD Directives Program, including that Directive-Type Memorandums are to be effective for no more than 180 days from the date signed. He stated that the OUSD (AT&L) memoranda providing single-bid guidance did not meet the definitions for Directive-Type Memorandums as they did not provide changes to DoD issuances. Further, the Director asserted that the revised policy pertained to the FAR system and was separate from the DoD Directives program. Therefore, he concluded that the single-bid memoranda were not subject to the 180-day expiration requirement.

Our Response

The single-bid guidance did meet the definition of Directive-Type Memorandum. A Directive-Type Memorandum is issued for time-sensitive actions that affect current issuances or that will become DoD issuances. Time-sensitive actions are those that are directed by the Secretary or Deputy Secretary of Defense.

The single-bid guidance originated from an efficiency initiative led by the Secretary and Deputy Secretary of Defense discussed in the OUSD (AT&L) memorandum, "Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending," June 28, 2010. The initiative required DoD to conduct activities more efficiently, such as leveraging real competition by avoiding substitutes for real competition.

Additionally, many of the requirements identified in the single-bid guidance were effective immediately. DPAP could have incorporated the single-bid guidance into a DoD issuance, but eventually chose to update DFARS. On June 29, 2012, DoD updated DFARS to address acquisitions using competitive procedures in which only one offer is received.

Recommendations, Management Comments, and Our Response

1. We recommend that the Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics):

a. Review the Services' competition reports to verify that they include specific goals and plans for increasing competition.

Director, Defense Procurement and Acquisition Policy Comments

The Director, DPAP agreed and stated that DPAP reviewed the Military Departments' competition reports to ensure specific goals were included in the reports for the upcoming

fiscal year and that the Services established plans to improve overall and effective competition goals. In addition, he stated that DPAP conducted quarterly Competition Advocate meetings to review progress against the goals and identified shortfalls, understood opportunities for improvement, and promoted initiatives that reduced barriers to competition.

b. Direct the Services' Competition Advocates to conduct adequate modification reviews and develop plans to verify that contracting officers re-compete planned modifications that exceed the 3-year limitation for modification award for single-bid competitive knowledge-based services contracts.

Director, Defense Procurement and Acquisition Policy Comments

The Director, DPAP agreed and stated that the Under Secretary of Defense for Acquisition, Technology, and Logistics would provide guidance to the Military Departments to conduct reviews of single-award, knowledge-based services contracts that exceed the recommended 3-year limitation, including options, and develop plans for more frequent re-competes as appropriate. He stated that the methodology for conducting the reviews and preparing the plans would be left to the Senior Service Managers. Furthermore, the Director indicated that he would receive copies of the plans.

Our Response

Comments from the Director, DPAP for Recommendations 1.a. and 1.b. were responsive, and no further comments were required.

c. Modify the DoD Effective Competition Report to exclude Broad Agency Agreements, Small Business Innovation Research, and Small Business Technology Transfers contracts from being assessed as having ineffective competition.

Director, Defense Procurement and Acquisition Policy Comments

The Director, DPAP partially agreed. He stated that DPAP would exclude SBIR and STTR contract actions from the DoD Effective Competition Report calculations because they can be tracked in the FPDS-NG. In addition, he stated that DPAP could not exclude BAA contract actions from the effective competition calculations because BAA designations for contract actions were not collected centrally.

Our Response

Comments from the Director, DPAP were partially responsive. The Director agreed to exclude SBIR and STTR contract actions from the DoD Effective Competition Report, but could not exclude BAA contract actions because they were not collected centrally. However, we identified BAA contracts by meeting with Army, Navy, and Air Force contracting officials and obtaining contract file documentation. DPAP could coordinate with the Services during the quarterly Competition Advocate meetings to identify and exclude BAA contract actions. BAA contracts represent a different type of competition

than standard procurements and should be excluded from the DoD Effective Competition Report. Therefore, we request that the Director reconsider his position on the recommendation and provide additional comments on the final report.

2. We recommend that the Deputy Assistant Secretary of the Army for Procurement, Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology):

a. Develop plans and procedures to adequately monitor the Department of the Army commands' implementation of the single-bid guidance and require that Army contracting offices implement the single-bid guidance.

Deputy Assistant Secretary of the Army (Procurement) Comments

The Deputy Assistant Secretary of the Army (Procurement) (DASA [(P]) agreed and stated that on June 29, 2012, the Defense Acquisition Regulations Council issued a final rule amending DFARS to address acquisitions using competitive procedures in which only one offer was received. DASA (P) issued a Principal Assistant Responsible for Contracting Alert on July 16, 2012, to address the guidance for soliciting and awarding single-offer contracts. He stated that he would also issue a Principal Assistant Responsible for Contracting Alert to advise the contracting community that they must include a review of single-bid awards in their Contract Management Reviews. DASA (P) also stated that the FY 2013 Procurement Management Review Program's Contract Execution Toolkit would include questions that address single-bid awards and that he would issue guidance to the contracting community to include these questions in their Contract Management Reviews.

b. Develop specific goals and plans to increase competition and include metrics to track improvements in the Department of the Army competition plan.

Deputy Assistant Secretary of the Army (Procurement) Comments

DASA (P) agreed and stated that the Head of Contracting Activities/Principal Assistant Responsible for Contracting Operations was working with the contracting commands to develop a methodology for developing meaningful competition goals. He stated that the results would be incorporated into the Army's FY 2012 competition report. DASA (P) also stated that he instituted quarterly Contract Enterprise Reviews to track performance metrics, which includes tracking competition. Additionally, he stated that contracting offices tracked effective competition by tracking single-bid procurements in order to improve better buying power.

c. Conduct a review to identify single-bid competitive knowledge-based services contracts where future planned modifications would exceed the 3-year limitation for modification award and establish a plan to re-compete those contracts for potential competition cost savings.

Deputy Assistant Secretary of the Army (Procurement) Comments

DASA (P) agreed and stated that one of its initiatives was the establishment of a quarterly Contracting Enterprise Review to track performance metrics, which included tracking competition. In addition, he stated that a subset of the competition metric for single-offer contracts with the options exceeding 3 years would be added in FY 2013.

d. Develop procedures to monitor the Department of the Army contracting officers' input of single-bid competitive contract data into the Federal Procurement Data System - Next Generation.

Deputy Assistant Secretary of the Army (Procurement) Comments

DASA (P) agreed and stated that in FY 2013, DASA (P) would monitor single-offer contracts and run monthly reports to ensure accuracy of data entered into the FPDS-NG. He stated that results would be reported through the quarterly Contract Enterprise Review. DASA (P) also stated that he would issue a Principal Assistant Responsible for Contracting Alert in the first quarter of FY 2013 with instructions to correct Contracting Action Reports for null value contracts.

Our Response

Comments from DASA (P) were responsive, and no further comments were required.

3. **We recommend that the Deputy Assistant Secretary of the Navy, Acquisition and Procurement, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition):**

a. Develop plans and procedures to adequately monitor the Department of the Navy commands' implementation of the single-bid guidance and require that Navy contracting offices implement the single-bid guidance.

Deputy Assistant Secretary of the Navy (Acquisition and Procurement) Comments

DASN (AP) agreed and stated that the Department of the Navy issued directive implementation for cases where competitive solicitations resulted in only one offer that required compliance with the single-bid guidance. Additionally, he stated that the Navy used the Procurement Performance Management Assessment Program reviews to confirm compliance with the single-bid guidance and ensure that obstacles to competitive bidding were removed through the Department of the Navy Peer Review Program. DASN (AP) also stated that through the approval of the business clearance memoranda, Procurement Performance Management Assessment Program reviews, and Peer Review Program, the Navy had already fulfilled the recommendation to implement guidance and adequately monitor compliance with the single-bid guidance.

b. Develop specific goals and plans to increase competition and include metrics to track improvements in the Department of the Navy competition plan.

Deputy Assistant Secretary of the Navy (Acquisition and Procurement) Comments

DASN (AP) agreed and stated that the Navy already had procedures in place for developing specific goals and plans to increase competition. He also stated that the Navy had established targets for overall and effective competition goals based on OUSD (AT&L) guidance, which was measured using FPDS-NG. Additionally, DASN (AP) stated that the Navy participated in quarterly Competition Advocate meetings with DPAP to review and discuss progress against the overarching goals, identify any shortfalls, understand opportunities for improvement, and promote initiatives that remove barriers to competition. He also stated that the Competition Advocates at each activity were responsible for plans to increase competition and for preparing an annual report of competition achievement. The annual reports include a proposed command goal for competition and effective competition in the coming fiscal year.

Our Response

Comments from DASN (AP) for Recommendations 3.a. and 3.b. were responsive, and no further comments were required.

c. Identify existing single-bid competitive knowledge-based contracts with planned future modifications that would exceed the 3-year limitation for modification award and establish a plan to re-compete those contracts for potential competition cost savings.

Deputy Assistant Secretary of the Navy (Acquisition and Procurement) Comments

DASN (AP) disagreed. He stated that the OUSD (AT&L) guidance did not include a mandatory 3-year limitation on any contract nor did it include a 3-year limitation for contract modifications on existing single-award, knowledge-based services contracts. DASN (AP) stated that the Navy Senior Services Manager made a decision to allow existing services contracts to run to completion.

Our Response

Comments from DASN (AP) were not responsive. Although the Navy Senior Services Manager decided to allow existing services contracts to run to completion, the Navy might achieve additional cost savings by re-competing existing single-bid, competitive, knowledge-based services contracts exceeding 3 years. We request that DASN (AP) reconsider his position on the recommendation and provide additional comments on the final report.

d. Develop procedures to monitor the Department of the Navy contracting officers' input of single-bid competitive contract data into the Federal Procurement Data System - Next Generation.

Deputy Assistant Secretary of the Navy (Acquisition and Procurement) Comments

DASN (AP) agreed and stated that the Navy already had procedures in place to collect and monitor the contracting officers' input of all contract data into FPDS-NG. He also stated that the Navy Marine Corps Acquisition Regulation Supplement required the Head of Contracting Activities to complete a quarterly data verification and validation review and submit the quarterly results to him. Additionally, DASN (AP) stated that by December 1 of each year, each activity was required to submit annual certification and data validation results for the preceding fiscal year. These annual certifications include errors found and corrective actions taken.

Our Response

Comments from DASN (AP) were responsive, and no further comments were required.

4. We recommend that the Deputy Assistant Secretary for Contracting, Office of the Assistant Secretary of the Air Force for Acquisition:

a. Develop plans and procedures to adequately monitor the Department of the Air Force commands' implementation of the single-bid guidance and require that Air Force contracting offices implement the single-bid guidance.

Deputy Assistant Secretary of the Air Force (Contracting) Comments

The Deputy Assistant Secretary for Contracting (DAS [C]) agreed and stated that the DPAP single-bid memorandum and subsequent DFARS rule were disseminated to the Air Force contracting activities and briefed during conferences. She stated that the Air Force would rely on existing clearance procedures outlined in the Air Force FAR Supplement 5301-90 to verify compliance with the single-bid guidance. Additionally, DAS (C) stated that the Air Force set the approval authority for waivers to the single-bid guidance at the Chief of the Contracting Office level to ensure higher level oversight. She also stated that the Air Force would include the single-bid requirements as a special interest item on the Air Force contracting Unit Compliance Checklist, with an estimated completion date of January 31, 2013.

DAS (C) stated that the Air Force previously identified, and provided backup documentation to DoD IG, to demonstrate that the Air Force had only two instances where the 30-day rule was not followed. She requested that the report reflect only two instances. DAS (C) stated that training would be provided to the contracting workforce at the two locations where the violations occurred to ensure future compliance.

Our Response

Comments from DAS (C) were responsive, and no further comments were required. We reviewed the backup documentation provided by the Air Force and identified there were still three instances where the 30-day rule was not followed.

b. Conduct a review to identify single-bid competitive knowledge-based services contracts where future planned modifications would exceed the 3-year limitation for modification award and establish a plan to re-compete those contracts for potential competition cost savings.

Deputy Assistant Secretary of the Air Force (Contracting) Comments

DAS (C) agreed and stated that the Better Buying Power Initiative, Improving Tradecraft in Service Acquisitions, was assigned to the Program Executive Officer for Services, and therefore, she provided comments on the Program Executive Officer's behalf. She stated that the acquisition approval authority reviewed modifications to single-bid, knowledge-based service contracts before award to determine whether or not they should be re-competed or limited to a 3-year period of performance. DAS (C) also stated that the initiative did not make mandatory a 3-year limitation of single-award, knowledge-based service contracts, only that it indicated that single award actions should normally be limited to 3 years. Finally, she stated that the Air Force was and continued to be in compliance with the FAR and its supplements with respect to contract periods of performance.

Our Response

Comments from DAS (C) were responsive, and no further comments were required.

c. Develop procedures to monitor the Department of the Air Force contracting officers' input of single-bid competitive contract data into the Federal Procurement Data System - Next Generation.

Deputy Assistant Secretary of the Air Force for Contracting Comments

DAS (C) agreed and stated that procedures were in place to monitor Air Force contracting officer's input of single-bid competitive contract data into the FPDS-NG. Specifically, she stated that in 2011, she required the contracting organizations that did not meet the Air Force effective competition goal to verify for accuracy all contract action reports coded as ineffective and to correct any miscoded contract action reports. Further, DAS (C) stated that quarterly data verification and validation exercises were conducted to review, for accuracy, a representative sample of contract action reports that included elements related to the single-bid regulations.

In addition, DAS (C) stated that she distributed the FPDS-NG effective competition reports to the Air Force Competition Advocates quarterly and, as of FY 2012, required contract action reports coded as ineffective to be reviewed for accuracy. She stated that to further improve the accuracy of report coding, she would establish mandatory training for contracting personnel responsible for completing contract action reports and would continue to use the quarterly data verification and validation exercises and data calls to identify and address systemic issues. DAS (C) provided an estimated completion date of January 31, 2013.

Additionally, DAS (C) stated that the draft report indicated the Air Force had seven contract action report coding errors, while the discussion draft stated the Air Force had six. She requested that we correct the report to reflect six contract action report coding errors.

Our Response

Comments from DAS (C) were responsive, and no further comments were required. The audit team reviewed documentation and confirmed that the Air Force had seven errors with FPDS-NG coding.

Appendix A. Scope and Methodology

We conducted this performance audit from August 2011 through July 2012 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.

To determine whether DoD properly awarded single-bid contracts, we reviewed contract actions awarded following the issuance of single-bid competitive contract guidance on November 24, 2010. FPDS-NG included 171,288 single-bid contract actions, valued at $39.6 billion, for DoD during FY 2011. We removed contract actions for which the single-bid guidance was not applicable. Specifically, we removed actions below the $150,000 simplified acquisition threshold, actions that were identified as related to overseas contingency operations, and actions that were awarded before November 24, 2010. Additionally, we did not review single-bid contract actions awarded by the Defense Logistics Agency or other defense agencies. As a result, the audit universe consisted of 17,525 single-bid contract actions, valued at over $24.0 billion. See Table A-1 for a summary of single-bid contract actions by Service.

Table A-1. Single-Bid Contract Actions by Service

Service	Contracts	Value (millions)	Mods	Value (millions)	BAA/ SBIR/ STTR	Value (millions)
Army	2,521	$4,608.1	3,030	$6,448.0	506	$331.9
Navy*	2,924	3,095.8	4,485	5,742.9	401	391.3
Air Force	1,022	1,053.9	1,968	1,997.2	668	373.5
Total	**6,467**	**$8,757.8**	**9,483**	**$14,188.1**	**1,575**	**$1,096.7**

We selected a nonstatistical sample of 328 competitive, single-bid contract actions, valued at nearly $5.4 billion, based on contracting office and dollar value. We identified 51 of the 328 contract actions, valued at $951.4 million, for which the single-bid guidance was not applicable and removed them from our sample. Specifically, we removed contract actions that were solicited before November 24, 2010, and awarded after November 24, 2010; contract actions that were supported by a justification for soliciting under other than full and open competition; and, contract actions that were for overseas contingency operations or architect-engineer services. As a result, we reviewed 277 contract actions, valued at $4.4 billion. See Table A-2 for a summary of the sample we reviewed.

*Navy values include Marine Corps single-bid contract actions.

Table A-2. Sample of Single-Bid Actions by Service

Service	Contracts	Value (millions)	Mods	Value (millions)	BAA/ SBIR	Value (millions)
Army	51	$786.9	27	$1,336.6	26	$30.6
Navy	32	422.9	30	1,290.1	13	11.9
Air Force	24	152.1	30	342.7	44	53.8
Total	**107**	**$1,361.9**	**87**	**$2,969.5***	**83**	**$96.3**

*Column does not sum because of rounding

We obtained contract information from the Electronic Data Access database and solicitations from the Federal Business Opportunities for some of the contracts within the sample. We requested that the Services' contracting offices provide documentation for the contracts within the selected nonstatistical sample. We reviewed the solicitation documentation to determine if the contracting commands had provided for an open competition environment for the award. Additionally, we reviewed the contract award documentation to determine if the solicitation was open for at least 30 days and that the Government received a fair and reasonable price. We also identified whether the contracting office awarded each contract in compliance with single-bid guidance and properly coded each contract in FPDS-NG.

We obtained contract modifications and related single-bid competitive contracts from the Electronic Data Access database for the 87 contract modifications reviewed within the sample. We reviewed the modification documentation to determine if the modification was for a single-bid competitive knowledge-based services contract issued more than 3 years prior, the modification was within the scope of work of the base contract, and whether cost overruns occurred. We identified that 47 of 87 contract modifications, valued at $461.3 million, were for single-bid competitive knowledge-based services.

To accomplish the audit objectives, we:

- met with DPAP officials to determine their responsibilities as they related to awarding single-bid contract actions. We discussed their duties related to the monitoring of contract competition, the establishment of service competition goals, the chairing of quarterly Competition Advocate meetings, as well as, the issuance of single-bid contract policy.

- met with Army, Navy, and Air Force contracting officials to obtain an understanding of their roles and responsibilities as they apply to the awarding of single-bid contract actions. We discussed the impact of the single-bid guidance on contract negotiations. We also discussed efforts to reduce ineffective competition, as well as, their interactions with OUSD (AT&L) regarding competition statistics. They provided solicitations, bid proposals, price or cost analysis documentation, and business clearance negotiation memorandums for the contracts in our audit sample. During June 2012, the Air Force provided additional contract documentation to support contracts in our audit sample.

- reviewed the following OUSD (AT&L) single-bid guidance to determine whether DoD followed applicable guidance when awarding competitive contracts after receiving a single offer: "Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending," September 14, 2010; "Implementation Directive for Better Buying Power-Obtaining Greater Efficiency and Productivity in Defense Spending," November 3, 2010; "Improving Competition in Defense Procurements," November 24, 2010; and, "Improving Competition in Defense Procurement-Amplifying Guidance," April 27, 2011.

Use of Computer-Processed Data

To perform this audit, we used solicitations in Federal Business Opportunities, contract actions in the Electronic Document Access database, and the universe of single-bid contract action reported in FPDS-NG. To assess the accuracy of the computer-processed data, we compared data in the Federal Business Opportunities and Electronic Document Access to data in the FPDS-NG. We also compared the Federal Business Opportunities, Electronic Document Access, and FPDS-NG data to contract awards, solicitations, negotiations, proposal analyses, and other contract documentation from the contract files provided by the Services' contracting offices. We relied on the contract file documentation provided by the Services' contracting officers for our analysis. As a result of our analysis, we concluded that data obtained through the Federal Business Opportunities and the Electronic Document Access was sufficiently reliable to accomplish our audit objectives. We also concluded that there were several instances of miscoding in the FPDS-NG data; however, the FPDS-NG data was sufficiently reliable to identify a universe of single-bid contract actions, identify our nonstatistical sample, and accomplish our audit objectives.

Use of Technical Assistance

We worked with the DoD Office of Inspector General Quantitative Methods Division to determine the nonstatistical sample selection.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the DoD Inspector General each issued a report with findings related to the award of competitive single-bid contracts. Unrestricted GAO reports can be accessed over the Internet at http://www.gao.gov. Unrestricted DoD Inspector General reports can be accessed at http://www.dodig.mil/audit/reports.

GAO

GAO-10-833, "Opportunities Exist to Increase Competition and Assess Reasons When Only One Offer Is Received," July 26, 2010

DoD IG

Report No. D-2009-082, "SeaPort Enhanced Program," May 6, 2009

Appendix B. Services' Implementation of Single-Bid Guidance for 78 Sample Contracts

We reviewed 78 single-bid competitive contracts issued by the Army, Navy, and Air Force. We identified that the Services did not follow DoD single-bid guidance when awarding 31 competitive contracts, valued at approximately $656.1 million, out of the sample of 78 competitive contracts, valued at approximately $1 billion, that we reviewed. Table B-1 illustrates the breakout of single-bid adherence by Service.

Table B-1. Implementation of Single-Bid Guidance By Service

Service	Total Sample	Value (millions)	In Compliance with Single-Bid Guidance	Value (millions)	Not in Compliance with Single-bid Guidance	Value (millions)
Army	36	$670.2	12	$29.4	24	$640.8
Navy	25	259.3	21	257.2	4	2.1
Air Force	17	72.5	14	59.2	3	13.3
Total	**78**	**$1,001.9***	**47**	**$345.8**	**31**	**$656.1***

*Column does not sum because of rounding.

Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics Comments

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION, TECHNOLOGY AND LOGISTICS

SEP 12 2012

MEMORANDUM FOR PROGRAM DIRECTOR FOR ACQUISITION AND CONTRACT MANAGEMENT

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS NS 9/13/12

SUBJECT: Response to DoD IG Draft Report on Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts (Project No. D2011-D000AT-0253.000)

Thank you for the opportunity to review and comment on the subject report. In addition to responses on the specific recommendations, we provide the following technical comment on the finding that DPAP allowed the single-bid guidance to expire. The draft report references DoD Instruction (DoDI) 5025.01, "DoD Directives Program," as it applies to DoD issuances that are defined as DoD Directives, DoD Instructions, DoD Manuals, DoD Publications, DoD Directive-Type Memorandums (DTMs), and Administrative Instructions. The DoDI 5025.01 provides policy for the DoD Directives Program, including at 4.d., that DTMs shall be effective for no more than 180 days from the date signed. DTMs are time sensitive, temporary changes to existing DoD issuances or will result in a new DoD issuance. The OUSD (AT&L) memoranda providing single-bid guidance do not meet the definitions for DTMs as they do not provide changes to "DoD issuances." Instead, the revised policy pertains to the Federal Acquisition Regulation (FAR) System and is separate from the DoD Directives Program. Accordingly, the finding is inaccurate and the memoranda are not subject to the 180 day expiration requirement. It is our position that guidance issued by Department of Defense leadership that pertains to the FAR System is not covered by DoDI 5025.01 and remains in effect until it is rescinded or replaced.

Recommendation 1.a, 1.b, 1.c: We recommend that the Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics):

a. Review the Services' competition reports to verify that they include specific goals and plans for increasing competition.
b. Direct the Services' Competition Advocates to conduct adequate modification reviews and develop plans to verify that contracting officers re-compete planned modifications that exceed the 3-year limitation for modification award for single-bid competitive knowledge-based services (KBS) contracts.
c. Modify the DoD Effective Competition Report to exclude Broad Agency Agreements (BAA), Small Business Innovation Research (SBIR), and Small Business Technology Transfers (STTR) contracts from being assessed as having ineffective competition.

Response 1.a, 1.b, 1.c:

a. Concur: As our standard practice, DPAP reviews the Military Departments (i.e., Services) competition reports to ensure specific goals are included in the reports for the upcoming fiscal year, and that the Military Departments have established plans to improve overall and effective competition. For example, DPAP established FY 2012 overall and effective competition goals for the Military Departments that increased the rate of overall competition by two percent and effective competition by ten percent from FY 2011 actual achieved competition rates. These goals were included in each of the Services FY 2011 Competition Reports, and the Military Departments have identified and implemented specific measurable actions and goals to increase effective competition. DPAP conducts quarterly competition advocate meetings to review progress against the goals and identify shortfalls, understand opportunities for improvement, and promote initiatives that will reduce barriers to competition.

b. Concur: The USD (AT&L) will provide guidance to the Military Departments to conduct reviews of single award KBS contacts that exceed the recommended three year limitation, including options, and develop plans for more frequent re-competes as appropriate. The methodology for conducting the reviews and preparing the plans will be left to the Senior Service Managers. Copies of these plans will be provided to the Director, DPAP.

c. Partially Concur: SBIR and STTR contract actions can be tracked in FPDS-NG and therefore, we will exclude them from the DoD Effective Competition report calculations. However, BAA designations for contract actions are not currently collected centrally, so there is no immediate way to systematically exclude them from the effective competition calculations until a collection mechanism can be identified at some point in the future.

Please contact [redacted] at [redacted] or [redacted] if additional information is required.

Richard Ginman
Director, Defense Procurement
and Acquisition Policy

Department of the Army Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

SAAL-PP

SEP 3 2012

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL, OFFICE OF THE DEPUTY INSPECTOR GENERAL FOR AUDITING, 4800 MARK CENTER DRIVE, ALEXANDRIA, VA 22350

SUBJECT: Department of Defense Inspector General Draft Report on Improvement Needed with DoD Single-Bid Program to Increase Effective Competition for Contracts (Project No. D2011-D000AT-0253.000)

1. On behalf of the Acting Assistant Secretary of the Army (Acquisition, Logistics and Technology), I am providing the official Army position on subject draft audit report.

2. After reviewing the report, I concur with the four recommendations. Enclosed are the recommendations and responses. I will ensure careful execution and monitoring of actions taken in response to your recommendations, and institute additional courses of action should internal reviews determine insufficient progress towards improvement.

3. My point of contact for the action is [redacted] at [redacted] or [redacted]

Encl

Kim D. Denver
Deputy Assistant Secretary
of the Army (Procurement)

Response to the Recommendations
for the Deputy Assistant Secretary of the Army for Procurement, Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology)
on the
DoD IG Discussion Draft of Proposed Report
Project No. D2011-D000AT-0253.000
Improvement Needed With DoD Single-Bid Program to Increase Competition for Contracts

2a. **Recommendation:** Develop plans and procedures to adequately monitor the Department of the Army commands' implementation of the single-bid guidance and require that Army contracting offices implement the single – bid guidance.

2a. **Concur:** On June 29, 2012, the Defense Acquisition Regulations Council issued a final rule amending the Defense Federal Acquisition Regulation System to address acquisitions using competitive procedures in which only one offer is received. The Office of the Deputy Assistant Secretary of the Army for Procurement (ODASA(P)) issued a Principal Assistant Responsible for Contracting (PARC) Alert (i.e., implementation guidance) on July 16, 2012 to the PARCs, Policy Chiefs and Alternates addressing the guidance for soliciting and awarding single offer contracts. The fiscal year 2013 (FY13) Procurement Management Review (PMR) Program's Contract Execution Toolkit (CET) will be modified by September 30, 2012 to include questions that address single bid/offer awards. Starting in FY13, Army's contracting commands will be required to utilize the CET, which is a web-based application with ODASA(P)-level visibility, for execution of their contract management reviews in accordance with Appendix CC of the Army's Federal Acquisition Regulation Supplement (AFARS). Training for use of the CET at the command-level is being scheduled for September 2012. The ODASA(P) will issue guidance to the contracting community to institutionalize this practice by October 2012.

2b. **Recommendation:** Develop specific goals and plans to increase competition and include metrics to track improvements in the Department of Army competition plan.

2b. **Concur:** The Director for HCA/PARC Operations is working with the contracting commands to develop a methodology for developing meaningful competition goals. The results will be incorporated into the Army's FY12 competition report for OSD. In April 2012, the DASA(P) instituted quarterly Contract Enterprise Reviews to track performance metrics, which includes tracking competition. Each contracting organization is held accountable for achieving their assigned goals. Additionally, contracting offices track effective competition by tracking single-bid procurements in order to improve better buying power.

2c. **Recommendation:** Conduct a review to identify single-bid competitive knowledge-based service contracts where future planned modifications would exceed the 3-year general limitation for modification award and establish a plan to re-compete those contracts for potential competition cost savings.

2c. **Concur:** In April 2012, the DASA(P) instituted quarterly Contract Enterprise Reviews to track performance metrics, which includes tracking competition. A subset of the competition metric to track single-offer contracts with option periods exceeding three (3) years will be added in FY 13.

2d. **Recommendation:** Develop procedures to monitor the Department of Army contracting officers' input of single-bid competitive contract data into the Federal Procurement Data System - Next Generation.

2d. **Concur:** Starting in FY13, the ODASA(P) will monitor single offer contracts and run monthly reports to ensure accuracy of data entered into FPDS-NG. Results will be reported via the quarterly Contracting Enterprise Review. Additionally, in the first quarter of FY13, the ODASA(P) will send a PARC Alert with instructions to correct Contracting Action Reports for "null value" contracts. These efforts will ensure contracts are correctly coded and Competition and Small Business percentages are accurately reported.

Department of the Navy Comments

DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

September 7, 2012

MEMORANDUM FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Department of the Navy Response to DoDIG Draft Report on Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts (Project No. D2011-D000AT-0253.000)

The Department of the Navy (DoN) response to the DoDIG Draft Report is attached. The response includes detailed comments to the introduction and findings contained in the draft report as well as the responses pertaining to the recommendations proposed by DoDIG. The Navy's response is to be incorporated into the final DODIG report.

Thank you for the opportunity to review and comment on the subject draft report. My point of contact is [redacted] [redacted] or [redacted]

Elliott B. Branch
Deputy Assistant Secretary of the Navy
(Acquisition & Procurement)

Attachments:
As stated

cc:
NAVIG

Final Report Reference

Department of the Navy (DON) Comments on
DODIG Draft Report on Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts (Project No. D2011-D000AT-0253.000)

DON Technical and Management Comments regarding the Draft Report Introduction, Background Statements, and Findings.

Page 1, second paragraph under Sub-Heading 'Single-Bid Guidance':

The second sentence in this paragraph reads "As one of the goals in the single-bid guidance, OUSD (AT&L) required the Services' Competition Advocates develop a plan to improve effective competition by 10 percent per year by reducing funds obligated to single-bid contracts". The OUSD (AT&L) Better Buying Power (BBP) guidance for cases where competition resulted in only one proposal (i.e, the 'single-bid guidance') only addressed ensuring that solicitations are open for at least 30 days and, if only one proposal is received, ensuring that fully negotiated pricing and cost data are used as appropriate to determine a fair and reasonable price. Further, the OUSD (AT&L) guidance did not describe or direct achieving improvement in effective competition by reducing funds obligated to single-bid contracts.

While the desired outcome from improvements in effective competition will yield a lower percentage of funds obligated to single-bid contracts over time, the OUSD (AT&L) guidance preferred achieving improvements in effective competition through removing obstacles to competitive bidding in solicitations. This is achieved through adequate market research, removal of restrictive specifications and source selection criteria, and providing adequate time for proposal preparation, which are prospective in nature. Accordingly, the DON believes this sentence should be revised to read "As one of the goals in the single-bid guidance, OUSD (AT&L) required the Services' Competition Advocates develop a plan to improve effective competition by 10 percent per year by removing obstacles to competitive bidding". Revised

Page 2, first full paragraph:

The second sentence begins with "OUSD (AT&L) stated that the period of performance for single-bid knowledge-based services contracts should be limited to 3 years . . .". The OUSD (AT&L) guidance actually states that the period of performance for single-award [emphasis added] knowledge-based services contracts should normally be limited to 3 years, including options, and provides for longer periods where appropriate and justified by the senior manager for services. This is an important distinction because the separate guidance on improving tradecraft in services acquisition applies the general 3 year period of performance to the entire population of knowledge-based services contracts rather than just those competitive solicitations where a single bid or offer was received. Additionally, OUSD (AT&L) has clarified further that their guidance was not intended as a mandatory limitation on contract length, instead leaving this decision regarding applicability of the 3-year general rule for knowledge-based services to the Senior Service Managers in conjunction with the applicable acquisition approval authority.

There are other instances in the draft report where OUSD (AT&L) guidance clearly says 'single-award' and was replaced with 'single-bid' in the draft report.

1

Department of the Navy (DON) Comments on
DODIG Draft Report on Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts (Project No. D2011-D000AT-0253.000)

Page 9, section entitled 'Single-Bid Contract Modifications Exceeded 3-Year Limitation':

This section addresses a 3-year limitation on contract modifications for existing contracts. The initial June 28, 2010 USD (AT&L) BBP Memorandum introduced the upcoming guidance as prospective and emphasized two points about this set of initiatives, the first of which included the statement that "[we] will be concentrating on new contracts as they are awarded in coming years . . . ". The OUSD (AT&L) guidance did not include a mandatory 3-year limitation on any contract nor did it include a 3-year limitation for contract modifications on existing services contracts.

The two sentences preceding the last sentence on page 9 state "OUSD (AT&L) required the Secretaries of the Military Departments to review knowledge-based services contracts to determine the length of the contract performance period before the contract requirements were re-competed and develop a plan to bring into compliance the 3-year performance limitation for knowledge-based services contracts. OUSD (AT&L) stated that the period of performance for single-bid knowledge-based services contracts should be limited to 3 years".

These statements incorrectly reflect the guidance in the November 3, 2010 OUSD (AT&L) Memo and the DON believes these sentences should instead say "OUSD (AT&L) required the Secretaries of the Military Departments to review knowledge-based services contracts to determine the length of time before re-competition occurs and develop a plan to bring knowledge-based services contracts into closer compliance with the 3-year general limitation. OUSD (AT&L) stated that the period of performance for single-award knowledge-based services contracts should normally be limited to 3 years including options".

The DON also believes the last sentence on page 9 and the last sentence in the first full paragraph on page 10 do not reflect the OUSD (AT&L) guidance because there is no 3-year limitation on making contract modifications for existing contracts.

The DON Senior Services Manager, for example, made a conscious decision to allow existing services contracts to run to completion, including any options and established policy for the optimum period of performance for new knowledge-based and other type services contracts in its December 21, 2011 Memo entitled 'Enhancing Competition for Services Contracts. This approach is consistent with the initial guidance in the June 28, 2010 BBP Memo to concentrate on new contracts as they are awarded in the coming years to ensure they reflect the new efficiencies. This approach does not override appropriate management and oversight of existing contracts or the requirement in Federal Acquisition Regulation (FAR) 17.207(c) stating that the contracting officer may exercise options only after determining, among other things, that the requirement covered by the option fulfills an existing Government need and exercise of the option is the most advantageous method of fulfilling the Government's need, price and other factors considered.

Department of the Navy (DON) Comments on
DODIG Draft Report on Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts (Project No. D2011-D000AT-0253.000)

DON Management Comments regarding DODIG Recommendations 3.a., 3.b., 3.c., and 3.d.

DODIG Recommendation 3.a.:

We recommend that the Deputy Assistant Secretary of the Navy, Acquisition and Procurement, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition) develop plans and procedures to adequately monitor the Department of the Navy commands' implementation of the single-bid guidance and require that Navy contracting offices implement the single-bid guidance.

DON Response:

Concur: The DON issued directive implementation for cases where competitive solicitations result in only one offer on December 1, 2010 that required compliance with the November 03, 2010 OUSD (AT&L) guidance described under the heading '1-bid proposals' (aka., single-bid). The December 1, 2010 DON implementing memorandum required that acquisitions be re-solicited for an additional 30 days or negotiated with the sole offeror unless a waiver is obtained from the HCA as appropriate; and, further required that results of these negotiations be documented in appropriate business clearance memoranda.

As noted in the DODIG Draft Report, the DON uses the Procurement Performance Management Assessment Program (PPMAP) reviews to confirm compliance with the guidance for cases where only one offer is received. As part of PPMAP, each of our Heads of Contracting Activity (HCAs) is also required to review their subordinate contracting activities on a regular basis. Additionally, the DON Peer Review Program requires an independent review of competitive solicitations valued greater than $50 million prior to their issuance to ensure, in part, that any obstacles to competitive bidding are removed and opportunities for improvement in effective competition are in place. These two programs are designed to ensure continuous improvement and sharing of best practices in our contracting actions as well as continuous improvement in compliance with current regulation and policy with necessary corrective action as anomalies are identified. Through the approval of businesses clearance memoranda, use of the PPMAP reviews and use of the Peer Review Program, the DON believes it has already fulfilled the recommendation to implement guidance and adequately monitor compliance with, among other things, the OUSD (AT&L) guidance for competitive solicitations where only one offer is received.

Target Completion Date: Completed.

Department of the Navy (DON) Comments on
DODIG Draft Report on Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts (Project No. D2011-D000AT-0253.000)

DODIG Recommendation 3.b.:

We recommend that the Deputy Assistant Secretary of the Navy, Acquisition and Procurement, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition) develop specific goals and plans to increase competition and include metrics to track improvements in the Department of the Navy competition plan.

DON Response:

Concur: DON procedures for developing specific goals and plans to increase competition are already in place. As standard practice, the DON establishes targets for overall and effective competition goals based on OUSD (AT&L) guidance and direction, which is measured using the reported dollars obligated in the Federal Procurement Data System (FPDS-NG). The DON participates in quarterly competition advocate meetings with OUSD (AT&L) DPAP to review and discuss progress against the overarching goals, identify any shortfalls, understand opportunities for improvement and promote initiatives that remove barriers to competition.

Within DON, the competition advocates at each Head of Contracting Activity (HCA) are responsible for plans to increase competition and for preparing an annual report of competition achievement in accordance with Federal Acquisition Regulation (FAR) 6.5., which is on a Fiscal Year basis using the standard FPDS-NG dollars obligated report and is submitted in the first quarter of the following Fiscal Year. Each of the HCAs is also required to include a proposed command goal for competition and, most recently, for effective competition in the coming Fiscal Year (FY) with their submission. These goals are reviewed in light of the overarching DON goals and any known impediments, and individual command goals are established. As noted, progress is reviewed quarterly. Additionally, Acquisition Strategies for Services and Acquisition Plans are required to address a contracting strategy, including competition, and program level competition plans are reviewed regularly with each Program Manager. The DON Peer Review Program requires an independent review of competitive solicitations valued greater than $50 million prior to their issuance to ensure, in part, that any obstacles to competitive bidding are removed or mitigated and opportunities for improvement in effective competition are in place and used during source selection. The DON believes it has already fulfilled the recommendation to develop and monitor goals and plans to increase competition. The annual DON competition report will continue providing a summary of significant actions and issues from across the DON following the format set forth in FAR 6.5., and will include a summary of significant achievements in increasing competition. DON plans and initiatives addressing increased competition in specific areas will continue separately.

Target Completion Date: Completed.

Department of the Navy (DON) Comments on
DODIG Draft Report on Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts (Project No. D2011-D000AT-0253.000)

DODIG Recommendation 3.c.:

We recommend that the Deputy Assistant Secretary of the Navy, Acquisition and Procurement, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition) identify existing single-bid competitive knowledge-based contracts with planned future modifications that would exceed the 3-year limitation for modification award and establish a plan to re-compete those contracts for potential competition cost savings.

DON Response:

Non-Concur: As noted in separate DON technical comments on the draft report, the OUSD (AT&L) guidance did not include a mandatory 3-year limitation on any contract nor did it include a 3-year limitation for contract modifications on existing single-award knowledge-based services contracts. OUSD (AT&L) has clarified further that their guidance was not intended as a mandatory limitation on contract length, instead leaving this decision regarding applicability of the 3-year general rule for knowledge-based services to the Senior Service Managers in conjunction with the applicable acquisition approval authority. Further, the initial June 28, 2010 USD (AT&L) BBP Memorandum introduced the upcoming guidance as prospective and emphasized two points about this set of initiatives, the first of which included the statement that we will be concentrating on new contracts as they are awarded in coming years to ensure they reflect the new efficiencies. Based on this guidance the DON Senior Services Manager made a conscious decision to allow existing services contracts to run to completion, including any options and established policy for the optimum period of performance for new knowledge-based and other type services contracts in its December 21, 2011 Memo entitled 'Enhancing Competition for Services Contracts.

While DON is applying its policy for optimum period of performance to new knowledge-based and other type services contracts, this does not override ongoing requirements for appropriate management and oversight of existing contracts, including any options in those contracts. As required by Federal Acquisition Regulation (FAR) 17.207(c), contracting officers may exercise options only after determining, among other things, that the requirement covered by the option fulfills an existing Government need and exercise of the option is the most advantageous method of fulfilling the Government's need, price and other factors considered. Additionally, the DON Peer Review Program requires Post-Award Peer Reviews on all contract options for services valued greater than $50 million prior to exercise of an option with a preference that the Post-Award Peer Review be conducted at the midpoint of period of performance or in sufficient time to complete the review and disposition of recommendations prior to exercise of an option. Post-Award Peer Reviews focus on, among other things, ensuring that Government procedures and personnel monitor contract performance and that contractor performance in terms of cost, schedule and requirements is consistent with the terms of the contract before exercising an option. The DON Senior Services Manager has established services portfolio managers and tools to further improve oversight of existing and future services contracts.

Target Completion Date: Completed.

Department of the Navy (DON) Comments on
DODIG Draft Report on Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts (Project No. D2011-D000AT-0253.000)

DODIG Recommendation 3.d.:

We recommend that the Deputy Assistant Secretary of the Navy, Acquisition and Procurement, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition) develop procedures to monitor the Department of the Navy contracting officers' input of single-bid competitive contract data into the Federal Procurement Data System - Next Generation.

DON Response:

Concur: DON procedures to collect and monitor the Contracting Officers' input of all contract data into the Federal Procurement Data System – Next Generation (FPDS-NG) are already in place. The DON complies with Contract Reporting requirements set forth in Federal Acquisition Regulation (FAR) Subpart 4.6 and Defense (FAR) Supplement (DFARS) 204.6, which identify responsibilities for submission and accuracy of the individual contract action reports and for periodic data validation. The Navy Marine Corps Acquisition Regulation Supplement (NMCARS) 5204.604 requires the HCAs to complete a quarterly data verification and validation in accordance with OUSD's established processes and to submit quarterly results and certifications of the data to the Deputy Assistant Secretary of the Navy (Acquisition and Procurement) (DASN(AP)). Additionally, by December 1 of each year, the HCAs are required to submit the required annual certification and data validation results for the preceding fiscal year reporting data. These reports include identification of errors found and corrective action taken, including any additional training for users and Contracting Officers to ensure continuous improvement in the accuracy of submitted data. The DON believes it has already fulfilled the recommendation to monitor the input of competitive contract data where only one proposal was received.

Target Completion Date: Completed.

Department of the Air Force Comments

DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

24 AUG 2012

MEMORANDUM FOR DoD Office of Inspector General

FROM: SAF/AQC
1060 Air Force Pentagon
Washington, DC 20330

SUBJECT: DoDIG Proposed Report of Audit, Improvement Needed with DoD Single-bid Program to Increase Effective Competition for Contracts (Project: D2011-D000AT-0253.000)

I concur with the intent of the audit recommendations of the DoDIG Proposed Report of Audit, Project No. D2011-D000AT-0253.000. Specific management comments to the audit are attached.

If you have any questions or concerns regarding our comments, please contact [redacted] SAF/AQCP, at [redacted]

Wendy M Masiello

WENDY M. MASIELLO, Maj Gen, USAF
Deputy Assistant Secretary (Contracting)
Assistant Secretary (Acquisition)

Attachment:
Management Comments

Final Report Reference

DoD Office of Inspector General
Proposed Report of Audit, Review of DoD Implementation of Single-Bid Program
(Project No. D2011-D000AT-0253.000)

Audit Results 1 – Better Oversight of Single-Bid Guidance Implementation Needed

Recommendation.

4.a. DAS(C) should develop plans and procedures to adequately monitor the Department of the Air Force commands' implementation of the single-bid guidance and require that Air Force contracting offices implement the single-bid guidance.

DAS(C) Comments:

The DAS(C) concurs with the intent of the recommendation.

The single-bid guidance was mandated via DPAP interim policy memoranda and a DFARS final rule. The DAS(C) disseminated the DPAP memoranda and the subsequent DFARS rule to the Air Force contracting activities. The single-bid guidance was also briefed at quarterly policy chief teleconferences and at the Air Force Contracting Worldwide Conference in 2011. The Air Force relies on existing procedures to monitor implementation and compliance with all requirements for contracting. Specifically, legal review and the Air Force clearance process are used to verify compliance with the "single-bid" guidance as well as all other regulatory and statutory requirements. The clearance process is fully described at AFFARS 5301-90. Furthermore, the Air Force set the approval authority for waivers to the single-bid guidance at the Chief of the Contracting Office level vice "one level above the contracting officer", as allowed for in the DFARS, to ensure higher level oversight. In addition, the Air Force will include the single-bid requirements as a special interest item on the Air Force contracting Unit Compliance Checklist, which is used to perform Unit Compliance Inspections. Estimated completion date: 31 Jan 2013.

In reviewing the Draft Audit Findings, the Air Force previously identified, and provided back-up documentation to the DoDIG, to demonstrate that the Air Force had only two instances where the 30-day rule was not followed; therefore, respectfully request Table 2, page 6, be corrected to reflect two instances vice three. At both locations where the violations occurred, training will be provided to the contracting workforce to ensure future compliance.

Audit Results 2 – Single-Bid Contract Modifications Exceeded 3-Year Limitation

Recommendation.

4.b. Conduct a review to identify single-bid competitive knowledge-based services contracts where future planned modifications would exceed the 3-year limitation for modification award and establish a plan to re-compete those contracts for potential competition cost savings.

DAS(C) Comments:

The DAS(C) concurs with the intent of the recommendation.

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Management approved FOUO comments can be decontrolled

Final Report Reference

The OUSD(AT&L) Better Buying Power Initiative (BBP), Improving Tradecraft in Service Acquisitions, was assigned by the Air Force Senior Acquisition Executive (SAE) to the Program Executive Officer (PEO) for Services, PEO/CM; therefore, the DAS(C) is providing comments on PEO/CM's behalf. As such, further inquiries regarding implementation should be directed to PEO/CM. PEO/CM met with Mr. Kendall, OUSD(AT&L), along with the other Senior Service Leaders, via the Senior Service Leaders forum, to discuss the implementation of Dr. Carter's BBP initiative regarding plans for the length of single-award knowledge-based service contracts. As a result, the acquisition approval authority reviews modifications to single-bid knowledge based service contracts prior to award to determine whether or not they should be re-competed or be limited to a 3-year period of performance; when feasible the contracts are limited to a 3-year period and re-competed. The OUSD(AT&L) BBP initiative did not make mandatory a 3-year limitation for single-award knowledge based service contracts, rather it indicated that single award actions should normally be limited to three years. Therefore, the AF was and continues to be in compliance with the Federal Acquisition Regulations and its Supplements with respect to contract periods of performance.

Audit Results 3 – Improving the Coding of Single-Bid Competitive Contracts

Recommendation.

4.c. The DAS(C) should develop procedures to monitor the Department of the Air Force contracting officers' input of single-bid competitive contract data into the Federal Procurement Data System – Next Generation.

DAS(C) Comments:

The DAS(C) concurs with the intent of the recommendation.

The DAS(C) has procedures in place to monitor Air Force contracting officers' input of single-bid competitive contract data into the Federal Procurement Data System (FPDS). Specifically, in 2011 the DAS(C) required contracting organizations not meeting the AF effective competition goal to verify for accuracy all CARs coded as "ineffective" and to correct any miscoded CARs. In addition, quarterly verification and validation exercises are conducted to review, for accuracy, a representative sample of CARs, as mandated by the Department. The CAR elements related to the "single-bid" regulations are included in the quarterly review. Furthermore, the DAS(C) distributes FPDS effective competition reports to the Air Force competition advocates, on a quarterly basis, and, as of the FY12, requires CARs coded as "ineffective" to be reviewed for accuracy. These steps will reduce the number of CAR coding errors. However, to further improve the accuracy of CAR coding, the DAS(C) will establish mandatory effective competition CAR coding training for contracting personnel responsible for completing CARs and will continue to utilize the quarterly verification and validation exercises and data calls to identify and address systemic issues. Estimated completion date: 31 Jan 2013

In comparing this Draft Report with the Discussion Draft, the Air Force noted a discrepancy where the former indicates 7 CAR coding errors and the latter indicates 6; therefore, respectfully request the report be corrected to reflect 6 errors.

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Management approved FOUO comments can be decontrolled

Inspector General
Department of Defense