An Evaluation of IDIQ Contracts for Services
William Lucyshyn, Jacques Gansler, and Amelia Corl, University of Maryland

Published: 30 April 2011

Disclaimer: The views represented in this report are those of the authors and do not reflect the official policy position of the Navy, the Department of Defense, or the Federal Government.
As the Department of Defense (DoD) seeks to transform itself for the 21st century, it has sought new and innovative methods to increase the effectiveness of its acquisition processes. One mechanism that attempts to accomplish this goal has been the expanded use of indefinite-delivery, indefinite-quantity (IDIQ) contracts. Questions can be raised about the best way to organize and manage an IDIQ contract. In order to develop a better understanding of this rapidly-growing contracting arrangement, we drew upon data from an electronic survey of members of the Professional Services Council (PSC), a national trade association of the government professional and technical services industry. The survey was developed as an empirical assessment of one population of firms experienced with the IDIQ contract vehicle. Our report analyzes the results of the survey and offers suggestions based on our findings.
The research presented at the symposium was supported by the Acquisition Chair of the Graduate School of Business & Public Policy at the Naval Postgraduate School.

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During his internship with the Graduate School of Business & Public Policy in June 2010, U.S. Air Force Academy Cadet Chase Lane surveyed the activities of the Naval Postgraduate School’s Acquisition Research Program in its first seven years. The sheer volume of research products—almost 600 published papers (e.g., technical reports, journal articles, theses)—indicates the extent to which the depth and breadth of acquisition research has increased during these years. Over 300 authors contributed to these works, which means that the pool of those who have had significant intellectual engagement with acquisition issues has increased substantially. The broad range of research topics includes acquisition reform, defense industry, fielding, contracting, interoperability, organizational behavior, risk management, cost estimating, and many others. Approaches range from conceptual and exploratory studies to develop propositions about various aspects of acquisition, to applied and statistical analyses to test specific hypotheses. Methodologies include case studies, modeling, surveys, and experiments. On the whole, such findings make us both grateful for the ARP’s progress to date, and hopeful that this progress in research will lead to substantive improvements in the DoD’s acquisition outcomes.

As pragmatists, we of course recognize that such change can only occur to the extent that the potential knowledge wrapped up in these products is put to use and tested to determine its value. We take seriously the pernicious effects of the so-called “theory–practice” gap, which would separate the acquisition scholar from the acquisition practitioner, and relegate the scholar’s work to mere academic “shelfware.” Some design features of our program that we believe help avoid these effects include the following: connecting researchers with practitioners on specific projects; requiring researchers to brief sponsors on project findings as a condition of funding award; “pushing” potentially high-impact research reports (e.g., via overnight shipping) to selected practitioners and policy-makers; and most notably, sponsoring this symposium, which we craft intentionally as an opportunity for fruitful, lasting connections between scholars and practitioners.

A former Defense Acquisition Executive, responding to a comment that academic research was not generally useful in acquisition practice, opined, “That’s not their [the academics’] problem—it’s ours [the practitioners’]. They can only perform research; it’s up to us to use it.” While we certainly agree with this sentiment, we also recognize that any research, however theoretical, must point to some termination in action; academics have a responsibility to make their work intelligible to practitioners. Thus we continue to seek projects that both comport with solid standards of scholarship, and address relevant acquisition issues. These years of experience have shown us the difficulty in attempting to balance these two objectives, but we are convinced that the attempt is absolutely essential if any real improvement is to be realized.

We gratefully acknowledge the ongoing support and leadership of our sponsors, whose foresight and vision have assured the continuing success of the Acquisition Research Program:

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• Deputy Assistant Secretary of the Navy (Acquisition & Logistics Management)
• Director, Strategic Systems Programs Office
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We also thank the Naval Postgraduate School Foundation and acknowledge its generous contributions in support of this Symposium.

James B. Greene, Jr. Rear Admiral, U.S. Navy (Ret.)
Keith F. Snider, PhD Associate Professor
Panel 8 – Issues in Services Contracting

Wednesday, May 11, 2011

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Rear Admiral David F. Baucom—Rear Admiral Baucom became the deputy assistant secretary of the Navy (Acquisition and Logistics Management) in September 2009. He provides policy and oversight to all Navy and Marine Corps contracting and acquisition logistics efforts and serves as the Department of Navy’s competition advocate and standardization executive. He is responsible for facilitating and improving the acquisition system by developing innovative processes and tools and proactively acquiring, interpreting, and sharing business intelligence and best practices.

Prior to assuming his current position, he served as assistant deputy chief of staff for Fleet Readiness and Training/Fleet supply officer at U.S. Fleet Forces Command. He had previously served as commanding officer, Fleet and Industrial Supply Center, Norfolk. A native of Blythewood, S.C., Baucom graduated with a Bachelor of Science degree in Industrial Management from Auburn University, where he received his commission through the Naval ROTC program in 1981. He also fulfilled all requisites for a second Bachelor of Science degree in Personnel Management And Industrial Relations from Auburn. He earned a Master of Science degree in Acquisition and Contract Management from the Naval Postgraduate School and a second Master of Science degree in National Resource Strategy from the Industrial College of the Armed Forces at the National Defense University.

He is a graduate of the Executive Program at the Darden Graduate School of Business Administration at the University of Virginia and a graduate of the Executive Program in Logistics and Technology at the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. He is a certified Level III acquisition professional in the contracting career field; a certified professional contracts manager in the National Contract Management Association; and a graduate of the Senior Acquisition Course at the Defense Acquisition University. He is a Lean Six Sigma Executive Green Belt, a qualified naval aviation supply officer, and a designated joint specialty officer.

Baucom served in a variety of key leadership positions afloat and ashore. At sea, he served as supply officer, USS Edward McDonnell (FF 1043); stock control officer, USS Theodore Roosevelt (CVN 71); and as the first supply officer in USS Ronald Reagan (CVN 76). Joint duty assignments include duty as the deputy assistant chief of staff for logistics at the Headquarters, Supreme Allied Command Transformation and in the Joint Staff, the Pentagon. Additionally, he served at the Fleet and Industrial Supply Center, Yokosuka, Japan; in the Office of Supply Corps Personnel; and in the Enlisted Plans Division at the Bureau of Naval Personnel. He served as the executive assistant to the deputy commander for Logistics in the Naval Supply Systems Command; in the Space and Naval Warfare Systems Command; and as a White House military aide to President and Mrs. Ronald Reagan.
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William Lucyshyn—Director of Research and Senior Research Scholar, Center for Public Policy and Private Enterprise, School of Public Policy, University of Maryland. In this position, Mr. Lucyshyn directs research on critical policy issues related to the increasingly complex problems associated with improving public-sector management and operations, and how government works with private enterprise. Current projects include: modernizing government supply chain management, identifying government sourcing and acquisition best practices, and Department of Defense business modernization and transformation. Previously, Mr. Lucyshyn served as a program manager and the principal technical advisor to the Director of the Defense Advanced Research Projects Agency (DARPA) on the identification, selection, research, development, and prototype production of advanced technology projects. Prior to joining DARPA, Mr. Lucyshyn completed a 25-year career in the U.S. Air Force. Mr. Lucyshyn received his bachelor’s degree in Engineering Science from the City University of New York and earned his master’s degree in Nuclear Engineering from the Air Force Institute of Technology. He has authored numerous reports, book chapters, and journal articles. [lucyshyn@umd.edu]

Jacques Gansler—Former Under Secretary of Defense for Acquisition, Technology, and Logistics, and Professor, Roger C. Lipitz Chair in Public Policy and Private Enterprise, School of Public Policy, University of Maryland. Dr. Gansler is the Director of both the Center for Public Policy and Private Enterprise and the Sloan Biotechnology Industry Center. As the third-ranking civilian at the Pentagon from 1997 to 2001, Professor Gansler was responsible for all research and development, acquisition reform, logistics, advance technology, environmental security, defense industry, and numerous other security programs.

Before joining the Clinton Administration, Dr. Gansler held a variety of positions in government and the private sector, including Deputy Assistant Secretary of Defense (Material Acquisition), Assistant Director of Defense Research and Engineering (electronics), Executive Vice President at TASC, Vice President of ITT, and engineering and management positions with Singer and Raytheon Corporations.

Throughout his career, Dr. Gansler has written, published, and taught on subjects related to his work. Dr. Gansler recently served as the Chair of the Secretary of the Army’s Commission on Contracting and Program Management for Army Expeditionary Forces. He is a member of the Defense Science Board and also a member of the National Academy of Engineering and a Fellow of the National Academy of Public Administration. Additionally, he is the Glenn L. Martin Institute Fellow of Engineering at the A. James Clarke School of Engineering, an Affiliate Faculty member at the Robert H. Smith School of Business and a Senior Fellow at the James MacGregor Burns Academy of Leadership (all at the University of Maryland). For 2003–2004, he served as Interim Dean of the School of Public Policy. For 2004–2006, Dr. Gansler served as the Vice President for Research at the University of Maryland. [jgansler@umd.edu]

Amelia Corl

Abstract

As the Department of Defense (DoD) seeks to transform itself for the 21st century, it has sought new and innovative methods to increase the effectiveness of its acquisition processes. One mechanism that attempts to accomplish this goal has been the expanded use of indefinite-delivery, indefinite-quantity (IDIQ) contracts. Questions can be raised about the best way to organize and manage an IDIQ contract. In order to develop a better understanding of this rapidly-growing contracting arrangement, we drew upon data from an electronic survey of members of the Professional Services Council (PSC), a national trade association of the government professional and technical services industry. The survey was developed as an empirical assessment of one population of firms experienced with the IDIQ
Report Summary

As the Department of Defense (DoD) seeks to transform itself for the 21st century, it has sought new and innovative methods to increase the effectiveness of its acquisition processes. One mechanism that attempts to accomplish this goal has been the expanded use of indefinite-delivery, indefinite-quantity (IDIQ) contracts. IDIQ contracts are flexible contracting vehicles with stated limits (usually in terms of number of units or dollar amounts), that can provide for an indefinite-quantity of supplies or services, furnished during a fixed period of time. Deliveries or performance are requisitioned by placing orders with the contractor.

IDIQ contracts are most often used with a recurring requirement for the purchase of supplies, or services contracts, when the government does not know in advance the precise quantities of supplies or services that will be needed during the contract period. Developed as a result of the Federal Acquisition Streamlining Act (FASA), IDIQ contracts were introduced primarily for the purpose of making contracting more efficient by reducing contracting workload (i.e., streamlining the solicitation and competitive bidding process and selecting a handful of highly qualified providers). Awards are usually for a base period, and often provide for option years. Then, as needs arise, the contracting agency can place delivery orders (for supplies) or task orders (for services) against the contract for individual requirements—minimizing delays for filling requirements. IDIQ contracts are increasingly being used for the purchase of both goods and services.

Examples of some major contracts that are currently being supported with an IDIQ contract vehicle include the Logistics Civil Augmentation Program IV (LOGCAP IV), the Simulation, Training and Instrumentation (STRI) Omnibus Contract II known as STOC-II, and the ITES-2S contract, the Information Technology and Enterprise Solutions-2 Services program, and Seaport-e, the Navy’s electronic platform for acquiring support services across 22 functional areas. All of these programs are extremely large, with total awards over the contract period in the billions. Despite the fact that they are considered a more flexible contracting vehicle, their administration has been challenging at times.

In light of these examples, questions can be raised about the best way to organize and manage an IDIQ contract. A balance between efficiency and competition must be struck, and determining this balance can be difficult, especially given the broad scope of work (goods, services, or both) that can be competed under an IDIQ contract. The initial purpose of the IDIQ contract was to increase performance, while reducing costs. The IDIQ strategy potentially increases competition by limiting the number of firms that can compete on subsequent tasks. This result is achieved by eliminating the firms that are unqualified or poorly qualified, but would have traditionally been allowed to compete on these solicitations. In theory, by limiting subsequent task order competition to a few, highly-qualified firms, IDIQ contracts can improve competition by (1) increasing the likelihood that a pre-qualified firm will win a contract, creating an incentive to put forth the best effort possible; (2) giving contracting personnel more time to better evaluate task order proposals; (3) reducing the administrative burden; and (4) fostering stronger relationships between contractors and the government, especially for larger programs that use this acquisition strategy over an extended period of time. However, there are some indications that some organizations are qualifying large numbers of vendors, a strategy that could be limiting the effectiveness of such contracts.
In order to develop a better understanding of this rapidly-growing contracting arrangement, we drew upon data from an electronic survey of members of the Professional Services Council (PSC), a national trade association of the government professional and technical services industry. The survey was developed as an empirical assessment of one population of firms experienced with the IDIQ contract vehicle. While other industry associations exist, PSC is the largest of its kind. And although not all IDIQ contracting firms are included in this population (PSC), the demographics of the association’s membership are understood to be reflective of the larger population of contractors working with this contract structure.

The survey was developed and tested by senior researchers at the Center for Public Policy and Private Enterprise at the University of Maryland’s School of Public Policy. Then, the questionnaire was tested with several firms of varying sizes, experienced with IDIQ contracting and with senior staff members at PSC. After piloting the initial survey, changes were made in accordance with respondents’ recommendations and questions, and a final survey questionnaire was completed for distribution. The survey was then delivered electronically, by the Professional Services Council, to their database of members. The finalized survey included the following seven topical areas:

- **Section 1: Background Information**—asked firms about their principal service area, firm size, and gross annual revenue (6 questions).
- **Section 2: Experience with IDIQ Contracting**—collected information on how many years the firm had participated on IDIQ contracts (in both prime and subcontractor roles), revenue generated in these different roles, the contract-awarding agencies, as well as overall satisfaction with this contract arrangement (8 questions).
- **Section 3: Contract Roles**—included questions about which contracts generate the most revenue for member organizations, and what roles the firms held in these contracts (4 questions).
- **Section 4: Bidding and Proposals**—asked about strategies for proposals and bidding for task orders under IDIQ contracts, in addition to questions about competition among private firms (12 questions).
- **Section 5: IDIQ Opinions: Benefits and Drawbacks**—posed questions about what motivates firms to bid on IDIQ contracts, and the benefits and drawbacks of some of the unique elements of IDIQ contracts (5 questions).
- **Section 6: Protests**—inquired about firms’ experiences with agency-level protests challenging task order awards and remedies currently available to firms seeking to contest awards (4 questions).
- **Section 7: Open-Ended Questions**—included questions about which aspects of IDIQ contracting are perceived as effective or ineffective, as well as asking about efficient and inefficient features of the IDIQ vehicle. These open-ended questions provided substantial qualitative data regarding overall experiences with IDIQ contracts (5 questions).

The survey invitation was initially sent out to PSC’s entire member list (761 respondents), and was open for a two-week period. A second round of messages was sent out to respondents after the first wave, two weeks after the first message. For those individuals who had entered (started, but not completed) the survey, each was sent an email encouraging them to complete the survey they had opened, through the original individually-customized URL. For those who had received the initial message but had not yet entered the survey, a separate note was sent asking them to enter and complete the survey in the
following two weeks. The response collector was closed after that second two-week period, a total of four weeks for recipients to respond after the initial message.

Responses appear to be representative of the PSC population as a whole, in terms of demographics, with a total response rate of 17%. We also found no significant differences in responses between those who completed the survey in response to the first or the second message.

**Summary of Findings**

The survey findings suggest that this is an especially popular vehicle for prime contractors, who in most instances have been on IDIQ contracts for more than 10 years. While these firms do not earn the majority of their income through IDIQ arrangements (for most, up to about 20% of their gross revenue), they work for numerous agencies illustrating the widespread use of IDIQs. Additionally, our research found that the larger firms team with a large number of contractors to create competitive offers, even when it means less work for those organizations, suggesting that IDIQs are effectively leveraging the benefits of small and mid-tier business in the acquisition of goods and services. Our study identified several key aspects that make IDIQ contracts effective, outlined in the following sections.

**Benefits for All**

- Flexibility of the IDIQ contract vehicle for both firms and the government,
- Task orders that are quicker and easier to bid on than with other contracting arrangements, and
- Quicker turnaround of task orders.

**Benefits for Firms**

- Reduced business proposal burden, which allows for firms to devote more resources to innovative approach development,
- A more predictable scope of work for firms,
- With the long-term period of performance for the base contract (10 years) contractors are able to become more familiar with the mission and agency requirements,
- Standardized terms and conditions for the contracts, aggregation of reporting, and reduced audit burdens all make the contracting arrangement more transparent and reduce uncertainty for firms, and
- IDIQ contracting arrangements mean access to a new customer for the contractor, especially when large companies include small businesses in their proposals.

These benefits primarily highlight the *contracting process* improvements, and as the individual cases we examined showed, cost savings and performance improvement can also be realized through IDIQ contracts. Despite these successes, there are still areas in need of improvement. Our survey data also generated feedback from the private sector on dimensions of IDIQ contracts that could be improved:

- Many respondents remarked on the need for more reasonable timetables for proposal preparation and earlier notice on clearly defined statements of work.
- Some firms suggested that the “bidder base” of contractors approved under the IDIQ contract was too large, which they believed disincentivized firms from bidding on task order work.
• A portion of respondents even suggested reducing the overall number of IDIQ contracts, so that a smaller number of the contracts could be used more frequently with more rigorous oversight.
• Our respondents also indicated that improvements were needed at all stages of the evaluation process—aligning contract awards with “best value,” rather than the lowest price technically acceptable (LPTA).
• Finally, the PSC survey respondents also suggested a procedural change for IDIQ contracts: allowing new firms to join, and offer other firms to access an “off-ramp” during the initial period of the IDIQ contract, in order for the DoD to effectively leverage the expertise and performance of available firms.

The use of indefinite-delivery indefinite quantity (IDIQ) contracts is not new to the DoD, or other agencies; they remain a vehicle in need of additional improvements—most notably oversight and more standardized administrative practices. Work remains to be done to realize the true benefits of IDIQ contracting, and will necessarily entail revisions to how these contracts are designed, awarded, and administered. Special attention should be paid to the feedback given by IDIQ contract participants, in addition to the results of more formal reviews.

One PSC survey respondent noted the following:

IDIQ contracts have proven to be a very effective way to streamline the acquisition process for the Government and contractors. Established prices allow agencies to negotiate a fair total price for services and not have to commit to more than a minimum purchase depending on funding constraints. The broad scope of GWACs and MACs can be used to maximize proven efficiencies in services acquisitions. Multiple award IDIQs are best utilized when the number of awardees is consistent with potential value so that B&P is not wasted in pursuing opportunities.

Ultimately, the use of multiple and single-award IDIQ contracts depends on their continued evolution to efficiently and effectively serve the needs of the awarding agencies. Current research suggests that this contracting method, when used appropriately, has much to offer. However, the use of the appropriate contract type, commensurate with risk, is needed to incentivize contractor performance—"one size does not fit all." IDIQ contracts can be used inappropriately or overused, and can preclude the government from getting the best value. It is especially important to recognize that one size does not fit all.

Acknowledgments

This research was partially sponsored by the Naval Postgraduate School, and we are especially grateful for the support provided by Rear Admiral Jim Greene (USN Ret.) and Keith Snider for their patience, encouragement, and support. The authors would also like to thank Stan Soloway, Alan Chvotkin, and Bryan Bowman at the Professional Services Council (PSC) for collaborating on a survey of their members on IDIQ contracting. Finally, we would like to thank Caroline Dawn Pulliam for her assistance with the planning and coordination of this study.
AN EVALUATION OF IDIQ CONTRACTS FOR SERVICES

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Naval Postgraduate School Acquisition Research Symposium
May 11, 2011
Overview

➔ Introduction
➔ Survey Results
➔ Findings
➔ Conclusions
➔ Recommendations
Since the passage of the Federal Acquisition Streamlining Act of 1994, Indefinite Delivery/Indefinite Quantity (IDIQ) contracts have become an increasingly popular vehicle for federal acquisitions.

The initial purpose of the IDIQ contract was to increase performance and speed up the procurement process, while reducing costs:

- Establish a two step process, identify and qualify a small number of highly qualified firms (eliminating the firms that are unqualified or poorly qualified)
- Limit subsequent task order competition to these firms

There was also a belief that it would reduce protests until of course protesting task orders over $10M was authorized (by the FY2008 NDAA).

ID/IQ contracts have become one of the most preferred contract types during the last two decades.

However, there are some indications that the number of IDIQ contracts is growing rapidly, and that some organizations are qualifying large numbers of vendors—a strategy that could be limiting the effectiveness of these contracts.
Examples

Some of these contracts are extremely large, with total awards over the contract period in the billions. Examples of some major contracts that are currently being supported with an IDIQ contract vehicle include:

- The Logistics Civil Augmentation Program IV (LOGCAP IV) (3 awards, lifetime maximum value of $150 billion)
- The Army’s Simulation, Training, and Instrumentation (STRI) Omnibus Contract II (STOC-II) (142 awards)
- The Army’s Information Technology and Enterprise Solutions-2 Services (ITES-2S) contract (16 awards, planned for 8, awarded 11, after protest awarded 5 more)
- Seaport-e, the Navy’s electronic platform for acquiring support services across 22 functional areas (1800+ awards, with rolling admissions)

However, despite the fact that they are considered a more flexible contracting vehicle, their administration has been challenging at times...
In order to develop a better understanding of this contracting strategy, we drew upon data from an electronic survey of members of the Professional Services Council (national trade association of the government professional and technical services industry).

The finalized survey included seven topical areas:

- Section 1: Background Information
- Section 2: Experience with IDIQ Contracting
- Section 3: Contract Roles
- Section 4: Bidding and Proposals
- Section 5: IDIQ Opinions: Benefits and Drawbacks
- Section 6: Protests
- Section 7: Open-Ended Questions
Survey Methodology

- The survey invitation was initially sent out to the entire member list (761 respondents).
- Those individuals who had started, but had not completed the survey, were sent an email reminding them to complete the survey.
- A second round of messages was sent out to the non-responding PSC members, two weeks after the first message. The response collector was closed after that second two week period, a total of four weeks for recipients to respond after the initial message.
- Responses from the first message (N=70), as well as the second wave of the survey (N=45) appear to be representative of the PSC population as a whole in terms of demographics, for an overall response rate of 15 percent.
Respondent Background Information

The respondent organization’s principal services

- Knowledge Based Services: 36%
- Research and Development: 11%
- Equipment Related Services: 5%
- Transportation Services: 4%
- Medical Services: 3%
- Electronics and Communications Services: 6%
- Facility Related Services: 9%
- Construction Services: 6%
- Other: Engineering and IT: 8%
- Other: Misc: 8%

The respondents job title

- Director: 27%
- Vice-President: 30%
- CEO/President: 16%
- COO: 6%
- General Manager: 6%
- Legal: 5%
- Other*: 10%

*Other includes open-ended responses, such as general project management and business development.

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Respondent Background Information

The respondent organization's gross annual revenue

- 10,000-49,999: 14%
- 1,500-9,999: 22%
- 500-1,499: 11%
- 100-499: 22%
- 1-99: 22%
- 50,000 or more: 9%

The Number of employees in the respondent’s organization—44% have fewer than 500 employees
Experience with IDIQ Contracts

The number of years has the respondents’ firm been on an IDIQ contract as a PRIME CONTRACTOR or SUBCONTRACTOR?

The portion of the firm’s gross revenue derived from awards made under IDIQ contracts as the PRIME CONTRACTOR and SUBCONTRACTOR?
Experience with IDIQ Contracts (cont.)

Agencies with which the firms held at least one IDIQ contract

- Department of the Army: 48%
- Department of the Air Force: 36%
- Department of the Navy: 37%
- Defense Logistics Agency: 8%
- Defense Information Systems Agency: 20%
- Department of Homeland Security: 31%
- General Services Administration: 56%
- U.S. Agency for International Development: 29%
- Department of Health and Human Services: 7%
- OTHER: 30%

Note: Percentages do not add up to 100 as respondents were allowed to give multiple answers.

- GSA was the most common agency respondents reported working under, at 56%
- The ‘Other’ category – as reported in the open response field for this question – included agencies such as the Centers for Disease Control, the Department of Health and Human Services, and the Department of Energy
Experience with IDIQ Contracts (cont.)

IDIQ contracts held as the PRIME CONTRACTOR or SUBCONTRACTOR

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Satisfaction with IDIQ contracting

Overall, 65% of the respondents agreed that their participation with IDIQ contracting has been satisfying, only 19% disagreed.

- Of those that found their experience dissatisfying, approximately 50% of them were from firms with fewer than 500 employees, suggesting that some features of IDIQ contracting are less desirable for small firms.
- While approximately 60% of those that found it satisfying were firms with 500 to 50,000 employees.
Bidding and Proposals

- When proposing as a prime, firms often team with a large number and wide variety of subcontractors
  - 68% of respondents agreed that this was a frequent practice
- We believe that teaming with a large number of subcontractors will maximize our chance of winning the task order
  - 55% agreed (and only 20% disagreed) that this tactic would increase the likelihood that the respondents’ firm would win
- When bidding as a prime on a task order, we use subcontractors to create the most competitive offer, even if it means less work for our organization
  - Nearly 80% of firms understood that although teaming with contractors enabled them to present their most competitive offer, it sometimes meant less work for their organization
- In general, if we do not participate in an IDIQ contract, our prospects for a contract with the sponsoring agency are significantly reduced
  - 84% of respondents agreed
Impact of Numbers on Competition

When deciding whether to bid on task orders on IDIQ contracts with a large number of contract holders, we consider the potential number of highly-competitive bidders.

- 86% of respondents said that the number of highly-competitive bidders did affect their decision to bid on a specific task order.
- Further, we asked when their firm is least likely to submit a proposal relative to the number of potential highly-competitive bidders (e.g. technical capability, incumbency, reputation, etc.).
Lowest Price Technically Acceptable (LPTA)

When dealing with higher-knowledge content work, task orders that will be evaluated on the lowest price technically acceptable (LPTA) criteria do not provide enough incentive for us to provide innovative, best value solutions.

Almost 80% of the respondents agreed that when dealing with higher-knowledge content work, task orders that will be evaluated on the lowest price technically acceptable (LPTA) criteria do not provide enough incentive for them to provide innovative, best value solutions.

Yet, there is an increasing trend to use this as an evaluation criteria.
Mandatory Task Order Proposals

IDIQ contracts that require contractors to prepare a proposal for every task order issued impose a significant proposal preparation and cost burden because there are tasks we would otherwise not bid on.

An overwhelming majority of the respondents (81%) agreed that requiring firms to prepare proposals for every task order presented a serious burden to their firms.

- This results in increased B&P expenses, and as result higher overhead rates—with no apparent benefits to the government.
- Only 9% of the respondents believed that they were awarded tasks they had not expected to win, when required to bid on every task order.
Revenue Flow

The lack of immediate (and identifiable) revenue flow is a disincentive for bidding on IDIQ contracts (vs. task orders)

- We postulated that firms might be disinclined to bid on IDIQ contracts since there is a lack of immediate and identifiable revenue flow for them.
- Respondents were evenly split.
- This split suggests that some firms may have a financial cushion that prevents this from being an issue, while other firms cannot afford to invest in preparing proposals without guaranteed revenue.
Protests

*My organization has raised an agency-level protest challenging some element of an IDIQ task order competition or selection*

- We found that 32% of firms had raised an agency-level protest
- We also found that two-thirds of respondents said that their organization favored having the ability to challenge some element of an IDIQ task order competition (or selection) with the GAO
- Finally, we found that only 25% of firms filed a protest with GAO
Findings

Firms found that when IDIQ contracts were implemented appropriately:

- They offer flexibility to both firms and the government
- Task orders can be quicker and easier to bid on than with other contracting arrangements—quicker turnaround of task orders
- Potentially reduced business proposal burden: standardized terms and conditions for the contracts, aggregation of reporting, and reduced audit burdens all make the contracting arrangement more transparent and reduce uncertainty for firms
- With the long-term period of performance for the base contract (10 years) contractors are able to become more familiar with the mission and agency requirements
Areas that Need Improvement:

- IDIQ contracts were introduced primarily for the purpose of making contracting more efficient by reducing contracting workload
  - The first step should identify a few of the most highly-qualified firms to address the scope
  - The second step is to speedily bid tasks among the few pre-qualified firms
- However, the “bidder base” of contractors approved under the IDIQ contract is often too large
  - This does disincentivize firms from bidding on task orders
- The overall number of IDIQ contracts is too large and frequently overlapping (including by Agency)
  - A smaller number of the contracts could be used more frequently with more rigorous oversight
Small firms, a key source of innovation, were disproportionately unhappy with IDIQ contracts

More reasonable timetables for proposal preparation, and earlier notice on clearly defined statements of work, are needed

Contract awards, at all stages of the evaluation process, should be based on ‘best value’ rather than the lowest price technically acceptable (LPTA)—particularly for higher-knowledge content tasks
Recommendation

In order to improve the effectiveness of this contracting strategy we believe DoD should:

- Reduce the number (overlapping and redundant) and scope of IDIQ contracts
- Provide a real two-step process for services with no more than five well-qualified providers selected for a narrowly-scoped requirement area
- Then, for each task order, compete and select a qualified provider, using “best value” criteria