United States Government Accountability Office

Report to Congressional Committees

July 2014

DEFENSE CONTRACTING

Factors DOD Considers When Choosing Best Value Processes Are Consistent with Guidance for Selected Acquisitions

GAO-14-584

Report Documentation Page

Form Approved
OMB No. 0704-0188

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE **JUL 2014**	2. REPORT TYPE	3. DATES COVERED **00-00-2014 to 00-00-2014**
4. TITLE AND SUBTITLE **Defense Contracting: Factors DOD Considers When Choosing Best Value Processes Are Consistent with Guidance for Selected Acquisitions**		5a. CONTRACT NUMBER 5b. GRANT NUMBER 5c. PROGRAM ELEMENT NUMBER
6. AUTHOR(S)		5d. PROJECT NUMBER 5e. TASK NUMBER 5f. WORK UNIT NUMBER
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) **U.S. Government Accountability Office,441 G Street NW,Washington,DC,20548**		8. PERFORMING ORGANIZATION REPORT NUMBER
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSOR/MONITOR'S ACRONYM(S) 11. SPONSOR/MONITOR'S REPORT NUMBER(S)
12. DISTRIBUTION/AVAILABILITY STATEMENT **Approved for public release; distribution unlimited**		
13. SUPPLEMENTARY NOTES		
14. ABSTRACT		
15. SUBJECT TERMS		

16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT **unclassified**	b. ABSTRACT **unclassified**	c. THIS PAGE **unclassified**	**Same as Report (SAR)**	**35**	

Standard Form 298 (Rev. 8-98)
Prescribed by ANSI Std Z39-18

GAO Highlights

Highlights of GAO-14-584, a report to congressional committees

July 2014

DEFENSE CONTRACTING

Factors DOD Considers When Choosing Best Value Processes Are Consistent with Guidance for Selected Acquisitions

Why GAO Did This Study

DOD obligated about $310 billion in fiscal year 2013 for products and services needed to support its mission. To competitively acquire what is needed, DOD may use best value processes—including tradeoff and LPTA—to evaluate vendors' proposals. When using the tradeoff process, DOD weighs the relative importance of price against non-cost factors. By contrast, DOD may use the LPTA process and award the contract based on lowest price once technical requirements are met.

Congress mandated GAO to review DOD's use of best value processes. GAO identified, among other things, (1) the extent to which DOD used best value processes in fiscal year 2013, (2) the factors DOD considers when choosing a source selection process, and (3) training DOD provides to its acquisition personnel on source selection processes.

GAO identified and reviewed solicitations for a projectable sample of 183 contracts out of 2,851 new, competitively awarded contracts that DOD awarded in fiscal year 2013 with obligations over $1 million. GAO also reviewed DOD and military departments' guidance regarding their use of the best value process. GAO selected 16 contracts for case studies based on military department, best value process used, and other factors. GAO reviewed contract documents and interviewed program and contracting officials for these case studies. GAO also reviewed DAU and military departments' training on source selection procedures.

DOD provided technical comments that GAO incorporated as appropriate.

View GAO-14-584. For more information, contact Timothy J. DiNapoli at (202) 512-4841 or dinapolit@gao.gov.

What GAO Found

The Department of Defense (DOD) used two best value processes—tradeoff and lowest price technically acceptable (LPTA)—for approximately 93 percent of the 2,851 new, competitively awarded contracts awarded in fiscal year 2013 with obligations greater than $1 million. DOD used the tradeoff process most often in GAO's sample of contracts to acquire services, regardless of obligation value. For contracts with higher obligations, DOD used the LPTA process primarily to acquire commercial products, such as fuel. In contrast, for contracts in GAO's sample with lower obligations, DOD used the LPTA process to acquire both products and services. Several contracting and program officials said that their commands gave more attention to whether LPTA is an alternative option in light of declining budgets and efficiency initiatives. For contracts with obligations of $25 million or more, GAO found that DOD increased its use of LPTA since GAO last reported on this issue in October 2010 using fiscal year 2009 data. GAO's prior report did not include contracts with lower obligations.

Estimated Source Selection Processes Used in Fiscal Years 2009 and 2013 for New, Competitively Awarded Contracts with Obligations of $25 million or More[a]

Source selection process	Fiscal year 2009 percent	Fiscal year 2013 percent	Statistically significant change[a]
Tradeoff	69	58	Yes
Lowest price technically acceptable	26	36	Yes
Other	5	6	No

Source: GAO analysis of DOD contract and solicitation documents. | GAO-14-584

[a]The 95 percent confidence intervals for estimates in this table are within +/- 8 percentage points of the estimates themselves.

DOD's ability to clearly define its requirements and its knowledge of potential vendors were key factors that underpinned decisions about whether to use tradeoff or LPTA in GAO's 16 case studies. In the eight case studies in which DOD used LPTA, contracting and program officials generally stated that they had sufficient knowledge of the requirements or vendors to feel confident that the lowest priced vendor, meeting DOD's technical requirements, could deliver the product or service. In contrast, in the eight tradeoff case studies, contracting and program officials were less certain about requirements, were looking for innovative solutions, or wanted to use non-cost factors to differentiate vendors. For example, the United States Army Corps of Engineers used technical non-cost factors to evaluate vendors' abilities to use robotics for explosives disposal. These factors are generally consistent with guidance in the Federal Acquisition Regulation and DOD's March 2011 source selection procedures.

DOD, through courses offered by the Defense Acquisition University (DAU) and the military departments, provides both classroom and online training related to source selection processes to its acquisition personnel. Both DAU and military department officials stressed, however, the importance of on-the-job training in preparing personnel to make informed source selection determinations. For example, Naval Facilities Engineering Command officials told GAO that determining when requirements are better suited for tradeoff or LPTA is learned through gaining experience from on-the-job training.

Contents

Letter		1
	Background	3
	DOD Predominately Used Best Value Processes in Fiscal Year 2013, but Increased Its Use of LPTA for Higher Dollar Contracts since Fiscal Year 2009	9
	Knowledge of Requirements and Potential Vendors Underpin Decisions about Source Selection Process	13
	DOD Provides Online and Classroom Training on Source Selection Processes, but On-the-Job Training Considered Essential for Making Sound Source Selection Decisions	17
	Concluding Observations	22
	Agency Comments	22
Appendix I	Objectives, Scope, and Methodology	24
Appendix II	Body Armor Vest Acquisitions in Fiscal Year 2013	28
Appendix III	GAO Contact and Staff Acknowledgments	30

Tables

Table 1: DOD's Use of Non-Cost Factors for the 96 Sample Contracts Awarded Using Tradeoff in Fiscal Year 2013 GAO Reviewed, by Dollar Obligation	11
Table 2: Estimated Frequencies of Source Selection Processes Used in Fiscal Years 2009 and 2013 for New, Competitively Awarded Contracts with Obligations of $25 million or More	12
Table 3: Factors Affecting the Source Selection Decision Making Process for Selected Case Studies	14
Table 4: Defense Acquisition University (DAU) Courses	19
Table 5: Examples of Source Selection Courses Offered by Military Departments	20
Table 6: Total Population and Sample Size for the New, Competitively Awarded Contracts in Fiscal Year 2013	25

Figures

Figure 1: Source Selection Processes on the Best Value Continuum 4
Figure 2: DOD Contract Obligations for Products and Services in Fiscal Year 2013 (Dollars in billions) 8
Figure 3: DOD's Use of Best Value Processes for the 171 Sample Contracts Awarded in Fiscal Year 2013 GAO Reviewed, by Dollar Obligation 10

Abbreviations

DAU	Defense Acquisition University
DAWIA	Defense Acquisition Workforce Improvement Act
DFARS	Defense Federal Acquisition Regulation Supplement
DLA	Defense Logistics Agency
DOD	Department of Defense
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
IDIQ	Indefinite Delivery Indefinite Quantity
LPTA	Lowest Price Technically Acceptable
USACE	United States Army Corps of Engineers
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

July 30, 2014

Congressional Committees

The Department of Defense (DOD) obligated about $310 billion in fiscal year 2013 to acquire products and services needed to support its missions. DOD has several source selection processes it can use to evaluate vendors' proposals. For example, DOD can use a best value tradeoff process, in which it can vary the relative importance of cost or price to other factors such as technical capability or past performance in its solicitations to vendors. In these cases, DOD may award a contract to other than the lowest-priced vendor if DOD determines that a higher-priced vendor provides a greater benefit to DOD, and this greater benefit is worth paying an additional cost, or price differential. Alternatively, DOD may also use a best value, lowest price technically acceptable (LPTA) process. In the LPTA process, DOD awards to the lowest priced vendor that is technically acceptable, and no tradeoffs are permitted. Proper implementation of these processes is essential to ensure that DOD lays the foundation for successful acquisition outcomes, especially at a time of declining spending.

Committee reports from the Senate and House Armed Services committees and the Joint Explanatory Statement accompanying the National Defense Authorization Act for Fiscal Year 2014 mandated GAO to report on DOD's use of best value processes.[1] GAO determined (1) the extent to which DOD used best value processes in fiscal year 2013, (2) the factors DOD considers when choosing a source selection process, and (3) training DOD provides to its acquisition personnel on source selection processes. In addition, in response to a matter identified in a 2013 report from the House Armed Services Committee, appendix II includes information on the military departments' acquisitions of body armor vests in fiscal year 2013.

To determine the extent DOD used best value processes in fiscal year 2013, we used the Federal Procurement Data System-Next Generation (FPDS-NG) to identify new, competitively awarded DOD contracts with

[1]See S. Rep. No. 113-44, at 142 (2013), H.R. Rep. No. 113-102, at 185 (2013), and 159 Cong. Rec. H7894, H7922 (December 12, 2013).

obligations of over $1 million.[2] From a population of 2,851 contracts with over $1 million in obligations, we selected a random projectable sample of 227 contracts. We then used a $25 million threshold to divide our data set based on a Defense Federal Acquisition Regulation Supplement (DFARS) requirement that contracts for products or services with $25 million or more in estimated total costs for any fiscal year have written acquisition plans, which contain information on the anticipated source selection process.[3] For contracts with obligations of $25 million or more, we compared the percentage of contracts solicited using the best value processes to fiscal year 2009 data that we reported in October 2010.[4] Our prior report did not include contracts with lower obligations. Ninety-three contracts from this sample had higher obligations of $25 million or more and 134 contracts had lower obligations over $1 million and less than $25 million. We determined that 44 contracts were either incorrectly coded, such as non-competed[5] contracts that were identified as competed or contracts that used source selection processes other than the best value processes. We excluded these contracts, which resulted in a total of 183 contracts in our sample that we reviewed, including 86 contracts with obligations of $25 million or more and 97 contracts with obligations over $1 million and less than $25 million. After accounting for these errors and assessing the reliability of FPDS-NG data by electronically testing the data to identify problems with consistency, completeness, or accuracy and reviewing relevant documentation, we determined that FPDS-NG data were sufficiently reliable for the purposes of our review. We obtained and analyzed solicitation documents for all contracts in our sample to identify what source selection process DOD used. Further, we reviewed our sample of contracts that DOD awarded using tradeoff to identify how often DOD considered non-cost factors more important than price, and identified the most frequently used non-cost factors. We also used FPDS-NG and contract and solicitation documentation to identify characteristics of the contracts in our sample.

[2]FPDS-NG is the federal government's system for tracking information on contracting actions.

[3]DFARS § 207.103(d)(i)(B).

[4]GAO, *Defense Contracting: Enhanced Training Could Strengthen DOD's Best Value Tradeoff Decisions,* GAO-11-8 (Washington, D.C.: Oct. 28, 2010).

[5]For the purposes of this report, non-competed contracts consists of those contracts awarded under other than full and open competition as defined in Federal Acquisition Regulation subpart 6.3.

To identify what factors DOD considers when choosing a source selection process, we analyzed the Federal Acquisition Regulation (FAR), DFARS, and DOD and military departments' policy and guidance on source selection. We supplemented the review of these documents with interviews of senior DOD policy officials at Defense Procurement and Acquisition Policy, and at the Army, Navy, and Air Force headquarters. We also interviewed officials from at least two commands—based upon such factors as the number of contract actions and obligation amounts—at each military department (Army, Navy, and Air Force), as well as the Defense Logistics Agency (DLA) to discuss factors affecting their decision on which source selection process to use. In addition, we selected 16 new, competitively awarded contracts from our sample with obligations ranging from $1.1 million to $150.7 million in fiscal year 2013 to further our understanding of why acquisition—including contracting and program—officials chose a particular source selection process. Our 16 case studies included a selection from each military department and DLA, different product and service types, and a mix of tradeoff and LPTA processes. We also interviewed industry associations to identify their perspectives about DOD's source selection processes.

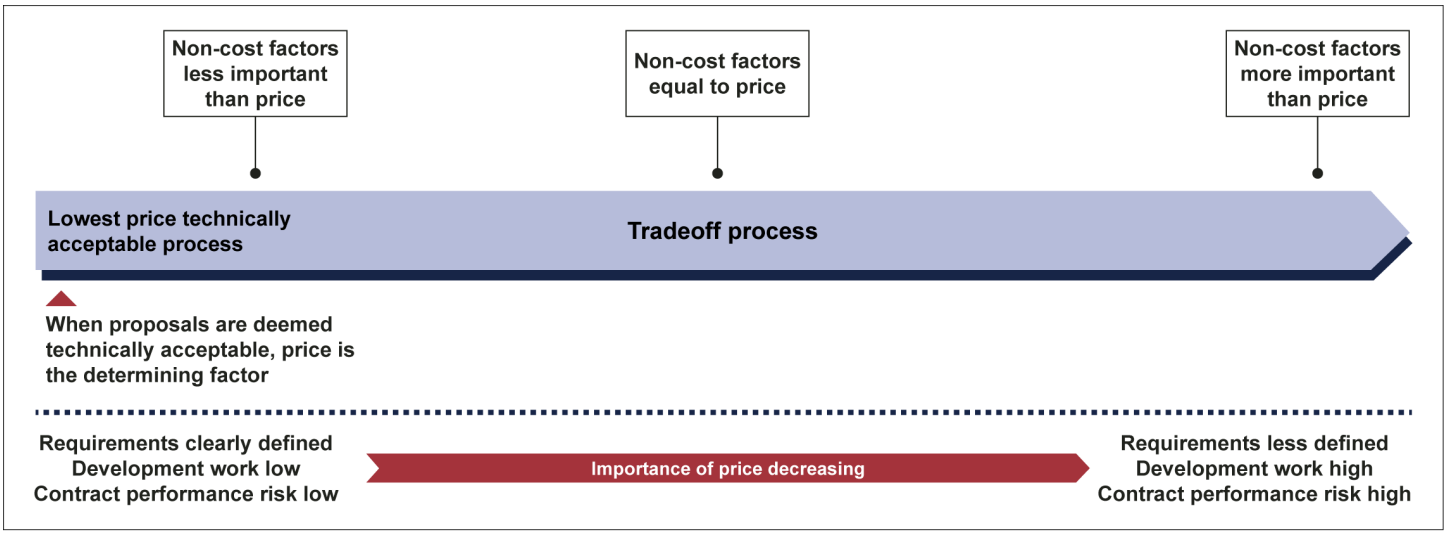
To determine what training DOD provides to its acquisition personnel on source selection processes, we met with Defense Acquisition University (DAU) officials and instructors and reviewed training materials. We also obtained workforce data from the DOD Office of the Under Secretary of Defense (Acquisition, Technology and Logistics), Human Capital Initiatives. Further, we collected and reviewed DOD and military departments' training documents to identify additional source selection training that is given by them. A more detailed description of our scope and methodology is included in appendix I.

We conducted this performance audit from September 2013 through July 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

FAR Part 15 allows the use of several competitive source selection processes to meet agency needs. Within the best value continuum, DOD may choose a process that it considers the most advantageous to the government, either the LPTA or the tradeoff process (see figure 1).

Figure 1: Source Selection Processes on the Best Value Continuum



Source: GAO analysis of Federal Acquisition Regulation Part 15.101. | GAO-14-584

DOD may elect to use the LPTA process where the requirement is clearly defined and the risk of unsuccessful contract performance is minimal. In such cases, DOD may determine that cost or price should play a dominant role in the source selection. When using the LPTA process, DOD specifies its requirements in the solicitation. Contractors submit their proposals and DOD determines which of the contractors meet or exceed those requirements, no tradeoffs between cost or price and non-cost factors are permitted, and the award is made based on the lowest price technically acceptable proposal submitted to the government.

By contrast, DOD may elect to use a tradeoff process in acquisitions where the requirement is less definitive, more development work is required, or the acquisition has a greater performance risk. In these instances, non-cost evaluation factors, such as technical capabilities or past performance, may play a dominant role in the source selection process. Tradeoffs among price and non-cost factors allow DOD to accept other than the lowest priced proposal. The FAR requires DOD to state in the solicitation whether all evaluation factors other than cost or price, when combined, are significantly more important than, approximately equal to, or significantly less important than cost or price.

In October 2010, we reported that DOD used best value processes for approximately 95 percent of its new, competitively awarded contracts in

which $25 million or more was obligated in fiscal year 2009.[6] DOD awarded approximately 26 percent using the LPTA process and 69 percent using the tradeoff process. DOD awarded the remaining 5 percent using sealed bidding, which is a competitive process where award is made to the responsible bidder whose bid conforms to the invitations for bid and is most advantageous for the government considering only price and price-related factors included in the solicitation.[7] At that time, we found that the majority of the contracts were awarded using a tradeoff process in which all evaluation factors other than cost or price, when combined, were significantly more important than cost or price. Our analysis showed that DOD considered past performance and technical capability evaluation factors as the most important among the non-cost factors. Further, we found using a tradeoff process can be more complex and take more time than other source selection methods, and requires that acquisition staff have proper guidance, needed skills, and sound business judgment. While DOD and the military departments had taken steps to improve source selection procedures, acquisition personnel noted a lack of training to assist them in deciding whether or not a price differential is warranted when making tradeoff decisions. We recommended that to help DOD effectively employ best value tradeoff processes, DOD develop training elements, such as case studies, that focus on reaching tradeoff decisions, as it updates its training curriculum. DOD concurred and implemented the recommendation in August 2012.

DOD issued new guidance that emphasizes affordability and standardization of best value processes since our analysis of fiscal year 2009 contracts. In September 2010, the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) issued a memorandum that established its Better Buying Power Initiative to obtain greater efficiency and productivity in defense spending. In its memorandum, USD(AT&L) emphasized that DOD must prepare to continue supporting the warfighter through the acquisition of products and services in potentially fiscally constrained times. USD(AT&L) noted that DOD must “do more without more.” In April 2013, USD(AT&L) issued

[6]GAO-11-8. Estimates of contracts based in this report were subject to sampling error. For example, the percentage estimates for contracts with obligations of $25 million or more have 95 percent confidence intervals within +/-8 percentage points of the estimate itself.

[7]FAR § 14.101(e).

another memorandum to update the Better Buying Power Initiative. This memorandum identifies seven areas USD(AT&L) is pursuing to increase efficiency and productivity in defense spending. One area is incentivizing productivity and innovation in industry and government. As part of this guidance, USD(AT&L) states that “best value” in a competitive source selection should generally indicate that the government is open to paying more (up to some amount) than the minimum price bid in return for a product that provides more than the minimum needed performance. In addition, USD(AT&L) states that LPTA should be used in situations where DOD would not realize any value from a proposal exceeding its minimum technical or performance requirements and that another process should be used when standards of performance and quality are subjective. A second area of this guidance includes improving the professionalism of the total acquisition workforce. DOD has previously reported that training is a critical element of improving and sustaining a high quality workforce with the right skills and capabilities.

USD(AT&L) also issued source selection procedures in March 2011 to standardize the methodology and process that DOD uses to conduct competitively negotiated source selections. For example, USD(AT&L) outlined a common set of principles and procedures for conducting acquisitions using the best value processes including the use of standardized rating criteria and descriptions for technical capability and past performance factors. Further, similar to information presented in the Better Buying Power Initiative, USD(AT&L) stated in the procedures that the LPTA process may be used in situations where the government would not realize any value from a proposal exceeding minimum technical or performance requirements, often for acquisitions of commercial or non-complex services or supplies which are clearly defined and expected to be low risk. In its April 2013 memorandum updating the Better Buying Power Initiative, USD(AT&L) directed the director of Defense Procurement and Acquisition Policy to update the guidance to describe the characteristics of a technically acceptable solution by July 1, 2013. As of July 2014, DOD officials are coordinating comments on a draft revision of the guidance. The Defense Procurement and Acquisition Policy official in charge of the revision told us the original due date of July 1, 2013 was established before they decided to do a more comprehensive update of the guidance, which has contributed to the date slipping for its completion.

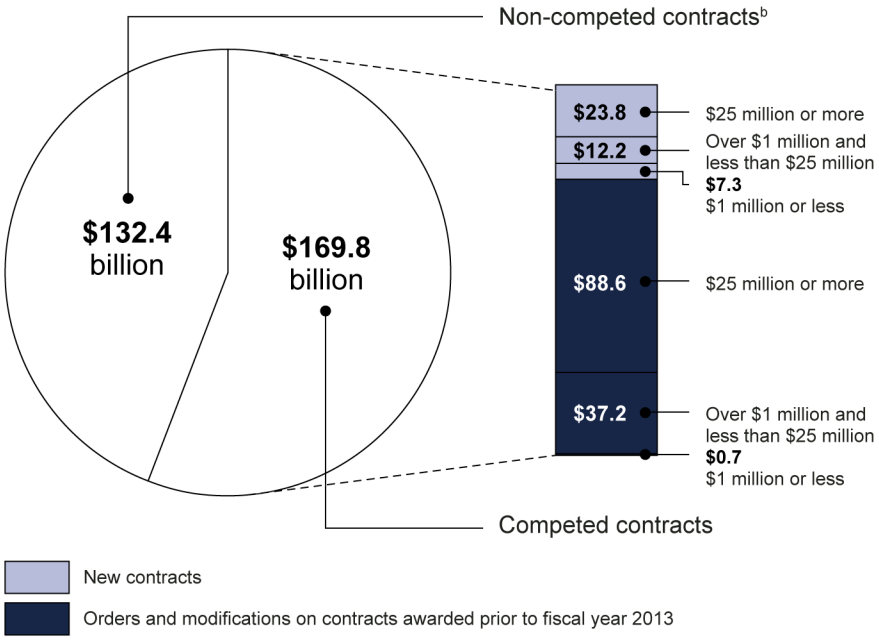
During the time that USD(AT&L) issued these initiatives and guidance—specifically, between fiscal years 2009 and 2013—DOD experienced a number of changes in its contracting activity, including:

- Total obligations for products and services decreased from $380 billion in fiscal year 2009 to $310 billion in fiscal year 2013,
- Obligations on new, competed contracts decreased from $70 billion in fiscal year 2009 to $43 billion in fiscal year 2013, and
- Obligations on new, competed contracts of $25 million or more decreased from $39 billion in fiscal year 2009 to $24 billion in fiscal year 2013.[8]

See figure 2 for our analysis of DOD's contract obligations from FPDS-NG for fiscal year 2013.

[8]All dollar values are in nominal terms. Values for fiscal year 2013 are based on FPDS-NG data as of January 2014.

Figure 2: DOD Contract Obligations for Products and Services in Fiscal Year 2013 (Dollars in billions)[a]



Source: GAO analysis of Federal Procurement Data System-Next Generation obligations data. | GAO-14-584

[a]Excludes obligations of $7.8 billion on non-DOD contracts. Values are based on Federal Procurement Data System-Next Generation as of January 2014.

[b]The non-competed contracts category consists of those contracts awarded under other than full and open competition as defined in Federal Acquisition Regulation subpart 6.3.

Even though DOD's obligations decreased between fiscal year 2009 and 2013, it did acquire a similar mix of products and services in both years. In addition, the percentage of commercial items purchased in those 2 fiscal years was approximately the same.

DOD Predominately Used Best Value Processes in Fiscal Year 2013, but Increased Its Use of LPTA for Higher Dollar Contracts since Fiscal Year 2009

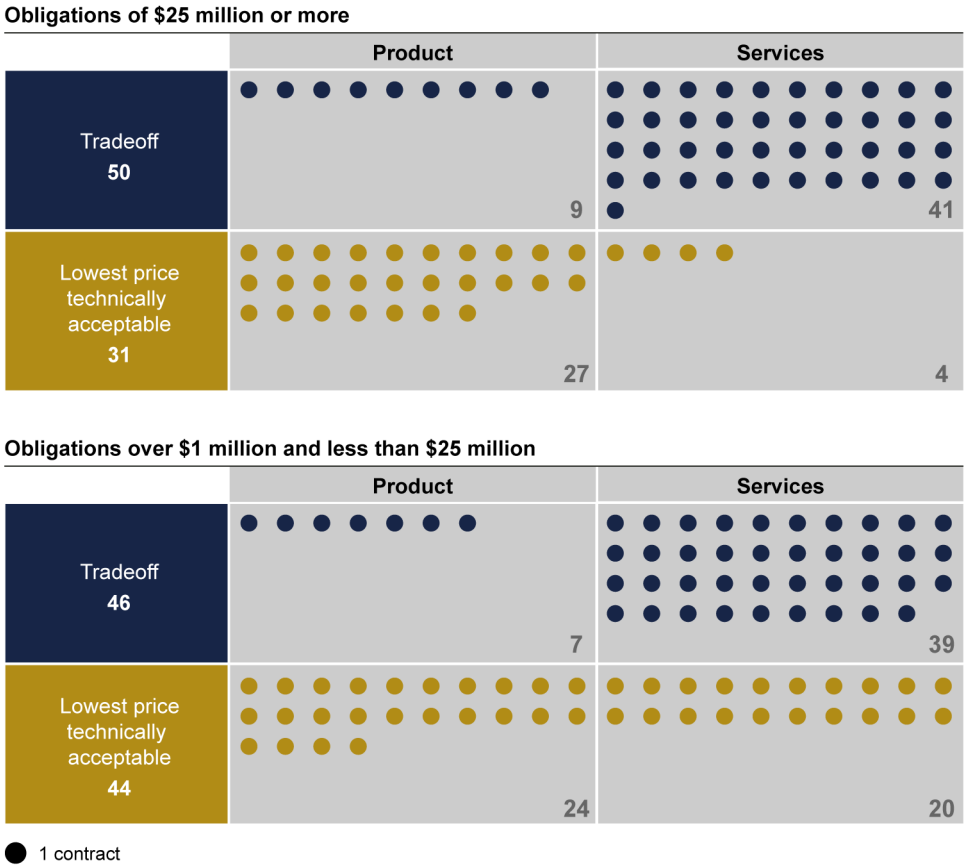
DOD predominately used best value processes—tradeoff and LPTA—to evaluate offers from potential vendors in fiscal year 2013. DOD used best value processes for approximately 93 percent of the 2,851 new, competed contracts for which it had obligated over $1 million in fiscal year 2013 and used sealed bid for approximately 7 percent.[9] For contracts with obligations of $25 million or more, DOD used the tradeoff process for approximately 58 percent of the contracts and the LPTA process for approximately 36 percent of the contracts. For contracts with obligations over $1 million and less than $25 million, DOD used tradeoff and LPTA at about the same overall rate—47 percent and 45 percent, respectively.[10]

In our sample of 171 contracts that used best value processes, DOD used tradeoff for 96 contracts and LPTA for 75 contracts. We found some variation in terms of what process was used to acquire products and services at the different thresholds we reviewed (see figure 3).

[9]Sealed bids represented 12 of the 183 contracts in our sample.

[10]The percentage estimates for contracts with obligations of $25 million or more have a 95 percent confidence interval with a +/- 8 percent margin of error. The percentage estimates for contracts with obligations over $1 million and less than $25 million have a 95 percent confidence interval with a +/- 10 percent margin of error.

Figure 3: DOD's Use of Best Value Processes for the 171 Sample Contracts Awarded in Fiscal Year 2013 GAO Reviewed, by Dollar Obligation



Source: GAO analysis of DOD solicitation and contract documents. | GAO-14-584

As seen in the above figure, DOD used the tradeoff process most often in our sample to acquire services, including those related to construction projects, aircraft maintenance, and other support services, regardless of obligation amount. For contracts with obligations of $25 million or more, DOD used the LPTA process primarily to acquire commercial products such as fuel. In contrast, for contracts with obligations over $1 million and less than $25 million, DOD used the LPTA process to acquire a mix of products and services, including fuel, aircraft parts, computer equipment, construction-related services, engineering support services, and ship maintenance and repairs.

The desire to weigh non-cost factors such as technical approach and past performance was a key factor cited in the majority of the solicitations

issued for the 96 contracts in our sample that DOD awarded using the tradeoff process, regardless of obligation value (see table 1).

Table 1: DOD's Use of Non-Cost Factors for the 96 Sample Contracts Awarded Using Tradeoff in Fiscal Year 2013 GAO Reviewed, by Dollar Obligation

Contract obligation amount	Non-cost factors less important than price	Non-cost factors equal to price	Non-cost factors more important than price
Over $1 million and less than $25 million	0	5	41
$25 million or more	0	15	35

Source: GAO analysis of DOD solicitation and contract documents. | GAO-14-584

For the 76 contracts for which non-cost factors were more important than price, DOD acquired both products and services, such as computer equipment, aircraft maintenance services, and communication network support services.[11] In addition, our analysis found that technical approach and past performance were the factors most often identified as more important than price among the non-cost factors. For example, 48 out of the 76 contracts in our sample identified technical approach as the most important factor. Additionally, 23 out of the 76 contracts in our sample identified past performance as the most important factor. Other non-cost factors considered in some of the solicitations with much less frequency than technical approach and past performance include small business participation and delivery schedule.

While data on DOD's use of source selection processes were not readily available, our analysis found that DOD increased its use of LPTA from fiscal year 2009 to fiscal year 2013 for contracts with obligations of $25 million or more (see table 2). We cannot make a comparison between fiscal year 2009 and fiscal year 2013 for the lower dollar range, because our prior report only focused on contracts with obligations of $25 million or more in fiscal year 2009.[12]

[11]The majority of these contracts were firm-fixed-price. Other contract types for the remaining contracts included fixed-price with economic price adjustment and cost-plus-fixed-fee.

[12]GAO-11-8.

Table 2: Estimated Frequencies of Source Selection Processes Used in Fiscal Years 2009 and 2013 for New, Competitively Awarded Contracts with Obligations of $25 million or More[a]

Source selection process	Fiscal year 2009 percent	Fiscal year 2013 percent	Statistically significant change[a]
Tradeoff	69	58	Yes
Lowest price technically acceptable	26	36	Yes
Sealed bid	5	6	No

Source: 2009: GAO-11-8; 2013: GAO analysis of DOD solicitation documents. | GAO-14-584

[a]The 95 percent confidence intervals for estimates in this table are within +/- 8 percentage points of the estimates themselves.

Several contracting and program officials said that their commands gave more attention to whether LPTA is an alternative option in light of declining budgets and Better Buying Power Initiatives. Further, declining budgets encouraged contracting and program officials to streamline requirements. For example:

- The Executive Director of Army Contracting Command—Aberdeen Proving Ground, one of five Army Contracting Command centers—said that overall there is an increased cost consciousness regarding acquisitions, resulting from the Better Buying Initiatives and declining budgets. As a part of that increased cost consciousness, there is an increased willingness and necessity to re-examine tools that could present better prices. For example, the Executive Director referred to LPTA as “a tool that has been at the bottom of the source selection tool box collecting dust for some time.” As it became necessary to take a look at what is really needed, they have “dusted off” the LPTA tool and had more discussions about how to set the technical acceptability at an appropriate level where there is no additional benefit from paying for more than that level.

- Contracting officials from Naval Facilities and Engineering Command stated that in the current fiscal environment of “doing more with less,” they are educating their contracting personnel to use LPTA when appropriate. For example, on March 28, 2013, the Command sent an email communication to its contracting staff that provided guidance on the use of LPTA for task orders on multiple award contracts that are less than $10 million. The guidance stated that the contracting officer may choose to consider only price or cost for award purposes when the requirement is valued at less than $10 million, considered to be

non-complex, and where non-cost factors are deemed unnecessary. These officials stated LPTA is less complex and less time consuming than tradeoff, and as a result, they can save personnel resources. In addition to internal guidance, Navy officials told us that the Better Buying Power Initiative also directs acquisition personnel to look for efficiencies and streamlining in acquisitions.

- Contracting officials from Naval Supply Systems Command stated they increased their scrutiny on tradeoff acquisitions, which has contributed to a cultural shift to increase the consideration of LPTA as an alternative source selection process. The command issued an October 9, 2012 memorandum to contracting activities that states if non-cost factors are more important than price, the acquisition must be reviewed by a senior level acquisition executive.

- Similarly, Air Force Materiel Command contracting and program officials stated that given the budget environment, it is increasingly difficult to justify higher dollar solutions from a technical standpoint when solutions may exist that meet the minimum requirement.

- DLA contracting officials stated that in light of resource constraints, it is increasingly common to purchase products that meet the program's needs without overstating the requirement. These officials told us LPTA is a good choice for mature, commercial requirements where there is no added value in conducting a tradeoff given the need to stretch budgets.

Knowledge of Requirements and Potential Vendors Underpin Decisions about Source Selection Process

Our review of contract documents and interviews with program and contracting officials from our 16 case studies found that for these specific acquisitions, DOD's ability to clearly define its requirements and its knowledge of potential vendors were the key factors that underpinned the decisions about whether to use tradeoff or LPTA. For example, in the eight case studies in which DOD used LPTA, DOD contracting and program officials generally stated they had sufficient knowledge of the requirements or vendors to feel confident that the lowest priced vendor, after meeting technical acceptability requirements, could deliver the product or service. In contrast, in our eight tradeoff case studies, contracting and program officials were less certain about requirements, were looking for innovative solutions, or wanted to use non-cost factors, such as past performance, as a differentiator when selecting the vendor. We found that for these 16 case studies DOD's reasons for choosing LPTA or tradeoff were generally consistent with guidance in the FAR and DOD's source selection procedures. Table 3 provides several highlights

from the case studies that illustrate where DOD's ability to clearly define its requirements and its knowledge of potential vendors affected the source selection decision making process.

Table 3: Factors Affecting the Source Selection Decision Making Process for Selected Case Studies

Source selection process	Military department/fiscal year 2013 obligation value/contract type	Description of the solicitation and requirements	Description of DOD knowledge of requirements and knowledge of vendors affecting the source selection decision
Lowest price technically acceptable	Navy $5.2 million Contract type: firm-fixed-price	This solicitation was for a follow-on contract to convert a '.mil' website to a '.edu' website with email services. Product or service: service Number of bids received: 3 Awarded to incumbent: no	Knowledge of requirements: Navy contracting and program officials stated that the requirements for the system were well-defined as a result of prior work and had clear minimum technical standards that a vendor needed to meet. For example, one of the technical standards required vendors to have proven expertise with using and installing a particular commercially-available software program. Knowledge of vendors: Navy contracting and program officials had a high level of confidence in vendor capability, because they had experience with and knowledge of industry vendors from a prior contract with similar requirements. Through market research, contracting officials determined that vendors had experience in providing similar services in previous acquisitions.
Lowest price technically acceptable	Air Force $44.0 million Contract type: firm-fixed-price	This solicitation was to build a system that mimics anti-aircraft missile systems. The Air Force previously awarded a sole source contract for this requirement. Following a management review, the solicitation was determined to be appropriate for competition. Product or service: product Number of bids received: 2 Awarded to incumbent: yes	Knowledge of requirements: Air Force contracting and program officials told us that this follow-on requirement was to replicate the functionality of an existing system for a planned procurement of 15 new units. Based on the historical experience of the contracting and program team, they were able to clearly define and convey the desired technical capability of the system. Knowledge of vendors: Air Force contracting and program officials had previous experience and knowledge about the technical engineering capability of the vendors that can produce these missile systems. Through market research, contracting officials determined that several vendors had adequate technical capability to support competition.

Source selection process	Military department/fiscal year 2013 obligation value/contract type	Description of the solicitation and requirements	Description of DOD knowledge of requirements and knowledge of vendors affecting the source selection decision
Lowest price technically acceptable	Navy $66.4 million Contract type: firm-fixed-price	This solicitation was to construct a replacement fuel pier. Product or service: service Number of bids received: 7 Awarded to incumbent: no	Knowledge of requirements: Navy contracting officials told us that this requirement was clearly defined as the solicitation was for the construction of the fully completed design that the Navy provided to the vendors at the time of solicitation. In addition, the requirement had previously been accomplished in a similar location so officials deemed it very low risk. Knowledge of vendors: Navy contracting officials told us that they had knowledge of the size and capability of the local vendors, because some of the potential vendors had experience working on similar projects in the past.
Lowest price technically acceptable	Air Force $1.3 million Contract type: firm-fixed-price	This solicitation was for a weatherproof, name brand communication and control switch equipment. Product or service: product Number of bids received: 3 Awarded to incumbent: no	Knowledge of requirements: Air Force contracting officials stated that the requirement was for a modified commercial off-the-shelf item that had known vendors. Knowledge of vendors: Air Force contracting officials were confident that multiple vendors could provide the name brand specific routers after conducting market research.
Tradeoff	Defense Logistics Agency $3.4 million Contract type: fixed-price with economic price adjustment	This solicitation was for fabric dyeing for production of dress uniform fabric. Product or service: product Number of bids received: 1 Awarded to incumbent: yes	Knowledge of requirements/vendors: Defense Logistics Agency contracting officials determined that tradeoff on past performance was required to ensure that the vendor would be able to provide dyed fabric within an acceptable color range. Officials told us that the stringent color specifications required vendors to have a level of competency and experience. Further, officials said that trading off on past performance informed them on vendor qualifications and mitigated the risk that an inexperienced vendor would bid at the lowest price to try and win the contract.

Source selection process	Military department/fiscal year 2013 obligation value/contract type	Description of the solicitation and requirements	Description of DOD knowledge of requirements and knowledge of vendors affecting the source selection decision
Tradeoff	United States Army Corps of Engineers (USACE) $2.2 million Contract type: firm-fixed-price	This solicitation was for use of robotics to dispose of explosives. Product or service: service Number of bids received: 3 Awarded to incumbent: no	Knowledge of requirements: USACE contracting officials told us they were seeking to differentiate vendors on their innovative technical capability in which robotics could be incorporated that improved the disposal process and reduced safety risks. Knowledge of vendors: USACE contracting officials told us that they had performed market research to better understand the maturity of the robotic technology industry. Through market research, contracting officials determined that several vendors could potentially provide robotic technology applicable to explosives disposal.
Tradeoff	Navy $41.8 million Contract type: firm-fixed-price	This solicitation was for Vertical Launching System Canisters, which are used to launch missiles from ships. The requirement included a technical data package containing the exact specifications that DOD required. Product or service: product Number of bids received: 1 Awarded to incumbent: yes	Knowledge of requirements: Navy contracting and program officials told us that from their extensive knowledge and experience with these requirements, they knew that technical capability was a critical factor given the missile-related nature of the requirement. As a result, the program office wanted the discretion to discriminate on technical and safety factors to ensure demonstrated capability. Knowledge of vendors: Navy's market research included releasing a draft solicitation, holding an Industry Day to gauge industry interest, and sending the technical data package to multiple vendors. While the market research indicated that a number of vendors could potentially provide the desired product, only the incumbent bid for the requirement.

Source: GAO analysis of DOD solicitation and contract documents, Federal Procurement Data System-Next Generation data, and interviews with DOD officials. | GAO-14-584

Policy officials from some military departments noted that setting technical acceptability levels is important for contracts awarded through LPTA to be successful. Defense Procurement and Acquisition Policy officials told us the ongoing efforts to revise DOD's 2011 source selection procedures is intended, in part, to further define how to conduct best value processes. According to these officials, the revised guidance will emphasize that for LPTA, the solicitation must clearly describe the minimum evaluation standards. In addition, they expect the guide will provide additional information on how to determine when to pay a price premium.

DOD Provides Online and Classroom Training on Source Selection Processes, but On-the-Job Training Considered Essential for Making Sound Source Selection Decisions

DOD, through courses offered by DAU and the military departments, provides both classroom and online training related to source selection processes to its acquisition personnel. Both DAU and military department officials stressed, however, the importance of on-the-job training in preparing personnel to make informed source selection determinations.

Congress passed the Defense Acquisition Workforce Improvement Act (DAWIA) in 1990 to both ensure effective and uniform education, training, and career development of members of the acquisition workforce, including contracting and other career fields, and established DAU to provide training.[13] The act also required DOD to establish career paths, referred to by DOD as certification requirements, for the acquisition workforce. DOD military departments must track acquisition workforce personnel to ensure that they meet mandatory standards established for level I (basic or entry), level II (intermediate or journeyman), or level III (advanced or senior) in a career field, such as contracting, life cycle logistics, and program management. Similar requirements and levels are established for each of the acquisition career fields identified by DOD.

DOD identified a need to increase the capacity and size of the acquisition workforce over the past several years. For example, in a DOD assessment of the contracting workforce completed in September 2008, senior DOD contracting leaders identified the importance of not only mastering the "what," but in using critical thinking and sound judgment to apply the knowledge—thus mastering the "how" of contracting among its entry-level and mid-career personnel. To help address concerns that DOD had become too reliant on contractors to support core functions and to rebuild the capacity and skill sets that eroded in the years that followed the downsizing of the workforce in the 1990s, DOD increased its number of acquisition workforce positions from 133,103 in fiscal year 2009 to 151,355 in fiscal year 2013—including a 9.5 percent increase or an additional 2,616 positions—in the contracting career field.

DAU officials identified five training courses that are taken either online or in the classroom to provide acquisition personnel, including contracting and program officials, the knowledge and skills necessary to make source selection decisions. Contracting personnel are required or recommended to complete all five of the identified training courses at some point in their

[13]Pub. L. No. 101-510, § 1202(a) (1990).

career to obtain specific DAWIA certifications. Additionally, DAU makes these classes available to personnel outside the DAWIA acquisition workforce. Based on our analysis of student self-reported exit data in fiscal year 2013 and our discussion with DAU officials, we found that many graduates for these courses did not indicate their career field when completing the course registration or exit survey, particularly for online courses, which makes it difficult to know how many personnel outside of the DAWIA workforce with acquisition-related responsibilities took these courses. In September 2011, we reported on personnel working on service acquisitions who are outside the DAWIA acquisition workforce with acquisition-related responsibilities and found the number of these individuals to be substantial. As such, we recommended that the Secretary of Defense establish criteria and a time frame for identifying personnel outside the DAWIA acquisition workforce with acquisition-related responsibilities.[14] DOD concurred with the recommendation and, as of June 2014, is developing a way to identify all of the non-DAWIA personnel with acquisition-related responsibilities and the appropriate training curriculum they should receive. Table 4 outlines each of these five courses.

[14]GAO, *Defense Acquisition Workforce: Better Identification, Development, and Oversight Needed for Personnel Involved in Acquiring Services,* GAO-11-892 (Washington, D.C.: Sept. 28, 2011).

Table 4: Defense Acquisition University (DAU) Courses

Course title	Course description	Targeted attendees	Other career field required or recommended attendees
CLC 007: Contract Source Selection	An online, continuous learning module that contains three lessons focused solely on source selection. Learning objectives include: • roles and responsibilities of each source selection participant, • procedures for safeguarding source selection information, • key elements of a source selection plan, • evaluation criteria to best support an award recommendation, • appropriate elements of debriefing, and • importance of effective dialogue with vendors.	Personnel new to the contracting career field or non-contracting personnel that play a role in the acquisition process.	• Cost estimating • Financial management • Life cycle logistics • Production, quality and manufacturing
CON 121: Contract Planning	An 8-part online contract planning training course. Lesson 8 covers acquisition strategy development, which includes: • characteristics of best value, • elements of and criteria used in developing a written acquisition plan, and • elements of source selection planning.	Personnel new to the contracting career field or non-contracting personnel that play a role in the acquisition process.	• Financial management • Industrial and/or contract property management • Life cycle logistics • Program management • Purchasing
CON 200: Business Decisions for Contracting	An 11-part online training course that builds on Level I (basic or entry) pre-award business and contracting knowledge to process complex procurements. Lesson 10 provides an overview on source selection strategy and discusses the tradeoff versus LPTA decision.	Contracting personnel with at least 2 years of contracting experience in the contracting career field seeking intermediate certification.	• Industrial and/or contract property management
CON 280: Source Selection and Administration of Service Contracts	A 10-day in-classroom training course. The primary focus of this course is on the acquisition of services under FAR Part 15 procedures with an emphasis on performance-based acquisitions for services; contract types, incentives, and administration; as well as source selection. On days 4-7, students participate in group exercises designed to replicate the source selection development, evaluation, and decision processes.	Contracting personnel with at least 2 years of contracting experience in the contracting career field seeking intermediate certification.	• Life cycle logistics

Course title	Course description	Targeted attendees	Other career field required or recommended attendees
CON 334: Advanced Contingency Contracting Officer's Course	A 4-day in-classroom training course with exercises focused on the unique aspects of contingency operations, critical thinking skills, and the execution of appropriate contractual instruments. In lesson 6, participants are introduced to the elements of the formal source selection process, which they utilize later to prepare a mock solicitation.	Contracting career field personnel who are in deployable positions and will be the designated Chief of the Contracting Office or Senior Contracting Official.	• Not applicable

Source: GAO analysis of DAU documents. | GAO-14-584

We also found that military departments provided source selection training—offering both overview and refresher courses—to contracting staff and others involved in the source selection process. Table 5 identifies examples of the training courses offered by various military departments.

Table 5: Examples of Source Selection Courses Offered by Military Departments

Military department/course title	Course description	Targeted attendees
Air Force Source Selection Training Phase I and Phase II	This course provides basic refresher training on best value acquisitions to the source selection team. During Phase I of the training, the source selection team develops and jointly plans the acquisition strategy based upon the customer identified requirements for a current acquisition. Phase II, also known as "just-in-time" training assists the source selection team in evaluating and executing the contract for a current acquisition.	Every member involved in the acquisition process from source selection to contract award as well as those in the contracting career field. Additionally, this course is offered in abbreviated format for Senior Executive Service level participants.
Army (Medical Research Acquisition Activity) Lowest Price Technically Acceptable (LPTA) Source Selection Process: Banging the Basics	This course provides an overview of best value acquisitions. It includes discussion of the best value as outlined in Federal Acquisition Regulation (FAR) Part 15, identifies for class participants when LPTA is the appropriate source selection process for a particular acquisition, and stresses the importance of consistency within the request for proposal.	Contracting and other personnel involved in choosing the source selection process.
Defense Logistics Agency Back to Basics	This course is a refresher training to address areas where there may be skill gaps in contracting. It identifies situations when tradeoff versus LPTA might be used and roles and responsibilities of those involved in source selection.	Contracting personnel.
Marine Corps Systems Command Kapstone Source Selection Training	This course outlines the source selection process and the roles of those involved in source selection. It identifies situations when tradeoff versus LPTA might be used.	Contracting and program personnel.
Navy CTC 415: Source Selection Technical Evaluation	This course provides students with an overview of the source selection process and responsibilities of those involved in source selection.	Contracting personnel and program managers involved in the source selection process.

Source: GAO analysis of military department documents and interviews with military department officials. | GAO-14-584

DAU and military department officials we spoke with pointed to their training as providing educational resources from which the acquisition workforce can understand the basics of appropriate source selection processes. These officials also stressed the role on-the-job training plays when making such determinations. For example, policy officials within the office of the Assistant Secretary of the Army for Acquisition, Technology, and Logistics told us that on-the-job training provides important exposure for less experienced acquisition staff to the source selection decision making processes. As a result, contracting officials have a better understanding of situations where a particular source selection process may be more appropriate than others. Many officials told us that contracting officials can best understand the acquisition process and apply their in-classroom training through making real world source selection decisions. As such, several military department officials, including contracting officials from our case studies, provided examples of why they consider on-the-job training to be important, including the following:

- Air Force Installation Contracting Agency contracting officials from one of our case studies and a command official told us that on-the-job training and experience are important factors that affect the source selection process determination. They stated that on-the-job training provides experience and opportunities for contracting officers to make critical decisions that can only occur in a source selection environment. To that end, these officials told us that informal mentoring relationships are established wherein newer, less experienced staff is assigned to work with more senior staff.

- Naval Facilities Engineering Command officials and contracting officials from one of our case studies stated that the task of identifying when requirements would better suit a particular source selection process is learned through gaining experience from on-the-job training.

- Naval Sea Systems Command officials from one of our case studies stated that the best training they received is on-the-job training. These officials explained that more senior contracting officers help newer contracting staff with their acquisitions. They consider mentor type training invaluable in learning how to conduct an acquisition.

Concluding Observations

Best value processes continued to underlie the vast majority of DOD's new, competitively awarded contracts. DOD has increased its use of the LPTA process in recent years for higher value contracts, and its decision making regarding which source selection process to use did not appear to be ill-advised. Its decision making was generally rooted in knowledge about the requirements and vendors. In our sample of 16 cases, we identified instances in which DOD used LPTA for what appeared to be complex acquisitions, such as the system to mimic an anti-aircraft missile, but the acquisition team had considerable knowledge about the requirements or vendors. In other cases, DOD used the tradeoff process for what appeared to be relatively simple acquisitions, such as fabric dyeing, yet the acquisition team identified complexities about the proposed acquisition. Amid the climate of rapidly building fiscal pressures and cost consciousness, selecting the right source selection approach continues to be essential to ensure the department acquires what it needs without paying more than necessary.

Agency Comments

We are not making recommendations in this report. We provided a draft of this report to DOD for comment. DOD did not provide written comments on this report but did provide technical comments, which we incorporated as appropriate.

We are sending copies of this report to appropriate congressional committees and the Secretary of Defense. The report will be available at no charge on GAO's website at http://www.gao.gov.

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

Timothy J. DiNapoli
Director
Acquisition and Sourcing Management

List of Committees

The Honorable Carl Levin
Chairman
The Honorable James Inhofe
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Richard J. Durbin
Chairman
The Honorable Thad Cochran
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Howard P. “Buck” McKeon
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Rodney Frelinghuysen
Chairman
The Honorable Pete Visclosky
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Committee reports from the Senate and House Armed Services committees and the Joint Explanatory Statement accompanying the National Defense Authorization Act for Fiscal Year 2014 mandated GAO to report on the Department of Defense's (DOD) use of best value processes.[1] We determined 1) the extent to which DOD used best value processes in fiscal year 2013; (2) the factors DOD considers when choosing a source selection process; and (3) training DOD provides to its acquisition personnel on source selection processes. In addition, in response to a matter identified in a 2013 report from the House Armed Services Committee, appendix II includes information on the military departments' acquisitions of body armor vests in fiscal year 2013.

To determine the extent DOD used the best value processes in fiscal year 2013, we used data from the Federal Procurement Data System-Next Generation (FPDS-NG) as of October 2013 to identify a population of contracts based on the following criteria: (1) newly awarded by DOD in fiscal year 2013, (2) competitively awarded, and (3) had obligations of over $1 million in fiscal year 2013. This analysis identified a population of 2,851 contracts, and from this population we selected a stratified random sample of 227 contracts, with the strata defined by whether the contract had obligations of $25 million or more, or whether its obligations totaled over $1 million and less than $25 million. We divided the data into two groups including contracts with higher obligations of $25 million or more and contracts with lower obligations over $1 million and less than $25 million. We used the $25 million threshold to divide our data set based on a Defense Federal Acquisition Regulation Supplement (DFARS) requirement that contracts for products or services with $25 million or more in estimated total costs for any fiscal year have written acquisition plans, which contain information on the anticipated source selection process.[2] For contracts with obligations of $25 million or more, we compared the percentage of contracts solicited using best value processes to fiscal year 2009 data we reported in October 2010.[3] Our prior report did not include contracts with lower obligations of less than $25 million.

[1]See S. Rep. No. 113-44, at 142 (2013), H.R. Rep. No. 113-102, at 185 (2013), and 159 Cong. Rec. H7894, H7922 (December 12, 2013).

[2]DFARS § 207.103(d)(i)(B).

[3]GAO, *Defense Contracting: Enhanced Training Could Strengthen DOD's Best Value Tradeoff Decisions,* GAO-11-8 (Washington, D.C.: Oct. 28, 2010).

We obtained and analyzed the solicitation documents for all of the contracts in our sample to identify the source selection process DOD used. We verified the contract award fields in FPDS-NG with contract and solicitation data to ensure that the contracts within our sample were in-scope. Based on that analysis, we determined that a total of 44 contracts were out of scope for our review. These 44 contracts were excluded from our analysis, because they were either incorrectly coded in our key parameters, or were awarded using processes outside of the Federal Acquisition Regulation (FAR) Part 14 on sealed bidding or Part 15 on contracting by negotiation (which includes best value processes) and consequently should not have been in our sample, resulting in a total of 183 contracts in our review (see table 6). After accounting for these errors, we assessed the reliability of FPDS-NG data by electronically testing the data to identify problems with consistency, completeness, or accuracy and reviewed relevant documentation. We determined that the FPDS-NG data were sufficiently reliable for the purposes of our review.

Table 6: Total Population and Sample Size for the New, Competitively Awarded Contracts in Fiscal Year 2013

Obligation strata	Population	Sample size	In-scope	Out-of-scope
$25 million or more	193	93	86	7
Over $1 million and less than $25 million	2,658	134	97	37
Total	**2,851**	**227**	**183**	**44**

Source: GAO analysis of DOD solicitation and contract documents and Federal Procurement Data System-Next Generation data. | GAO-14-584

Because we followed a probability procedure based on random selection, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval (e.g., plus or minus 8 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. Unless otherwise noted, percentage estimates of contracts with obligations of $25 million or more have 95 percent confidence intervals within +/- 8 percentage points of the estimate itself. Similarly, for contracts with obligations over $1 million and less than $25 million, percentage estimates have confidence intervals within +/- 10 percentage points of the estimate itself.

In addition, to compare characteristics of contracts in our sample that used best value processes for both strata, we determined contract type,

the type of procurement (product versus service), and if commercial item procedures were used for our sample using FPDS-NG data and conducted data reliability analysis on these fields, by verifying this information with the contract and solicitation documents. For the contracts identified as tradeoff, we analyzed the contract and solicitation documentation to identify the most frequently used non-cost evaluation factors and their relative importance to price.

To identify what factors DOD considers when choosing a source selection process, we analyzed the FAR, DFARS, and DOD and military departments' regulation, policy, and guidance on source selection. We interviewed senior DOD policy officials at Defense Procurement and Acquisition Policy, and at the Army, Navy, and Air Force headquarters. We also interviewed officials from at least two buying commands—based upon such factors as the number of contract actions and obligation amounts—at each military department (Army, Navy, and Air Force), as well as the Defense Logistics Agency (DLA) to discuss factors affecting their decision process on which source selection process to use. In addition, we analyzed our sample of 183 contracts and selected 16 new, competitively awarded contracts with obligations ranging from $1.1 million to $150.7 million to further our understanding of why acquisition officials chose the source selection process. Our 16 case studies—8 tradeoff and 8 LPTA—included at least 1 from each military department and DLA, different product and service types, and amount of dollars obligated in fiscal year 2013. For the case studies, we interviewed DOD contracting and program officials and reviewed contract documentation, including the acquisition plan, solicitation, and source selection decision memorandum to further understand the source selection decision making process. The results from our review of these selected contracts cannot be generalized beyond the specific contracts selected.

During the course of our review, we also interviewed officials from the following commands:

- Department of the Army, Army Contracting Command, Aberdeen Proving Ground, Maryland; Medical Command, Fort Detrick, Maryland; and Intelligence and Security Command, Fort Belvoir, Virginia

- Department of the Army, United States Army Corps of Engineers, Washington, D.C., and Huntsville Center, Alabama

- Department of the Navy, Naval Air Systems Command, Patuxent River, Maryland; Naval Facilities Command, Navy Yard, Washington, D.C.; and Naval Supply Systems Command, Mechanicsburg, Pennsylvania
- Department of the Navy, United States Marine Corps Installations and Logistics Command, Navy Annex, Virginia; and Marine Corps Systems Command, Quantico, Virginia
- Department of the Air Force, Installation Contracting Agency and Air Force Materiel Command, both located at Wright-Patterson Air Force Base, Ohio
- Defense Logistics Agency-Energy, Ft. Belvoir, Virginia; and Defense Logistics Agency-Troop Support, Philadelphia, Pennsylvania
- Joint Theater Support Contracting Command, Kabul, Afghanistan.

To determine what training DOD provides to its acquisition personnel on source selection processes, we met with Defense Acquisition University (DAU) officials and instructors and reviewed training materials. We also obtained attendance and workforce data from the DOD Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics), Human Capital Initiatives. Further, we collected and reviewed military department and command specific training documents to identify if additional source selection training is given in addition to DAU provided training. We also interviewed DOD policy officials at Defense Procurement and Acquisition Policy, several commands at the military departments, as well as contracting and program personnel at the contracting offices of the selected military departments from the 16 case studies on training provided related to source selection processes.

We supplemented these case studies with interviews with industry associations to identify their perspectives about DOD's source selection processes.

We conducted this performance audit from September 2013 through July 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Body Armor Vest Acquisitions in Fiscal Year 2013

The Marine Corps, Defense Logistics Agency (DLA), and Army bought similar soft body armor vests made of ballistic material in fiscal year 2013 using different source selection processes. Knowledge of requirements or vendors were key considerations in each acquisition, but distinct needs led to different decisions about which source selection process to use even when acquiring the similar product.

- The Marine Corps issued one delivery order to purchase soft body armor vests for $2.3 million in fiscal year 2013 using the lowest price technically acceptable (LPTA) process. It issued this order from a multiple award, indefinite delivery indefinite quantity (IDIQ) contract[1] awarded to two vendors in fiscal year 2009 using the LPTA process. The contracting officer told us they chose to use LPTA for the base contract because they consider soft body armor vests to be a commodity product with clearly defined technical performance specifications. Further, the contracting officer, in consultation with the program office, saw no opportunity for tradeoff above industry standard because the industry standard met their current needs. Ongoing research and development showed that any tradeoff for enhanced performance would lead to the armor being heavier, an unacceptable outcome. For the base contracts, the Marine Corps awarded to the second and third lowest priced vendors, because the lowest priced vendor was deemed non-responsible.[2]

- DLA issued 23 delivery orders to purchase soft body armor vests for $288.1 million in fiscal year 2013. It issued these orders from three separate IDIQ contracts awarded to three vendors in fiscal years 2011 and 2012 using the tradeoff process. DLA contracting officials told us that they chose to use the tradeoff process for these contracts because they wanted to use past performance as a key discriminator, which is generally not allowed using the LPTA process. Further, because DLA buys for sustainment purposes and its quantity needs

[1]Agencies may award more than one contract to more than one vendor (known as a multiple award contract) from a solicitation. An IDIQ contract is a type of indefinite delivery contract that provides for an indefinite quantity of supplies or services within stated limits, during a fixed period.

[2]According to the Federal Acquisition Regulation (FAR), Prospective Contractors, to be determined responsible, must have among other things, adequate financial resources, be able to comply with the required or proposed delivery or performance schedule, have a satisfactory performance record, and have a satisfactory record of integrity and business ethics. FAR § 9.104-1.

fluctuate, officials told us that past performance was a critical determination factor requiring the use of the tradeoff process, in addition to the vendor's historic production capacity, delivery schedule, and other performance capabilities.

- The Army issued one delivery order to purchase soft body armor vests for $10,201 in fiscal year 2013 using the LPTA process. It issued this order from one of the multiple award, IDIQ contracts awarded to eight vendors in fiscal years 2009 and 2010 using the tradeoff process. Army contracting officials told us they chose to use the tradeoff process for the base contract, because it provided the Army more discretion in evaluating past performance as well as leaving open the possibility that industry vendors might offer a more innovative solution. Once the Army had a group of qualified vendors on contract, they could then use the LPTA process for subsequent buys.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Timothy J. DiNapoli, 202-512-4841 or dinapolit@gao.gov

Staff Acknowledgments

In addition to the contact name above, the following staff members made key contributions to this report: Molly Traci, Assistant Director; James Kim; Anh Nguyen; Erin Stockdale; Jina Yu; Claire Li; Jessica Drucker; Danielle Greene; Roxanna Sun; John Krump; Mark Ramage; Julia Kennon; Virginia Chanley; and Carol Petersen.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (http://www.gao.gov). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to http://www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, http://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on Facebook, Flickr, Twitter, and YouTube. Subscribe to our RSS Feeds or E-mail Updates. Listen to our Podcasts. Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: http://www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Please Print on Recycled Paper.