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BEFORE THE

SECTION 809 ADVISORY PANEL ON STREAMLINING AND CODIFYING ACQUISITION
REGULATIONS

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Multiple Award IDIQ Contracts:

Essential Tools in the Acquisition Toolbox

The purpose of Multiple Award Indefinite Delivery, Indefinite Quantity (MAIDIQ) contracts is to provide customer agencies with an efficient and effective channel to procure innovative products, services, and solutions that support their mission needs. Multiple Award IDIQ contracts are a valuable tool in the acquisition tool box. MAIDIQs are a competitive, flexible, and efficient procurement mechanism in delivering best value mission support for particularly the widely varying needs of the Department of Defense (DoD).

Discussion

The Section 809 Panel has reached out to the Coalition for Government Procurement and requested feedback on at least 25 changes that can be made in order to streamline government procurement. We are happy to present our feedback to the panel today, and we hope that it will be useful in developing the final report.

Additionally, the Panel has been deliberating the future of IDIQ contracting and asked the Coalition for feedback on what is the purpose of an IDIQ. Our comments today will highlight what our members believe the purpose of an IDIQ is, as well as their benefits and management changes that can be made to improve their efficiency.

The Department of Defense has arguably the critical role in maintaining our government, as it provides our nation with the military forces needed to deter war, protect the security of the country, and, thereby, preserve our way of life. As DoD puts it:

The national security depends on ... defense installations and facilities being in the right place, at the right time, with the right qualities and capacities to protect our national resources.¹

With a FY 2016 Budget of more than \$500 Billion dollars, the U.S. has the largest military budget of any country in the world. In terms of personnel, DoD has more than a 1,000,000 people serving in active duty, with in excess of another 800,000 in reserve components. The department is deployed in diverse environments. Active duty military and civilian employees serve all over the world, on large bases and in remote locations, on the sea, and on land. They perform widely disparate functions, from handling weaponry, to navigating ships, providing medical care, and manning offices.

At its core, acquisition in this multifarious organization has a single, fundamental purpose: establish business relationships to acquire goods, services, and solutions efficiently and effectively to support the DoD mission. However, the manner in which acquisitions are executed is not susceptible to a “one-size-fits-all” strategy; it must vary given the size of the organization, the diversity of its functions, and the product or service being acquired. DoD uses

¹ www.DOD.gov

a variety of contract types and contract vehicles to support its mission. Multiple Award IDIQ contracts, including the GSA Multiple Award Schedules program, are but one type of contract vehicle currently available to contracting officers.

Currently, this 809 panel is considering, among other things, the role of MAIDIQ vehicles in supporting the DoD mission. DOD is a major user of Multiple Award IDIQ contracts, including GSA Schedule contracts. In the past fiscal year DOD obligated more than \$50 billion or 17.5 percent of DoD's contract spending on MAIDIQ. DoD is also a major user of the GSA Schedule Program. Last year alone, GSA reported \$33 billion dollars in sales through the Schedules program.

DOD contracting officers used MAIDIQ contracts for many reasons. MAIDIQs are perceived by contracting officers as flexible, streamlined, and cost-effective tools offering several benefits, for example:

- Turnaround time is significantly less compared to establishing a new contract. Based on a Coalition analysis, it takes a contracting officer 145 day less to place an order under an MAIDIQ, than to establish a new contract. That faster ordering time saves the government an estimated \$37,000 per contracting officer per order. This estimate does not account for the savings that result from customers receiving their products and services more quickly. Additionally, ASI Government has estimated that a task order can be awarded three times faster than a new contract².
- IDIQs provide established sources for emergency actions.
- IDIQ contracts facilitate funding flexibility; funds are obligated, as needed through orders and not at contract award, as may be required for some other types of contracts.
- IDIQ contracts serve a broad customer base, for example, multiple commands, other federal agencies, and foreign military sales. Program offices can accommodate unforeseen needs on an ongoing basis through the issuance of orders.³

While there are significant benefits for this acquisition vehicle, specific issues may arise with the use of Multiple Award IDIQ contracts. These challenges are not dissimilar from issues encountered in contracting overall. For instance:

- The inappropriate duplication of Multiple Award IDIQ contracts can increase costs for government and industry. The Coalition estimates that unnecessary contract duplication can cost more than \$2 million per year, per company.
- As with any major contract, if requirements are not well defined, the agency may be compelled to engage in multiple rounds of competition to assure that the government obtains what it actually needs.

² See, *Streamlining Task and Delivery Order Solicitations under MA/IDIQ Contracts*, ASI Government, May 2016

³ See, Report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate. *Federal Contracts- Agencies Widely Used Indefinite Contracts to Provide Flexibility to Meet Mission Needs* GAO-17-329 April 13, 2017

Questions about the degree of competition. Based on a Coalition analysis of procurement data, on average, an open market contract will receive more offers for specific requirements than task and delivery orders on an IDIQ. This comparison, however, provides an incomplete picture because it does not compare the nature of the requirement and availability of competition on similar vehicles or for similar market sectors. Put simply, there may be a myriad of companies that can provide professional services, but only so many that can produce stealth fighters. To illustrate this point, we can look at OASIS and SeaPort-e, both of which are popular and efficient IDIQs for professional services. We see that there are on average 2.9 offers per order on SeaPort-e and 4 offers per order on OASIS. While OASIS has a slightly higher competition rate, there are over 4,000 contractors on SeaPort-e and only 200 on OASIS. This example illustrates that there is a qualitative dimension to assessing competition. Likewise, the sheer numbers of competitors, and their administration under contract, suggests that the assessment of the quality and benefits of competition also need to consider the Total Cost of Acquisition, which includes the monetized cost of time.

Although Multiple Award IDIQ contracts may have not realized their full potential, many of these vehicles, including some of the eight Governmentwide Acquisition Contracts (GWACs), have been recognized by both government and industry to provide essential services to the government efficiently. Considering the success of these vehicles, the Coalition believes that, rather than eliminating IDIQ contracts, appropriate modifications to their approval and application should be made to enable them to build upon on their historical success and continue to deliver best value to the Federal customer.

The Coalition has prepared feedback to the Section 809 Panel which includes 28 specific recommendations that will improve the efficiency, effectiveness, and innovation in the Federal Market. We have highlighted some key recommendations that relate to MA IDIQs

Recommendations for Improving IDIQ Contracting

There are five significant changes that we recommend for improving the effectiveness of IDIQs:

1. Strengthen the business case requirements in FAR 17. Specifically, publicly post business cases for industry to review; task OFPP with maintaining an inventory of IDIQs; and create a scorecard (similar to small business goals) of effective IDIQ usage for those agencies that best utilize existing IDIQs.
2. Revise the FAR 17.5 language to eliminate the requirement for a determination and finds for the Schedules and GWACs. Both sets of vehicles are effective in meeting agency needs, and the extra administrative action and delay associated with the process yield no demonstrable value for the government.
3. Create Assisted Acquisition Centers of Excellence, and streamline the process for using assisted services outlined in FAR 17.
4. Expand the authority not to evaluate price at the contract level of an IDIQ to civilian agencies. DoD already has this authority for its own IDIQs, but the authority should also

be expanded to civilian agencies, particularly for interagency contracts utilized by DoD. The Department has also advocated for this policy change.

5. Eliminate Best in Class (BIC) designations. Under Category Management, BIC designations essentially selected winning (and losing) contract vehicles based on criteria that were not related to contract performance. DoD and civilian agencies should have the flexibility to select the contract vehicles that best meet their mission requirements, rather than having those decisions made by the Office of Federal Procurement Policy (OFPP) or a panel of other agencies. A specific IDIQ may be the right choice in some situations, in others the best value alternative may be a GSA or NASA vehicle instead. These choices must be made by the ordering activities after reviewing the requirements and should not be made by OFPP.

The Coalition consistently has advocated for change to enhance the benefits and make reforms where necessary for both multiple award IDIQ contracts and the GSA Multiple Award Schedule. Attached you will find our proposals for positive change, along with, where appropriate, suggested statutory and/or regulatory language. We hope you find this submission useful, and stand ready to assist the Panel in its continuing work.