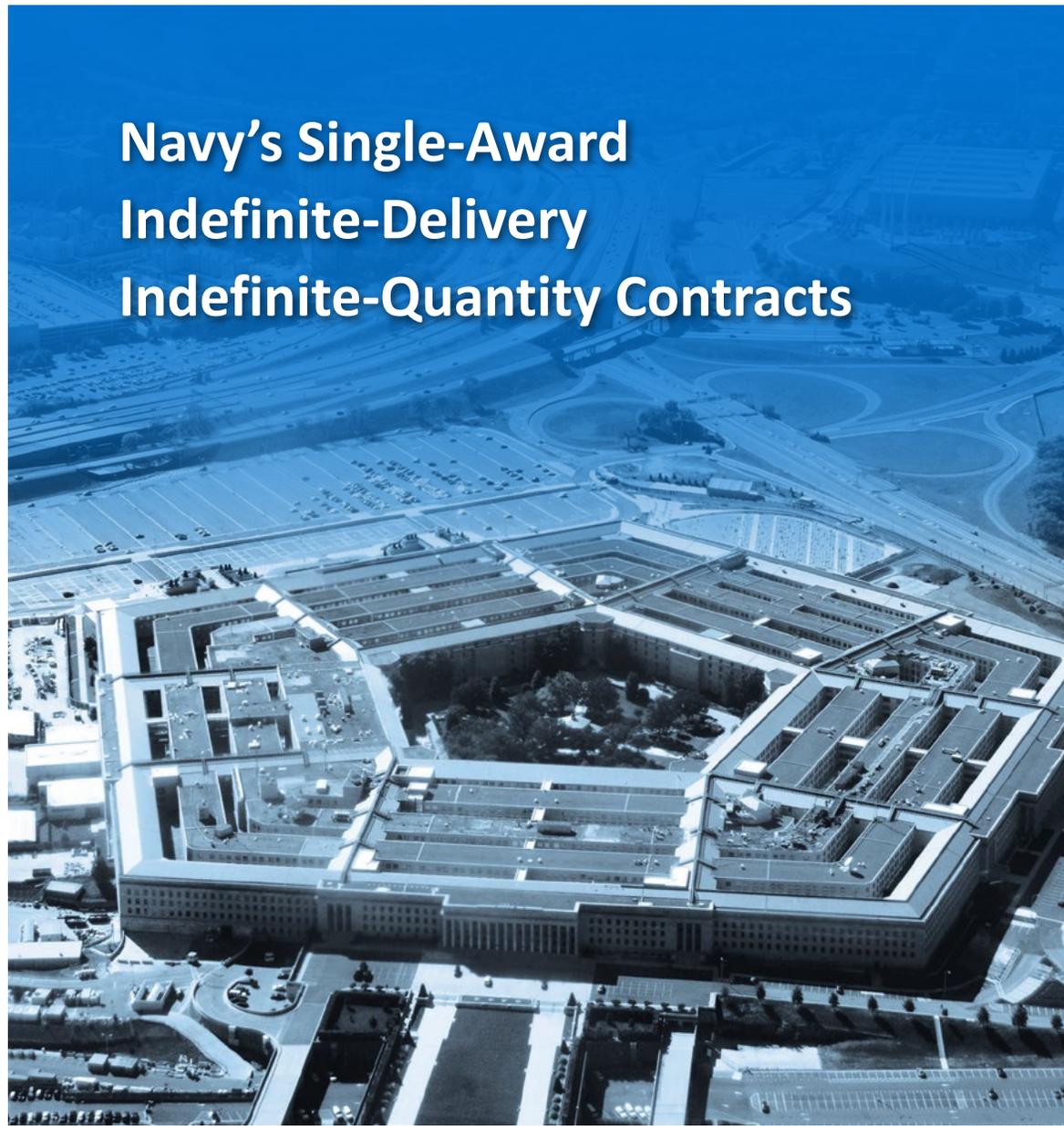




INSPECTOR GENERAL

U.S. Department of Defense

FEBRUARY 1, 2018



Navy's Single-Award Indefinite-Delivery Indefinite-Quantity Contracts

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Results in Brief

Navy's Single-Award Indefinite-Delivery Indefinite-Quantity Contracts

February 1, 2018

Objective

We determined whether the U.S. Navy's single-award, indefinite-delivery indefinite-quantity (IDIQ) contracts were properly justified. In addition, we determined whether internal processes for developing, approving, and evaluating determination and findings (D&F) documents were sufficient, based on Federal and DoD policies.¹

The Navy awarded 35 single-award IDIQ contracts each greater than \$112 million, with a combined value of \$37.6 billion, from October 1, 2014, through December 20, 2016. IDIQ contracts are used when the exact quantity and times of future deliveries are not known at the time of the contract award. We selected a nonstatistical sample of 14 single-award IDIQ contracts, with combined base and all options valued at \$7.7 billion, to review at Naval Air Systems Command (NAVAIR), Naval Sea Systems Command (NAVSEA), Space and Naval Warfare Systems Command (SPAWAR), Office of Naval Research (ONR), and Marine Corps Installations National Capital Region-Regional Contracting Office (MCINCR-RCO).

Findings

Contracting personnel at NAVAIR, NAVSEA, SPAWAR, ONR, and MCINCR-RCO properly justified all 14 contracts, valued at \$6.1 billion, as single-award IDIQ contracts.

¹ A D&F is a special form of written approval by an authorized official that is required by statute or regulation as a prerequisite to taking certain contract actions.

Findings (cont'd)

However, Navy personnel did not prepare or report the supporting D&Fs for all 14 contracts in accordance with requirements. Specifically:

- Contracting personnel at NAVAIR, NAVSEA, SPAWAR, and ONR did not detail the circumstances, facts, and reasoning essential to use a single-award IDIQ contract or did not include other content elements, such as the contracting activity or available options, in the D&F for 12 contracts, valued at \$5 billion.²
- Deputy Assistant Secretary of the Navy (Acquisition and Procurement) (DASN[AP]) officials did not notify Congress as required after a D&F was approved for one contract, valued at \$192.7 million, that cited the public interest exception.
- DASN(AP) officials and contracting personnel at NAVAIR, SPAWAR, ONR, and MCINCR-RCO did not submit an approved D&F to the Director, Defense Procurement and Acquisition Policy (DPAP), for 11 contracts, valued at \$5.1 billion.

This occurred because DASN(AP) officials and Navy contracting personnel were either unaware of, misinterpreted, or did not follow existing policy when preparing, reviewing, or reporting on a D&F, and the level of available guidance varied at each activity. As a result, Congress and DPAP officials may not have all the available information they need to make informed decisions on single-award IDIQ contracts, such as the supporting rationales for specific FAR exceptions. Properly completed D&Fs contain all the necessary information, including the rationales. Furthermore, incomplete D&Fs can increase the likelihood that improper single-award IDIQ contracts are approved, which could increase contract costs and may not ensure that future single-award IDIQ contract awards are well supported and justified.

² A D&F may include more than one deficiency.



Results in Brief

Navy's Single-Award Indefinite-Delivery Indefinite-Quantity Contracts

Findings (cont'd)

Additionally, a consistent underreporting of D&Fs from the Navy, Army, and Air Force to DPAP may indicate a need for DPAP officials to assess their use of D&Fs, and revise and communicate D&F reporting requirements to the Military Services, as necessary.

Recommendations

We recommend that DASN(AP) submit D&Fs for 11 contracts to the Director, DPAP, as required by Defense Federal Acquisition Regulation Supplement (DFARS) 216.504.³ In addition, DASN(AP) should review existing policies and procedures and take necessary action to ensure that the processes used to prepare, review, and report on D&Fs meet Federal and DoD requirements. Based on the results of the review, DASN(AP) should provide updated instructions through training or updated guidance on any areas requiring clarification to ensure the application of Federal and DoD requirements. Finally, we recommend that the Director, DPAP, perform an assessment to determine the adequacy and necessity of the procedures and requirements for the submission of D&Fs by the Military Services to mandatory stakeholders and implement procedures to verify that the Military Services are submitting all approved D&Fs.

Management Comments and Our Response

As of January 30, 2018, DASN(AP) and DPAP had not responded to our December 7, 2017, request for formal comments on our draft report recommendations. Therefore, we are issuing our final report without their comments and the recommendations are unresolved. We request that DASN(AP) and DPAP provide comments on this final report. Please see the Recommendations Table on the next page.

³ DFARS Subpart 216.5, "Indefinite-Delivery Contracts," 216.504, "Indefinite-quantity contracts."

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Defense Procurement and Acquisition Policy	2.a, 2.b	None	None
Deputy Assistant Secretary of the Navy (Acquisition and Procurement)	1.a, 1.b, 1.c	None	None

Please provide Management Comments by March 5, 2018.

Note: The following categories are used to describe agency management's comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.





**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
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February 1, 2018

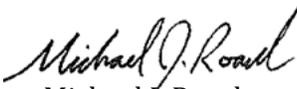
MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
NAVAL INSPECTOR GENERAL

SUBJECT: Navy's Single-Award Indefinite-Delivery Indefinite-Quantity Contracts
(Report No. DODIG-2018-069)

We are providing this report for review and comment. Contracting personnel at Naval Air Systems Command, Naval Sea Systems Command, Space and Naval Warfare Systems Command, Office of Naval Research, and Marine Corps Installations National Capital Region-Regional Contracting Office justified 14 contracts, valued at \$6.1 billion as of June 30, 2017, as single-award, indefinite-delivery indefinite-quantity contracts. However, Navy personnel at four contracting activities did not consistently prepare a complete determination and findings document that properly explained the single-award justification or did not include other content requirements for 12 contracts, valued at \$5 billion. In addition, Navy personnel at the five contracting activities and Deputy Assistant Secretary of the Navy (Acquisition and Policy) officials did not notify required stakeholders after a determination and findings document was approved for 12 contracts, valued at \$5.3 billion. We conducted this audit in accordance with generally accepted government auditing standards.

The Director, Defense Procurement and Acquisition Policy, and the Deputy Assistant Secretary of the Navy (Acquisition and Procurement), did not respond to the recommendations in the draft report. DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore we request comments, including planned actions taken, on the recommendations in this report by March 5, 2018. Please send a PDF file containing your comments to audrgo@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at 703-604-9187 (DSN 664 9187).


Michael J. Roark
Assistant Inspector General
Readiness and Global Operations

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Introduction

Objective

We determined whether the U.S. Navy's single-award, indefinite-delivery indefinite-quantity (IDIQ) contracts were properly justified. In addition, we determined whether internal processes for developing, approving, and evaluating determination and finding (D&F) documents were sufficient based on Federal and DoD policies. See Appendix A for a discussion of the scope, methodology, and prior audit coverage.

Background

IDIQ Contracts

IDIQ contracts are used when the exact quantity and times of future deliveries are not known at the time of the contract award. An IDIQ contract may be used to acquire supplies and services within the stated limits of the contract during a fixed period. The minimum and maximum quantity limits for task and delivery orders are stated in the basic contract as the number of units (for supplies) or as dollar values (for services). IDIQ contracts are widely used throughout the Federal Government. The Government Accountability Office reported that IDIQ contracts comprised about one-third of all contract obligations from FYs 2011 through 2015, totaling more than \$130 billion annually.⁴ Specifically, the Government Accountability Office reported that the DoD accounted for more than 67 percent of all IDIQ obligations across the Government.

Requirements for D&Fs

To enhance competition for Government contracts, Congress established requirements in section 843 of the FY 2008 National Defense Authorization Act for single-award IDIQ task and delivery order contracts greater than \$100 million.⁵ The Federal Acquisition Regulation (FAR), which establishes policies and procedures for acquisition, requires a D&F for a single-award IDIQ contract above this threshold, in addition to a Justification and Approval (J&A) document, when a contracting activity conducts procurements as other than full and open competition.

⁴ Government Accountability Office Report No. GAO-17-329, "Federal Contracts: Agencies Widely Used Indefinite Contracts to Provide Flexibility to Meet Mission Needs," April 13, 2017.

⁵ The threshold was increased from \$100 million to \$103 million on October 1, 2010, and then to \$112 million on October 1, 2015.

FAR 1.701 defines D&Fs as a special form of written approval by an authorized official that is required by law or regulation as a prerequisite to taking certain contract actions.⁶ Determinations are conclusions or decisions supported by findings. Findings are essential statements of fact or rationale that must cover each requirement listed in the FAR. If an option is anticipated, then the FAR requires D&Fs to state the approximate quantity to be initially awarded and the extent of the increase to be permitted by the option.⁷ In addition, the FAR states that all D&Fs must:

- identify the agency and contracting activity;
- identify the document as a D&F;
- include the nature or description of the action being approved;
- cite the appropriate law or regulation on which the D&F is based;
- include essential support for the D&F that details the particular circumstances, facts, and reasoning;
- include a determination, based on the findings, that the proposed action is justified under the applicable statute or regulation; and
- contain the signature of the official authorized to sign the D&F and the date signed.⁸

The FAR states that a task or delivery order contract with a total estimated value, including options, that exceeds \$112 million may not be awarded to a single source unless the head of the agency determines in writing that:

- the task or delivery orders expected under the contract are so integrally related that only a single source can reasonably perform the work;
- the contract provides only for firm-fixed-price task or delivery orders for products that have established unit prices or services for which prices are established in the contract for the specific tasks to be performed;
- only one source is qualified and capable of performing the work at a reasonable price to the Government; or
- it is necessary in the public interest to award the contract to a single source due to exceptional circumstances.⁹

The Defense Federal Acquisition Regulation Supplement (DFARS) on single-award IDIQ contracts requires that the authority to make the determination authorized in FAR 16.504 must not be delegated below the level of the senior procurement

⁶ FAR Subpart 1.7, "Determinations and Findings," Section 1.701, "Definition."

⁷ FAR Subpart 1.7, "Determinations and Findings," Section 1.702, "General."

⁸ FAR Subpart 1.7, "Determinations and Findings," Section 1.704, "Content."

⁹ FAR Subpart 16.5, "Indefinite-Delivery Contracts," Section 16.504, "Indefinite-Quantity Contracts."

executive (SPE). A copy of each determination made in accordance with FAR 16.504 must be submitted to a designated office in the Director, Defense Procurement and Acquisition Policy (DPAP).¹⁰ Additionally, Congress must also be notified within 30 days after issuing a D&F citing the public interest exception.¹¹

Navy Roles and Responsibilities

The SPE for the Navy is the Assistant Secretary of the Navy (Research, Development, and Acquisition) (ASN[RDA]). The Deputy Assistant Secretary of the Navy (Acquisition and Policy) (DASN[AP]) provides staff support and advice to the ASN(RDA). DASN(AP) establishes acquisition and logistics policy to ensure compliance with laws and regulations and to guarantee consistent standardized business practices. DASN(AP) officials receive and review Navy D&Fs before forwarding them to the Navy SPE for approval.

Navy Contracts Reviewed

We queried the Federal Procurement Data System-Next Generation and identified 439 single-award IDIQ contracts each valued at over \$112 million that the DoD awarded from October 1, 2014, through December 20, 2016. From the 439 single-award IDIQ contracts, with a combined base and all options value of \$438.9 billion, the Navy issued 35 contracts, with a combined total value of \$37.6 billion. We nonstatistically selected contracting activities based on the largest number of contracts awarded and concentration of high dollar value contracts. We selected 14 single-award IDIQ contracts to review, with a combined base and all options value of \$7.7 billion at Naval Air Systems Command (NAVAIR), Naval Sea Systems Command (NAVSEA), Space and Naval Warfare Systems Command (SPAWAR), Office of Naval Research (ONR), and Marine Corps Installations National Capital Region-Regional Contracting Office (MCINCR-RCO). As of June 30, 2017, the total value of the 14 contracts was \$6.1 billion.¹²

¹⁰ DFARS Subpart 216.5, "Indefinite-Delivery Contracts," Section 216.504, "Indefinite-quantity contracts."

¹¹ FAR 16.504(c)(1)(ii)(D)(2).

¹² Unless otherwise noted, reported contract values are the total cost of the contract as of June 30, 2017, and include any modifications or exercised options.

Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.¹³

We identified internal control weaknesses related to the Navy's single-award IDIQ contracts. Specifically, Navy contracting officials did not prepare complete D&Fs and did not notify required stakeholders of approved D&Fs. We will provide a copy of the report to the senior official responsible for internal controls in the Navy.

¹³ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

Navy's Preparation and Reporting of D&Fs for Single-Award IDIQ Contracts Need Improvement

Contracting personnel at NAVAIR, NAVSEA, SPAWAR, ONR, and MCINCR-RCO properly justified 14 contracts, valued at \$6.1 billion, as single-award IDIQ contracts. However, Navy personnel did not prepare or report the supporting D&Fs for all 14 contracts reviewed in accordance with FAR and DoD requirements. Specifically:

- Contracting personnel at NAVAIR, NAVSEA, SPAWAR, and ONR did not include all the content elements required by FAR 1.7 in the D&F, the official approving document used to support and document a single-award determination, for 12 contracts.¹⁴ NAVAIR contracting personnel did not sufficiently explain the single-award justification in the D&F for six sole source contracts, valued at \$2.4 billion. Furthermore, contracting personnel at NAVAIR, NAVSEA, SPAWAR, and ONR did not include other content elements, such as the extent of options or contracting activity, for nine contracts, valued at \$3.4 billion. Instead, personnel relied on other documents, such as the J&A or acquisition plan, to address the required content elements when preparing the D&Fs.
- DASN(AP) officials did not notify Congress, as required, after a D&F was approved for one contract that cited the public interest exception.¹⁵ In addition, DASN(AP), NAVAIR, SPAWAR, ONR, and MCINCR-RCO contracting personnel did not submit an approved D&F to DPAP, as required by DFARS 216.504 for 11 contracts, valued at \$5.1 billion.

Navy personnel did not prepare or report the supporting D&Fs for all 14 contracts reviewed in accordance with FAR and DoD requirements.

The deficiencies occurred because DASN(AP) officials and Navy contracting personnel were either unaware of, misinterpreted, or did not follow existing policy when preparing, reviewing, or reporting on D&Fs, and the level of internal guidance varied at each activity. As a result, Congress and DPAP officials may not have all the available information they need to make informed decisions on single-award IDIQ contracts, such as the supporting rationales for specific FAR exceptions used in the D&Fs. Properly completed D&Fs contain all the necessary information, including the rationales. However, the D&Fs we reviewed were

¹⁴ A D&F may include more than one deficiency.

¹⁵ FAR 16.504(c)(1)(ii)(D)(2).

incomplete and did not include the rationales. Incomplete D&Fs can increase the likelihood that improper single-award IDIQ contracts are approved, which could increase contract costs. Furthermore, continued use of inadequate processes to prepare D&Fs may not ensure that future Navy single-award IDIQ contract awards are well supported and justified.

Also, a consistent underreporting of D&Fs from the Navy, Army, and Air Force to DPAP may indicate a need for DPAP officials to assess their use of D&Fs and revise and communicate D&F reporting requirements to the Military Services, as necessary.

Navy Contracting Personnel Justified Single-Awards for 14 IDIQ Contracts

Contracting personnel at NAVAIR, NAVSEA, SPAWAR, ONR, and MCINCR-RCO justified all 14 contracts, valued at \$6.1 billion, as single-award IDIQ contracts. Navy contracting personnel prepared and the Navy SPE approved a D&F before the award of each contract, as required. FAR 16.504 states that no task or delivery order contract estimated to exceed \$112 million may be awarded to a single source unless the head of the agency determines, in writing, that one of the four exceptions to using a multiple-award approach applies.¹⁶ Of the 14 contracts, Navy personnel prepared and approved:



Contracting personnel at NAVAIR, NAVSEA, SPAWAR, ONR, and MCINCR-RCO justified all 14 contracts, valued at \$6.1 billion, as single-award IDIQ contracts.

- 5 D&Fs citing the exception that “the task or delivery orders expected under the contract are so integrally related that only a single source could reasonably perform the work,”
- 1 D&F citing the exception that “the contract provides only for firm-fixed-price delivery or task orders for: products that have established unit prices; or services for which prices are established in the contract for the specific tasks to be performed,”
- 8 D&Fs citing the exception that “only one source is qualified and capable of performing the work at a reasonable price to the Government,” and
- 1 D&F citing the exception that “it is necessary in the public interest to award the contract to a single source due to exceptional circumstances.”¹⁷

¹⁶ The threshold for these contracts was \$103 million for contracts awarded before October 1, 2015. However, after October 1, 2015, the threshold increased to \$112 million.

¹⁷ One D&F cited two exceptions: the one qualified source exception and the exception for firm-fixed-price orders with established unit prices. Therefore, contracting personnel had to provide sufficient justification in the D&F to support both single-award determinations.

Navy contracting personnel at the five activities provided sufficient findings in the D&F, as required, to justify the single-award determination for 8 of the 14 contracts, valued at \$3.7 billion. For example, a D&F prepared for a NAVAIR contract for precision guidance units cited “only one source is qualified and capable of performing the work at a reasonable price to the Government” because the contractor owned and refused to sell the technical data rights. In addition, Navy contracting personnel at one activity provided other information within the contract file, such as the J&A or acquisition plan, to support the use of a single award approach for the remaining 6 of 14 contracts, valued at \$2.4 billion.

Navy Contracting Personnel Prepared Incomplete D&Fs for Single-Award IDIQ Contracts

Navy contracting personnel did not consistently prepare a complete D&F, the official approving document used to justify and document a single-award determination. Although there are benefits to using a single-award contract over a competitive, multiple-award contract, competition creates an incentive for contractors to lower prices. A contractor may have less motivation to create economic efficiencies with a non-competitive, single-award contract. Therefore, contracting personnel must justify and fully document their determination in the D&F to ensure that the use of a single-award approach is appropriate.¹⁸ Inadequate D&Fs increase the likelihood that improper single-award IDIQ contracts are approved, which could increase contract costs if an unjustified single-award contract is awarded instead of a competitive-based, multiple-award procurement. Furthermore, Navy personnel’s continued use of inadequate processes to prepare D&Fs may not ensure that future single-award IDIQ contract awards are well supported and justified.

NAVAIR Contracting Personnel Did Not Explain the Single-Award Justification in the D&F for Six Sole Source Contracts

NAVAIR contracting personnel did not sufficiently explain the single-award justification in the D&F document for six sole source contracts reviewed, valued at \$2.4 billion. FAR 1.7 requires contracting personnel to include sufficient facts and circumstances in the D&F, clearly and convincingly justifying the specific exception to use a single-award approach.¹⁹ NAVAIR contracting

NAVAIR contracting personnel did not sufficiently explain the single-award justification in the D&F document for six sole source contracts reviewed, valued at \$2.4 billion.

¹⁸ FAR 1.701, FAR 1.704, and FAR 16.504(c)(1)(ii)(D)(1).

¹⁹ FAR 1.701 and FAR 1.704.

personnel cited the one qualified source exception in the six D&F documents without explaining why the proposed contractor was the only source capable of meeting the Government's requirements.

For example, NAVAIR contracting personnel prepared a D&F for contract N00019-17-D-5517, but only stated that a J&A citing the FAR 6.302-1 exception to full and open competition was concurrently submitted for approval.²⁰ Contracting personnel did not explain in the D&F why only one qualified source could meet the Government's requirements, such as the Government's lack of technical data or the contractor's unique skills and experience required to compete the procurement. Although the J&As or acquisition plans referenced within the six D&Fs ultimately supported the single-award determination, and the J&As were concurrently submitted to the Navy SPE for approval, the documents were not part of or listed as an attachment to the D&F. The D&F is the official approving document that permits the award of a single-award IDIQ contract and should include sufficient rationale to support why a single-award acquisition is required.

Navy Contracting Personnel Prepared Incomplete D&Fs to Document Single-Award Determinations

Contracting personnel at NAVAIR, NAVSEA, SPAWAR, and ONR did not fully address all the D&F content elements required by FAR 1.7 to document the single-award determination in the D&F for 12 of 14 contracts, valued at \$5 billion. Instead, Navy contracting personnel omitted required information and relied on other documents to address the required elements when preparing the D&Fs. Specifically:

- NAVAIR contracting personnel did not include findings that detail the particular circumstances, facts, or reasoning essential to support the determination, in the D&F for six contracts, as required by FAR 1.704(d);
- NAVAIR, SPAWAR, and ONR contracting personnel did not include the approximate quantity to be initially awarded and the extent of the increase permitted by the options, in the D&F for eight contracts, as required by FAR 1.702(b); and
- NAVSEA contracting personnel did not cite the contracting activity, one of the three elements required by FAR 1.704(a), in the D&F for one contract.²¹

For example, SPAWAR contracting personnel did not include the extent of anticipated option information in quantities, as required by FAR 1.702(b), in the D&F document for contract N00039-15-D-0044 for a modernized electronic health record system. The quantity limits are stated as a dollar value for service

²⁰ FAR 6.302-1, "Only one responsible source and no other supplies or services will satisfy agency requirements."

²¹ A D&F may include more than one deficiency.

contracts. Options were anticipated at the time the D&F was prepared; however, the D&F document did not include the dollar value of the contract and the potential dollar increase from available options.

While Navy contracting personnel included documents in the 12 contract files that addressed the omitted D&F content elements, these documents are not required to be included with the D&F submission to Congress and to DPAP.²² The D&Fs that did not include these documents did not stand alone to fully document the single-award decision. See Appendix B for a list of contracts reviewed and deficiencies identified.

Navy Personnel Did Not Report on the Use of Single-Award IDIQ Contracts

Navy personnel did not notify required stakeholders after the Navy SPE approved the D&F for 12 of 14 contracts, as required by the FAR and DFARS.²³ Federal and DoD policies contain separate requirements for Navy personnel to report completed D&Fs that cite the public interest exception to Congress and report all completed D&Fs to DPAP.

For one contract for the implementation of advanced system technology onto a new class of ships, valued at \$192.7 million, DASN(AP) officials did not notify Congress within 30 days after the Navy SPE approved a D&F that cited the public interest exception, as required by the FAR.²⁴ Instead, DPAP officials eventually notified Congress on this use of the single-award exception in the DPAP annual report on commercial item and exceptional case circumstances (DPAP used the D&F that NAVSEA personnel had provided under a separate reporting requirement to draft the annual report).^{25, 26} However, Congress did not receive this notification from DPAP officials until 339 days after the FAR-required 30-day threshold. DASN(AP) officials believed that they had met this FAR requirement by submitting a memorandum to DPAP that documented the contracting actions relevant to DPAP's annual report. However, DPAP officials could not verify that DASN(AP) officials provided the DPAP office with this memorandum.

For one contract valued at \$192.7 million, DASN(AP) officials did not notify Congress within 30 days after the Navy SPE approved a D&F that cited the public interest exception, as required by the FAR.

²² FAR 16.504(c)(1)(ii)(D)(2) and DFARS 216.504.

²³ FAR 16.504(c)(1)(ii)(D)(2) and DFARS 216.504.

²⁴ FAR 16.504(c)(1)(ii)(D)(2).

²⁵ "Report to Congress: Exceptions and Waivers Relating to Submission of Certified Cost or Pricing Data Under the Truth-In-Negotiations Act and Cost Accounting Standards for Fiscal Year 2016," May 15, 2017.

²⁶ DFARS 216.504.

DASN(AP) officials and contracting personnel at NAVAIR, SPAWAR, ONR, and MCINCR-RCO did not submit an approved D&F to DPAP, as required by DFARS 216.504, for 11 contracts, valued at \$5.1 billion. DPAP officials received a D&F from DASN(AP) or Navy contracting personnel for only 3 of the 14 contracts. One DPAP official believed that Navy officials underreported using D&Fs for single-award contracts due to the relative low volume of D&Fs submitted by the Navy compared to other Military Services, but stated that he had no way of knowing if DPAP is properly receiving all the D&Fs from the Military Services.

Because of the Navy's reporting omissions of single-award IDIQ contracts, Congress and DPAP officials may not have all the available information they need to make informed decisions on single-award IDIQ contracts, such as the supporting rationales for specific FAR exceptions used in the D&Fs. Properly completed D&Fs contain all the necessary information, including the rationales. For example, the FAR 16.504 "integrally related" exception could be supported with different reasons, while the "sole source" exception might have ownership of data rights as a primary rationale. The incomplete D&Fs we reviewed did not include the rationales. We are not recommending that DASN(AP) officials report to Congress on the D&F that cited the public interest exception because the use of the exception was eventually reported to Congress. However, DASN(AP) should submit the 11 D&Fs to DPAP, as required.

Navy Contracting Personnel Were Unaware of, Misinterpreted, or Did Not Follow Existing Policy When Preparing, Reviewing, and Reporting D&Fs

Navy personnel did not consistently prepare a complete D&F used to justify and document a single-award determination and notify required stakeholders after a D&F was approved. DASN(AP) officials and contracting personnel at NAVAIR, NAVSEA, SPAWAR, ONR, and MCINCR-RCO were unaware of, misinterpreted, or did not follow existing FAR, DFARS, or local policy when preparing, reviewing, and reporting on D&Fs for single-award IDIQ contracts. Furthermore, the level of available guidance varied across the Navy. For example, NAVAIR's guidance provides details on how to prepare and submit D&Fs while ONR's guidance did not provide specifics on how personnel were to prepare D&Fs that met FAR 1.704 requirements and, instead, primarily focused on D&F approval procedures.



DASN(AP) officials and contracting personnel at NAVAIR, NAVSEA, SPAWAR, ONR, and MCINCR-RCO were unaware of, misinterpreted, or did not follow existing FAR, DFARS, or local policy when preparing, reviewing, and reporting on D&Fs for single-award IDIQ contracts.

- DASN(AP) issued guidance discussing the preparation of the D&F in 2008; however, several Navy officials were unaware of this guidance. Several Navy contracting personnel we interviewed stated that they relied on previously approved D&Fs as a guide for constructing a D&F.
- Navy personnel misinterpreted FAR 1.702(b) and FAR 1.704(d) requirements. For example, DASN(AP) officials and NAVAIR contracting personnel stated that the FAR's minimum content requirements for D&Fs were met by referring to other documentation in the D&F or relying on other documents included in the contract file.
- DASN(AP) officials were either unaware of or did not follow their own written, standard operating procedures for reviewing submitted D&Fs for adequacy.²⁷ Officials did not ensure that the D&Fs included all the FAR 1.7 required content elements and contained enough facts and details to justify the need for single-award contracts, as specified in the written procedures.
- NAVAIR policy officials explained that after receiving clarification from DASN(AP), they issued an internal memorandum in June 2016 to their contracting community that stated it was DASN(AP)'s responsibility to comply with DFARS 216.504 by forwarding an approved D&F to DPAP and the cognizant contracting officer. However, some contracting officers were unaware of this guidance. Contracting officers at other activities believed that they were responsible for submitting the approved D&Fs to DPAP, while others were unaware of the requirement to submit approved D&Fs to DPAP.
- One DASN(AP) official was unaware of the DFARS 216.504 reporting requirement, while another official believed that DASN(AP) was only required to submit D&Fs to DPAP that cited the public interest exception, due to Public Law 112-81 repeal of an unrelated case-by-case congressional reporting requirement for all D&Fs.²⁸

D&Fs are the official approval document for using a single-award contract, but these incomplete D&Fs cannot stand on their own to explain the single-award justification, such as when submitted separately to Congress or DPAP. As a result, Congress and DPAP officials may potentially make decisions regarding single-award IDIQ contracts based on incomplete or unreported information.

²⁷ DASN(AP) SOP No. PABT-4, "Processing a Determination and Findings Request," provides guidance on the review and processing of D&Fs. It reiterates FAR 1.704 D&F content elements.

²⁸ In 2011, Public Law 112-81, "The National Defense Authorization Act for Fiscal Year 2012," section 809 repealed the reporting requirement under section 2304a, title 10, United States Code, subsection (d)(3), subparagraph (B).

Consistent Underreporting of D&Fs From Navy, Army, and Air Force

We previously reported on Army and Air Force officials' lack of consistent reporting of D&Fs for single-award IDIQ contracts.²⁹ Inconsistent reporting across Military Services suggests a breakdown in communication between the Military Services and DPAP. Furthermore, the consistent underreporting of D&Fs to DPAP, and DPAP's awareness of the Navy's low volume of single-award IDIQ contracts as compared to other Services, may also indicate a need to reassess whether submission of each D&F is necessary. DASN(AP) officials should review existing policies, procedures, or training requirements and take necessary action to ensure that the processes used to prepare, review, and report on D&Fs meet Federal and DoD requirements. Furthermore, DPAP officials should assess their use of D&Fs, revise and communicate D&F reporting requirements to the Military Services, and ensure that the Military Services are reporting D&Fs, as required.

Conclusion

Contracting personnel at NAVAIR, NAVSEA, SPAWAR, ONR, and MCINCR-RCO properly justified 14 contracts, valued at \$6.1 billion, as single-award IDIQ contracts. However, Navy personnel did not prepare or report the supporting D&F for all 14 contracts reviewed, in accordance with requirements. DASN(AP) officials and Navy contracting personnel were either unaware of, misinterpreted, or did not follow existing policy when preparing, reviewing, or reporting on D&Fs, the official approving document used to justify and document a single-award determination, and the level of internal implementing guidance varied at each activity. Although contracting personnel either forwarded additional information to the Navy approval authority or included other documentation in the contract files to address the D&F content omissions, there is no requirement for this additional information to be forwarded to the required stakeholders outside of the Navy. As a result, Congress and DPAP officials may lack information needed to make complete, informed decisions on the single-award IDIQ contracts. Incomplete D&Fs can increase the likelihood that improper single-award IDIQ contracts are approved, which could increase contract costs by foregoing the cost savings of a multiple-award procurement. Furthermore, Navy personnel's continued use of inadequate processes to prepare D&Fs may not ensure that future single-award IDIQ contract awards are well supported and justified.

²⁹ Report No. DODIG-2017-065, "The Army Needs to Improve Processes for Single-Award, Indefinite-Delivery Indefinite-Quantity Contracts," March 14, 2017; and Report No. DODIG-2016-085, "The Air Force Processes for Approving Air Force Life Cycle Management Center Single-Award Indefinite-Delivery Indefinite-Quantity Contracts Need Improvement," April 29, 2016.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Deputy Assistant Secretary of the Navy (Acquisition and Procurement):

- a. **Submit the determination and findings documents for contracts N00019-15-D-0001, N00019-15-D-0009, N00019-15-D-5501, N00019-16-D-0051, N00019-16-D-1002, N00019-17-D-5517, N00421-15-D-0001, N00421-15-D-0007, N00039-15-D-0044, N00014-16-D-5003, and M00264-15-D-0008 to the Director, Defense Procurement and Acquisition Policy.**
- b. **Review the adequacy of existing Navy policies and procedures pertaining to the preparation, review, and reporting of determination and findings documents for single-award, indefinite-delivery indefinite-quantity contracts and ensure that the processes used meet Federal and DoD requirements.**
- c. **Based on the results of the review, provide updated instructions to the workforce, through training or updated guidance, on any areas requiring clarification to ensure the application of Federal and DoD requirements. The updated instructions should clearly define what information must be in the determination and findings document to ensure that the standalone document fully supports a single-award determination, and the processes used to report a determination and findings document to Congress and Defense Procurement and Acquisition Policy.**

Management Comments Required

The Deputy Assistant Secretary of the Navy (Acquisition and Procurement) did not respond to the recommendations in the report. Therefore, the recommendations are unresolved. We request that the Deputy Assistant Secretary provide comments on this final report.

Recommendation 2

We recommend that the Director, Defense Procurement and Acquisition Policy:

- a. Conduct a review of the use of the determination and findings document to determine if there is a continued need for the Military Services to submit determination and findings documents; revise the reporting requirements accordingly; and communicate the reporting requirements to the Military Services.**
- b. Implement procedures to verify that the Military Services are submitting all approved determination and findings documents.**

Management Comments Required

The Director, Defense Procurement and Acquisition Policy, did not respond to the recommendations in the report. Therefore, the recommendations are unresolved. We request that the Director provide comments on this final report.

Appendix A

Scope and Methodology

We conducted this performance audit from March 2017 through December 2017 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.

Universe and Sample Information

We queried the Federal Procurement Data System-Next Generation and identified 439 single-award IDIQ contracts valued over \$112 million that the DoD awarded from October 1, 2014, through December 20, 2016. Of the 439 single-award IDIQ contracts, with a combined value of \$438.9 billion, the Navy issued 35 contracts, with a combined value of \$37.6 billion. Initially, we nonstatistically selected 21 contracts that were awarded at seven Navy contracting activities that had the highest number of awards and concentration of high dollar value contracts to review. However, we removed seven contracts and two contracting activities from our review because contracting personnel reported incorrect information in the Federal Procurement Data System-Next Generation, or the contract did not have any exercised options and fell below the review threshold.

Our final review included all 14 single-award IDIQ contracts, valued at \$6.1 billion, awarded at five Navy contracting activities:

- NAVAIR contracting personnel awarded 10 contracts valued at \$3.1 billion,
- NAVSEA contracting personnel awarded 1 contract valued at \$192.7 million,
- SPAWAR contracting personnel awarded 1 contract valued at \$1.8 billion,
- ONR contracting personnel awarded 1 contract valued at \$212.7 million, and
- MCINCR-RCO contracting personnel awarded 1 contract valued at \$770.2 million.³⁰

³⁰ The combined base and all options value for the 14 contracts reviewed was \$7.7 billion, as reported in Federal Procurement Data System-Next Generation.

Review of Documentation and Interviews

We reviewed the 14 single-award IDIQ contracts awarded by NAVAIR, NAVSEA, SPAWAR, ONR, and MCINCR-RCO between October 28, 2014, and October 31, 2016, valued at \$6.1 billion. The contracts reviewed were for supplies and services.

We interviewed contracting personnel at NAVAIR, NAVSEA, SPAWAR, ONR, and MCINCR-RCO who were involved in the contract award and administration of the 14 contracts. We met with the contracting officers who issued the contracts in our sample and, in some cases, their supervisors. We obtained and reviewed supporting contract file documentation for each contract. Specifically, we reviewed documentation such as:

- basic contracts and modifications;
- D&Fs for single-award IDIQ contracts;
- J&As for other than full and open competition;
- performance work statements;
- market research documentation;
- Independent Government Cost Estimates;
- acquisition plans;
- bid protest information;
- local and DASN(AP)-issued policies and procedures; and
- FAR, DFARS, and Navy Marine Corps Federal Acquisition Regulation Supplement criteria related to single-award IDIQ contracts.

Use of Computer-Processed Data

We did not use computer-processed data that supported our findings, conclusions, and recommendations to perform this audit.

Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) issued two reports discussing single-award IDIQ contracts. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

DoD OIG

Report No. DODIG-2017-065, "The Army Needs to Improve Processes for Single-Award, Indefinite-Delivery Indefinite-Quantity Contracts," March 14, 2017

U.S. Army contracting personnel justified 7 contracts, valued at \$4.1 billion, as single-award IDIQ contracts and issued 20 task orders consistent with the scope of the associated contracts. However, U.S. Army contracting personnel did not support one contract, valued at \$192 million, with a required D&F and only provided copies of two D&Fs for single-award IDIQ contracts to DPAP in a timely manner.

Report No. DODIG-2016-085, "The Air Force Processes for Approving Air Force Life Cycle Management Center Single-Award Indefinite-Delivery Indefinite-Quantity Contracts Need Improvement," April 29, 2016

Air Force Life Cycle Management Center contracting personnel generally justified 8 contracts, valued at \$2.5 billion, as single-award IDIQ contracts and issued 76 task orders consistent with the scope of the associated contracts. However, the Air Force Life Cycle Management Center contracting officers did not support one contract, valued at \$110.5 million, with a required D&F; obtain required approvals for three contracts; or provide any copies of D&Fs for single-award IDIQ contracts to DPAP.

Appendix B

Summary of Single-Award IDIQ Contracts Reviewed

Contract Number	Exception Cited in D&F	Contract Value ¹	Procurement Justified as a Single-Award IDIQ Contract	Required FAR Content Elements Included in D&F			Stakeholders Notified	
				FAR 1.702(b) ²	FAR 1.704(a) ³	FAR 1.704(d) ⁴	Congress	DPAP
NAVAIR								
N00019-15-D-0001	Integrally related orders	\$112,248,384	Yes	No	Yes	Yes	N/A	No
N00019-15-D-0009	One qualified source; firm-fixed-price orders with established unit prices	123,601,460	Yes ⁵	No	Yes	No	N/A	No
N00019-15-D-0019	One qualified source	735,930,537	Yes ⁵	N/A	Yes	No	N/A	Yes
N00019-15-D-0026	Integrally related orders	131,111,217	Yes	No	Yes	Yes	N/A	Yes
N00019-15-D-5501	One qualified source	541,006,421	Yes ⁵	No	Yes	No	N/A	No
N00019-16-D-0051	One qualified source	78,671,688 ⁶	Yes ⁵	No	Yes	No	N/A	No
N00019-16-D-1002	One qualified source	362,238,177	Yes	N/A	Yes	Yes	N/A	No
N00019-17-D-5517	One qualified source	619,619,788	Yes ⁵	N/A	Yes	No	N/A	No
N00421-15-D-0001	One qualified source	293,502,286	Yes ⁵	N/A	Yes	No	N/A	No
N00421-15-D-0007	Integrally related orders	151,435,748	Yes	No	Yes	Yes	N/A	No
NAVSEA								
N00024-17-D-2321	Public Interest	192,682,485	Yes	N/A	No	Yes	No ⁷	Yes
SPAWAR								
N00039-15-D-0044	Integrally related orders	1,807,708,422	Yes	No	Yes	Yes	N/A	No

See the final page of Appendix B for the table notes.

Contract Number	Exception Cited in D&F	Contract Value ¹	Procurement Justified as a Single-Award IDIQ Contract	Required FAR Content Elements Included in D&F			Stakeholders Notified	
				FAR 1.702(b) ²	FAR 1.704(a) ³	FAR 1.704(d) ⁴	Congress	DPAP
ONR								
N00014-16-D-5003	One qualified source	212,711,502	Yes	No	Yes	Yes	N/A	No
MCINCR-RCO								
M00264-15-D-0008	Integrally related orders	770,240,000	Yes	N/A	Yes	Yes	N/A	No
Total		\$6,132,708,115						

¹ Contract values depicted in the table are the total cost of the contract as of June 30, 2017, and includes any modifications or exercised options.

² When an option is anticipated, FAR 1.702(b) requires D&Fs to state the approximate quantity to be initially awarded and the extent of the increase to be permitted by the option.

³ FAR 1.704(a) requires D&Fs to identify the agency and contracting activity and specifically identify the document as a "Determination and Findings."

⁴ FAR 1.704(d) requires D&Fs to include findings that detail the particular circumstances, facts, or reasoning essential to support the determination.

⁵ Navy contracting personnel did not include sufficient findings in the D&F to justify the use of a single-award approach.

⁶ The combined base and all options value for contract N00019-16-D-0051 was \$220.7 million.

⁷ Congress was notified on the Navy's use of the public interest exception after the FAR-required 30-day threshold.

Acronyms and Abbreviations

ASN(RDA)	Assistant Secretary of the Navy (Research, Development, and Acquisition)
D&F	Determination and Findings
DASN(AP)	Deputy Assistant Secretary of the Navy (Acquisition and Policy)
DFARS	Defense Federal Acquisition Regulation Supplement
DPAP	Defense Procurement and Acquisition Policy
FAR	Federal Acquisition Regulation
IDIQ	Indefinite-Delivery Indefinite-Quantity
J&A	Justification and Approval
MCINCR-RCO	Marine Corps Installations National Capital Region-Regional Contracting Office
NAVAIR	Naval Air Systems Command
NAVSEA	Naval Sea Systems Command
ONR	Office of Naval Research
SPE	Senior Procurement Executive
SPAWAR	Space and Naval Warfare Systems Command

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