

Why GAO Did This Study

The Small Business Administration's 8(a) program is one of the federal government's primary vehicles for developing small businesses. Tribal 8(a) firms, such as firms owned by Alaska Native Corporations, can win sole-source contracts for any dollar amount in the 8(a) program, while other 8(a) firms generally must compete for contracts valued above certain dollar thresholds.

In March 2011, the Federal Acquisition Regulation was amended to include a new requirement for a written justification for sole-source 8(a) awards over \$20 million, where previously no justification was required. GAO has previously reported on tribal 8(a) contracting and recommended improved oversight.

The Appropriations Act of 2015 contained a provision for GAO to assess the impact of the 8(a) justification at DOD. This report addresses: (1) trends among DOD sole-source and competitive 8(a) awards from fiscal years 2006 through 2015; and (2) the factors to which DOD officials attribute these trends. GAO analyzed data from the Federal Procurement Data System-Next Generation, reviewed 14 sole-source 8(a) contracts over \$20 million—9 of which had been followed by additional contracts for the same requirement, and spoke with contracting officials. GAO judgmentally selected most of the 14 contracts from offices that had awarded numerous sole-source 8(a) contracts in the past.

GAO is not making any recommendations in this report. The Department of Defense had no comments on a draft of this report.

View [GAO-16-557](#). For more information, contact Michele Mackin at (202) 512-4841 or mackinm@gao.gov.

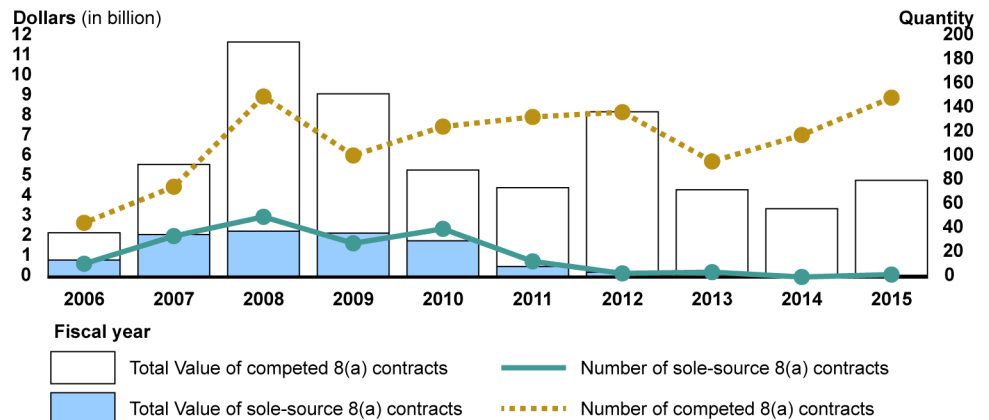
DOD SMALL BUSINESS CONTRACTING

Use of Sole-Source 8(a) Contracts over \$20 Million Continues to Decline

What GAO Found

The number of sole-source contracts over \$20 million that the Department of Defense (DOD) awards to small businesses under the 8(a) program has been steadily declining since 2011 when the new requirement for a written justification for these contracts went into effect. In contrast, the number of competitive 8(a) contracts over \$20 million has increased in recent years (see figure).

Number and Total Contract Value of Department of Defense Competitive and Sole-Source 8(a) Contracts over \$20 Million, Fiscal Years 2006 through 2015



Source: GAO analysis of Federal Procurement Data System - Next Generation. | GAO-16-557

Between GAO's last report on this topic in September 2014 and the end of fiscal year 2015, DOD awarded two sole-source 8(a) contracts over \$20 million—one for vehicle maintenance and repair and one for engineering services. The contracting officer for the vehicle repair contract told GAO that the service will not be needed in the future, while the contracting officer for engineering services stated that he intends to competitively award the next contract for these services. Tribal 8(a) firms eligible for sole-source contracts over \$20 million have won a growing number of competed 8(a) contracts since the justification went into effect in 2011.

DOD contracting officials GAO spoke to overwhelmingly cited an agency-wide emphasis on using competition to obtain benefits, such as better pricing, as a reason for the decline in the use of sole-source 8(a) contracts over \$20 million. Further, officials from almost half of the offices also noted that a decline in their budgets or the amount of goods and services needed rendered the 8(a) justification not applicable because most of their contracts fall below the \$20 million threshold. Of the 9 sole-source 8(a) contracts GAO reviewed with subsequently awarded contracts, over half were ultimately competed. For example, the Army competitively awarded a 4-year \$140 million contract for base operations support, a service that had been previously met by a 10-year \$397 million sole-source 8(a) contract.