

# GAO Highlights

Highlights of [GAO-17-682](#), a report to congressional committees.

## Why GAO Did This Study

The U.S. government procures billions of dollars in goods and services each year on behalf of foreign governments through the FMS program. Multiple federal agencies are involved in the FMS program; however, DOD manages the procurement process. The FMS program is a key component of national security and foreign policy.

House Report 114-537 included a provision for GAO to review certain aspects of DOD's acquisition process such as what effect, if any, certain types of contracts may have on the FMS process. This report addresses (1) how the use of firm-fixed-price contracts compares to other contract types awarded for FMS and the reasons they are used; and (2) the factors that may contribute to delays or potentially increase costs. GAO has other work addressing the FMS process and will issue separate reports.

GAO analyzed FMS procurement data for fiscal years 2007 through 2016, the most current data available to determine trends. GAO also selected a non-generalizable sample of 32 FMS cases from seven program offices, based on use of different contract types to procure the same item; reviewed relevant DOD and federal acquisition regulations and policies; and interviewed DOD officials.

## What GAO Recommends

GAO recommends that DOD issue department-wide guidance for program offices to expand the use of tools, such as checklists, to aid FMS customers in specifying their requirements in a way that DOD can act upon in a timely manner. DOD concurred with GAO's recommendation.

View [GAO-17-682](#). For more information, contact Marie A. Mak at (202) 512-4841 or [MakM@gao.gov](mailto:MakM@gao.gov).

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## FOREIGN MILITARY SALES

### Expanding Use of Tools to Sufficiently Define Requirements Could Enable More Timely Acquisitions

## What GAO Found

Over the past 10 years, firm-fixed-price contracts—where the contractor is paid a set amount regardless of incurred costs—accounted for 99 percent of contract awards and had the highest obligations for foreign military sales (FMS). But in recent years, there has been an increased use of fixed-price-incentive contracts—where the government and contractor share in cost savings and risks and the contractor's ability to earn a profit is tied to its performance. This trend is consistent with recent Department of Defense (DOD) contracting practices and aligns with department guidance that emphasizes the use of fixed-price-incentive contracts in certain instances where better pricing outcomes might be achieved. Contracting officers generally follow the same acquisition guidance for FMS procurements as they do for DOD and use various contract types based on assessed risks. For example, for decades, the Air Force had awarded firm-fixed-price contracts for FMS customers to procure an air-to-air missile, but in 2015 transitioned to a fixed-price-incentive contract when it realized the contractor could achieve cost savings through production efficiencies. Legislative changes in fiscal year 2017 call for DOD to use firm-fixed-price contracts for FMS unless a waiver is granted. DOD is in the early stages of implementing these revisions and is weighing various factors, such as how waivers will be reviewed.

GAO found several factors may contribute to delays or increased prices in FMS. For example, program officials noted that general acquisition issues, such as delayed contract awards and unforeseen events during production, can similarly affect FMS. Moreover, military department officials stated that the process for defining requirements is a significant challenge that affects expediency of FMS procurements. DOD guidance states that programs may combine FMS and domestic requirements onto a single contract as a way to lower prices and facilitate timely delivery. However, program offices GAO spoke with noted that adequately defining foreign customers' requirements may prevent them from doing so. To expedite requirements definition, the Air Force and Army implemented checklists to aid foreign partners and program offices when specifying requirements. The Navy developed but has not yet disseminated its checklists for use. GAO's analysis of 32 FMS cases showed that checklists were not always available to support procurements but that program offices that used them noted increases in timeliness. Expanding the use of checklists by DOD may better position DOD to obtain information needed to deliver equipment and services to FMS customers when needed.