

GAO@100 Highlights

Highlights of [GAO-21-181](#), a report to congressional committees

Why GAO Did This Study

DOD spends billions of dollars annually using fixed-price type contracts to acquire its MDAPs, among other things. In 2010, DOD's Better Buying Power guidance encouraged the use of FPI contracts as a way to obtain greater efficiency and productivity in defense spending.

Congress included a provision in statute for GAO to report on DOD's use of fixed-price type contracts, including FPI. This report examines (1) the extent to which DOD has awarded FPI contracts associated with MDAPs from fiscal years 2010 through 2019, and (2) the factors that influenced DOD's decision to use FPI contracts and the extent to which DOD assesses their use, among other objectives.

GAO analyzed government contracting data by contract type for fiscal years 2010 through 2019 on contracts for 101 MDAPs. GAO further analyzed a non-generalizable sample of 12 contracts including six FPI and six firm-fixed-price (two of each type from each of the three military departments); conducted file reviews; reviewed policy documentation; and interviewed DOD officials.

What GAO Recommends

GAO recommends that DOD conduct an assessment of its use of FPI contracts for major defense acquisition programs, including the extent to which share lines and other contract elements contributed to achieving desired cost and schedule performance outcomes. DOD agreed with GAO's recommendation.

View [GAO-21-181](#). For more information, contact W. William Russell at (202) 512-4841 or russellw@gao.gov.

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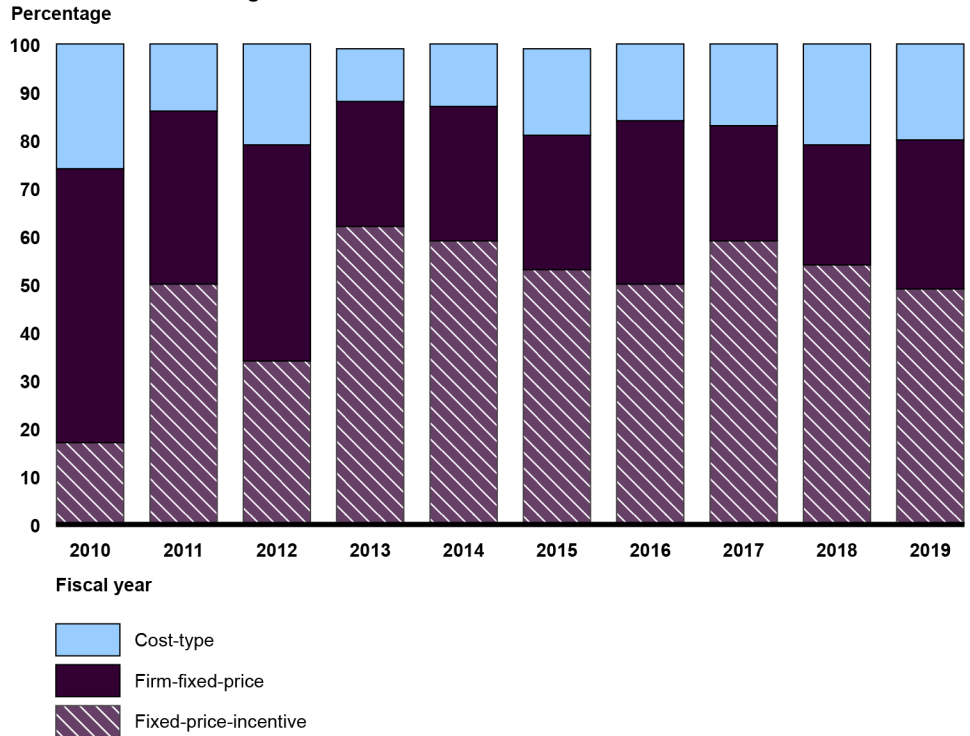
FIXED-PRICE-INCENTIVE CONTRACTS

DOD Has Increased Their Use but Should Assess Contributions to Outcomes

What GAO Found

The Department of Defense (DOD) has encouraged the use of fixed-price-incentive (FPI) contracts where appropriate. These contracts can provide defense contractors with a profit incentive for effective cost control and performance depending on how they are structured. Over the 10-year period from fiscal years 2010 through 2019, obligations on FPI contracts for major defense acquisition programs (MDAPs) grew to account for almost half of the \$65 billion in obligations for fiscal year 2019.

Percentage of Obligations by Contract Type for Major Defense Acquisition Programs from Fiscal Years 2010 through 2019



Source: GAO analysis of Federal Procurement Data System – Next Generation data. | GAO-21-181

DOD guidance, including Better Buying Power initiatives, influenced DOD's use of FPI contracts over the last decade for the selected contracts GAO reviewed. In addition, when selecting a contract type, contracting officers also considered factors including the availability of cost or pricing data, previous experience with the contractor, and the previously used contract type. DOD has not assessed the extent to which use of FPI contracts has contributed to achieving desired cost and schedule performance outcomes.