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# AN EVALUATION OF IDIQ CONTRACTS FOR SERVICES

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# Overview

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- ➔ Introduction
- ➔ Survey Results
- ➔ Findings
- ➔ Conclusions
- ➔ Recommendations



# Introduction

- ➔ Since the passage of the Federal Acquisition Streamlining Act of 1994, Indefinite Delivery/Indefinite Quantity (IDIQ) contracts have become an increasingly popular vehicle for federal acquisitions
- ➔ The initial purpose of the IDIQ contract was to increase performance and speed up the procurement process, while reducing costs
  - Establish a two step process, identify and qualify a small number of highly qualified firms (eliminating the firms that are unqualified or poorly qualified)
  - Limit subsequent task order competition to these firms
- ➔ There was also a belief that it would reduce protests, until, of course, protesting task orders over \$10M was authorized (by the FY2008 NDAA)
- ➔ ID/IQ contracts have become one of the most preferred contract types during the last two decades

**However, there are some indications that the number of IDIQ contracts is growing rapidly, and that some organizations are qualifying large numbers of vendors—a strategy that could be limiting the effectiveness of these contracts**



# Examples

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- ➔ Some of these contracts are extremely large, with total awards over the contract period in the billions. Examples of some major contracts that are currently being supported with an IDIQ contract vehicle include:
  - The Logistics Civil Augmentation Program IV (LOGCAP IV) (3 awards, lifetime maximum value of \$150 billion)
  - The Army’s Simulation, Training, and Instrumentation (STRI) Omnibus Contract II (STOC-II) (142 awards)
  - The Army’s Information Technology and Enterprise Solutions-2 Services (ITES-2S) contract (16 awards, planned for 8, awarded 11, after protest awarded 5 more)
  - Seaport-e, the Navy’s electronic platform for acquiring support services across 22 functional areas (1800+ awards, with rolling admissions)
- ➔ However, despite the fact that they are considered a more flexible contracting vehicle, their administration has been challenging at times



# Professional Services Council Survey

- ➔ In order to develop a better understanding of this contracting strategy, we drew upon data from an electronic survey of members of the Professional Services Council (national trade association of the government professional and technical services industry).
- ➔ The finalized survey included seven topical areas:
  - Section 1: Background Information
  - Section 2: Experience with IDIQ Contracting
  - Section 3: Contract Roles
  - Section 4: Bidding and Proposals
  - Section 5: IDIQ Opinions: Benefits and Drawbacks
  - Section 6: Protests
  - Section 7: Open-Ended Questions



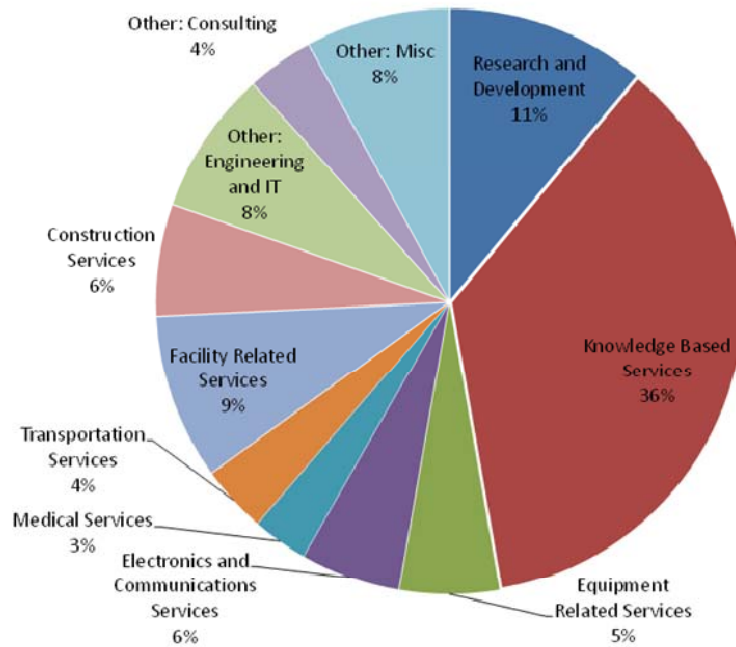
# Survey Methodology

- ➔ The survey invitation was initially sent out to the entire member list (761 respondents)
- ➔ Those individuals who had started, but had not completed the survey, were sent an email reminding them to complete the survey
- ➔ A second round of messages was sent out to the non-responding PSC members, two weeks after the first message. The response collector was closed after that second two week period, a total of four weeks for recipients to respond after the initial message.
- ➔ Responses from the first message (N=70), as well as the second wave of the survey (N=45) appear to be representative of the PSC population as a whole in terms of demographics, for an overall response rate of 15 percent

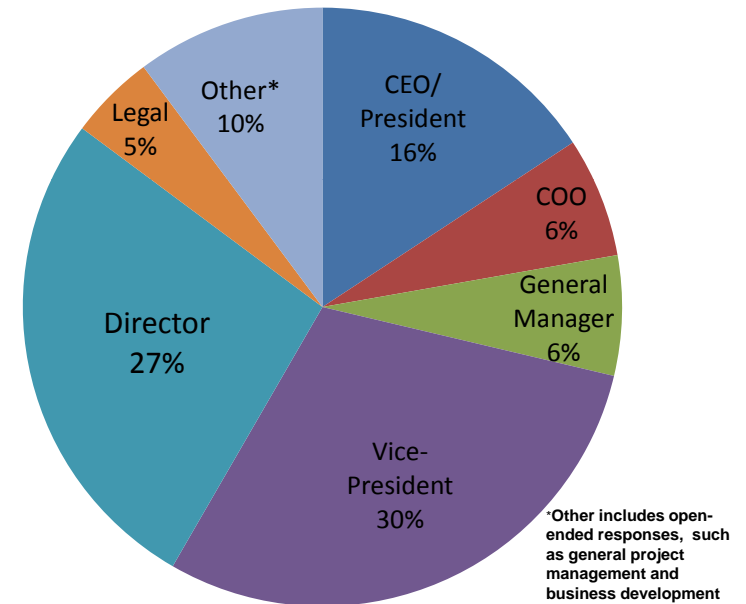


# Respondent Background Information

The respondent organization's principal services



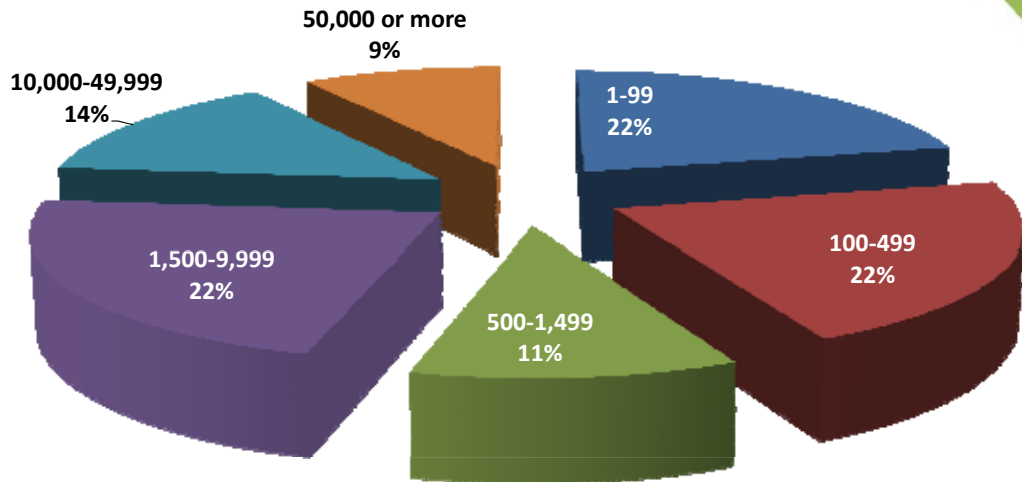
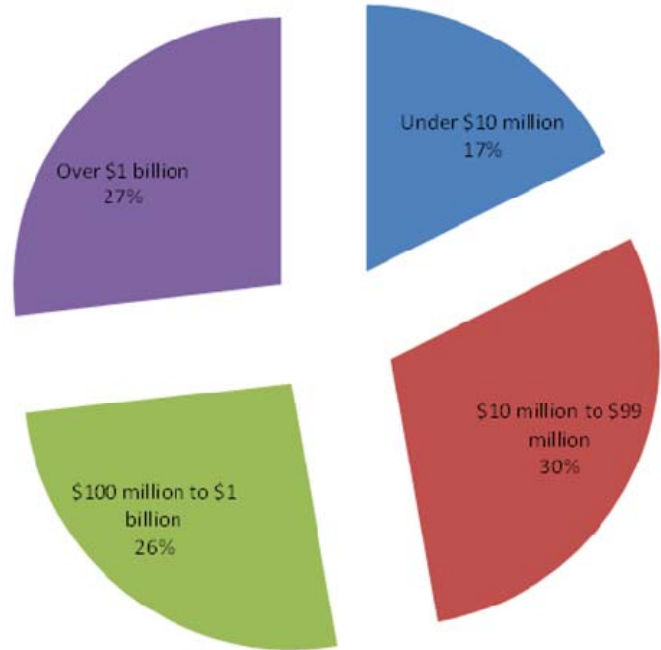
The respondents job title





# Respondent Background Information

The respondent organization's gross annual revenue



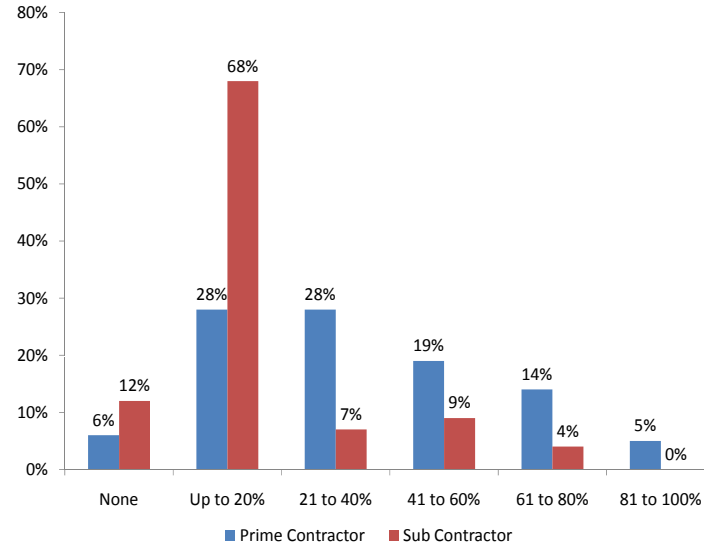
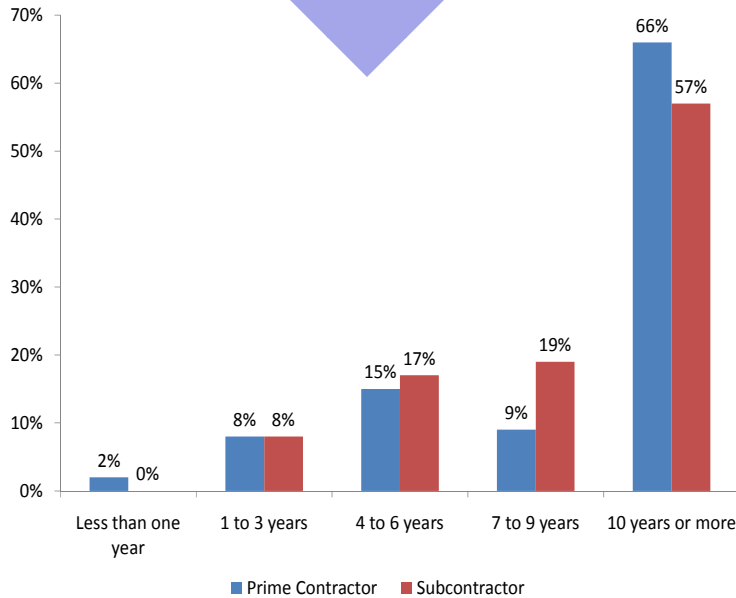
The Number of employees in the respondent's organization—44% have fewer than 500 employees





# Experience with IDIQ Contracts

The number of years has the respondents' firm been on an IDIQ contract as a PRIME CONTRACTOR or SUBCONTRACTOR?

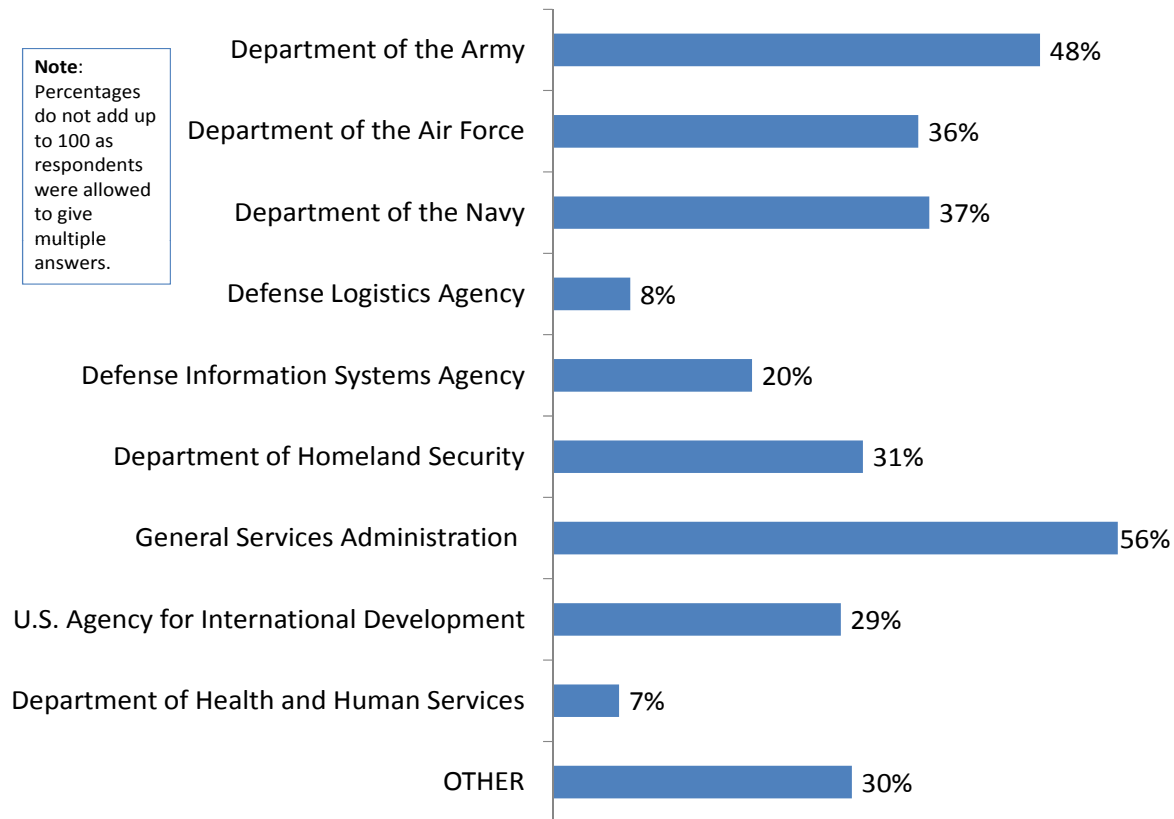


The portion of the firm's gross revenue derived from awards made under IDIQ contracts as the PRIME CONTRACTOR and SUBCONTRACTOR?



# Experience with IDIQ Contracts (cont.)

## *Agencies with which the firms held at least one IDIQ contract*

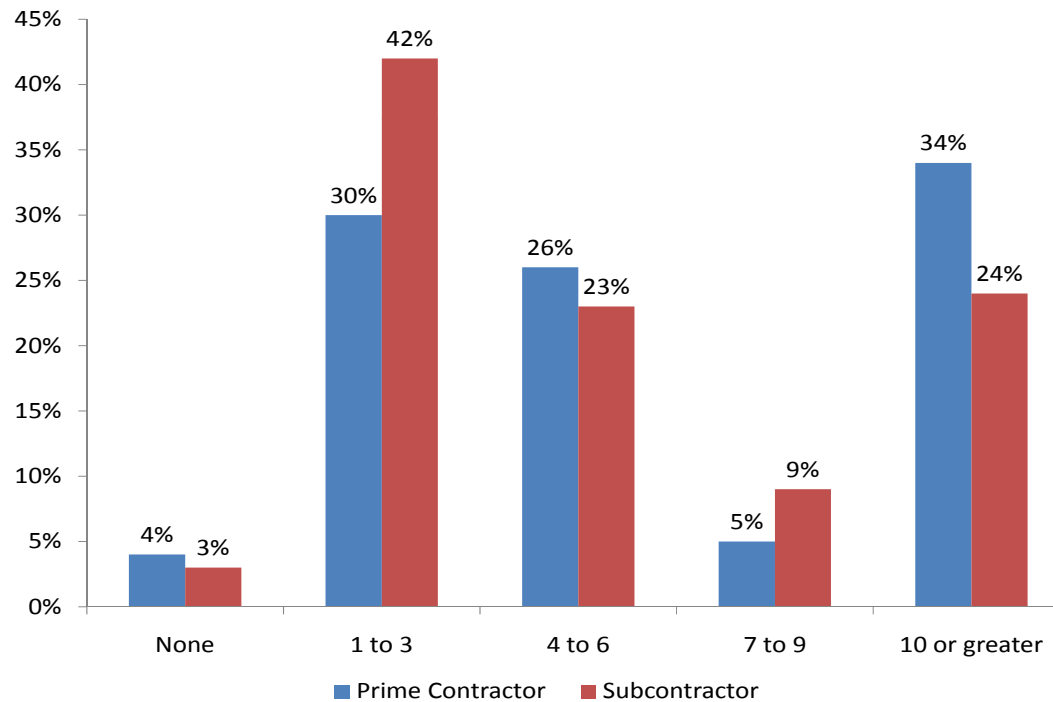


- ➔ GSA was the most common agency respondents reported working under, at 56%
- ➔ The 'Other' category – as reported in the open response field for this question – included agencies such as the Centers for Disease Control, the Department of Health and Human Services, and the Department of Energy



# Experience with IDIQ Contracts (cont.)

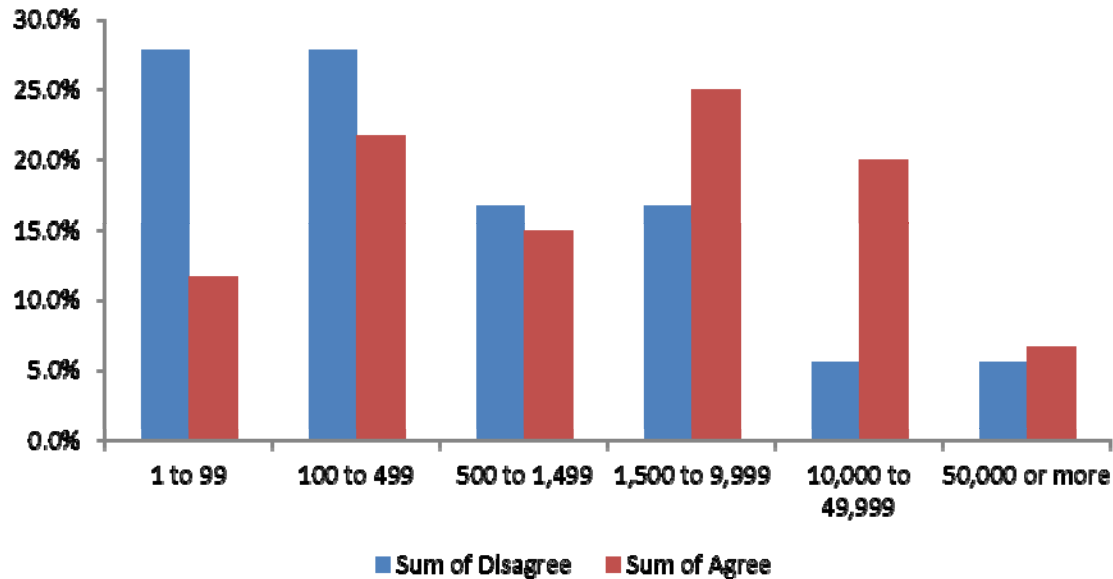
***IDIQ contracts held as the PRIME CONTRACTOR or SUBCONTRACTOR***





# Satisfaction with IDIQ contracting

Overall, 65% of the respondents agreed that their participation with IDIQ contracting has been satisfying, only 19% disagreed



- ➔ Of those that found their experience dissatisfying, approximately 56% of them were from firms with fewer than 500 employees, suggesting that some features of IDIQ contracting are less desirable for small firms
- ➔ While approximately 60% of those that found it satisfying were firms with 500 to 50,000 employees



# Bidding and Proposals

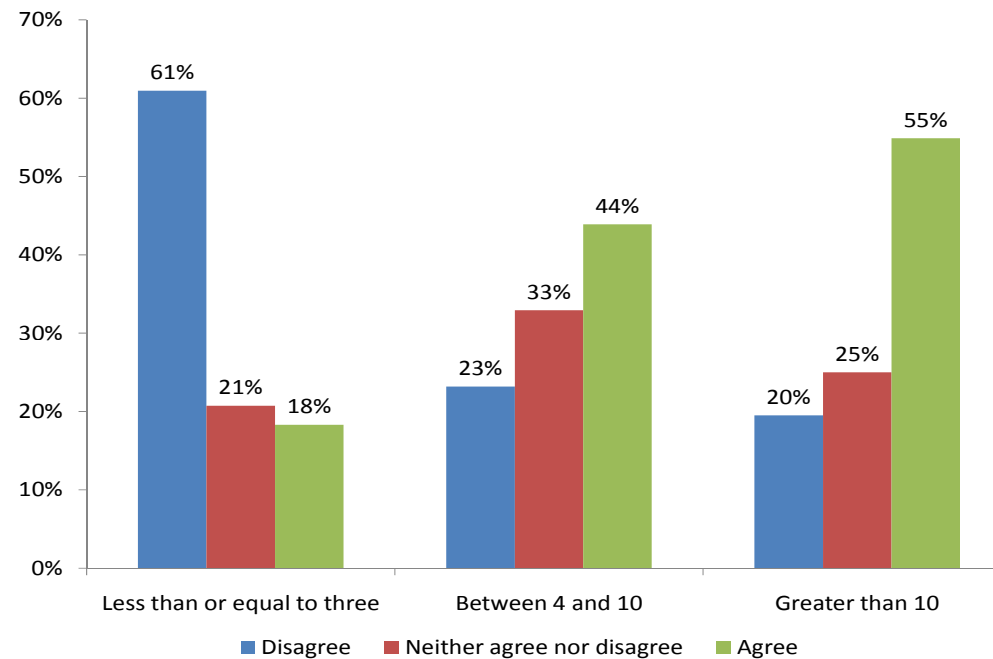
- ➔ When proposing as a prime, firms often team with a large number and wide variety of subcontractors
  - ***68% of respondents agreed that this was a frequent practice***
- ➔ We believe that teaming with a large number of subcontractors will maximize our chance of winning the task order
  - ***55% agreed (and only 20% disagreed) that this tactic would increase the likelihood that the respondents' firm would win***
- ➔ When bidding as a prime on a task order, we use subcontractors to create the most competitive offer, even if it means less work for our organization
  - ***Nearly 80% of firms understood that although teaming with contractors enabled them to present their most competitive offer, it sometimes meant less work for their organization***
- ➔ In general, if we do not participate in an IDIQ contract, our prospects for a contract with the sponsoring agency are significantly reduced
  - ***84% of respondents agreed***



# Impact of Numbers on Competition

*When deciding whether to bid on task orders on IDIQ contracts with a large number of contract holders, we consider the potential number of highly-competitive bidders*

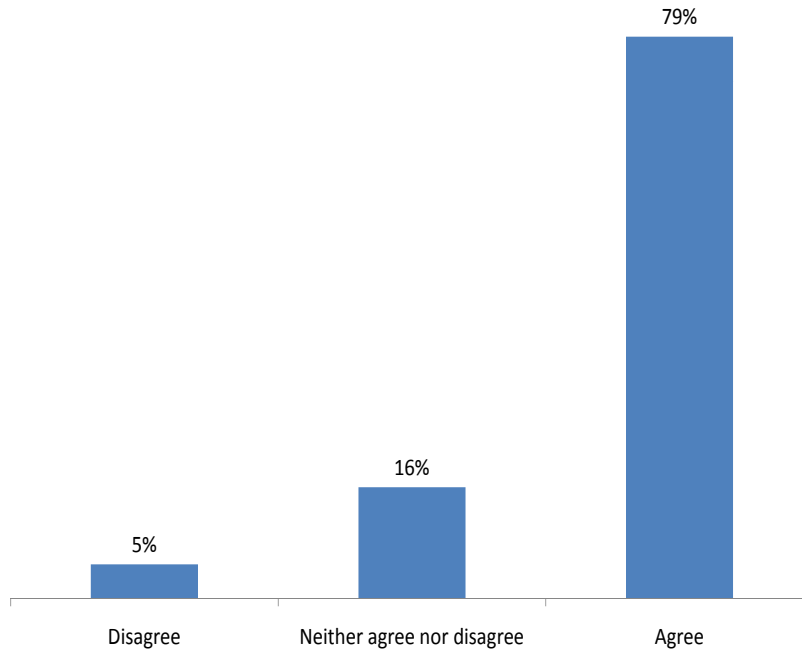
- ➔ *86% of respondents said that the number of highly-competitive bidders did affect their decision to bid on a specific task order*
- ➔ *Further, we asked when their firm is least likely to submit a proposal relative to the number of potential highly-competitive bidders (e.g. technical capability, incumbency, reputation, etc.)*





# Lowest Price Technically Acceptable (LPTA)

*When dealing with higher-knowledge content work, task orders that will be evaluated on the lowest price technically acceptable (LPTA) criteria do not provide enough incentive for us to provide innovative, best value solutions*



**Almost 80% of the respondents agreed that when dealing with higher-knowledge content work, task orders that will be evaluated on the lowest price technically acceptable (LPTA) criteria do not provide enough incentive for them to provide innovative, best value solutions**

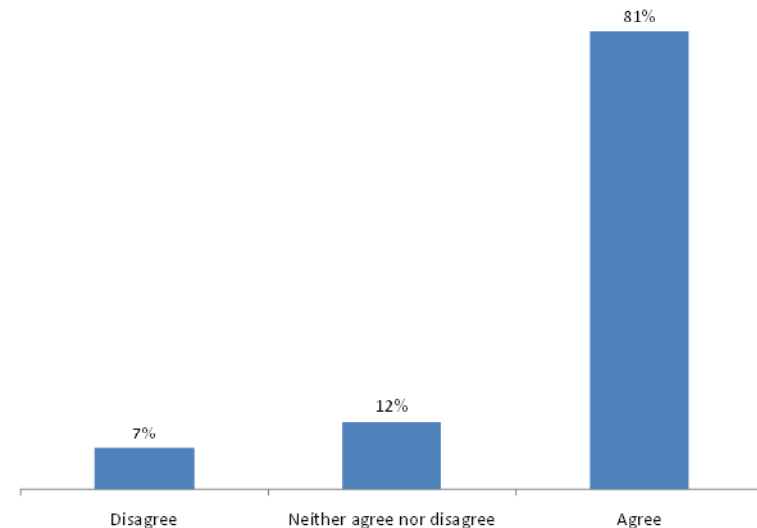
**Yet, there is an increasing trend to use this as an evaluation criteria**



# Mandatory Task Order Proposals

*IDIQ contracts that require contractors to prepare a proposal for every task order issued impose a significant proposal preparation and cost burden because there are tasks we would otherwise not bid on*

**An overwhelming majority of the respondents (81%) agreed that requiring firms to prepare proposals for every task order presented a serious burden to their firms**



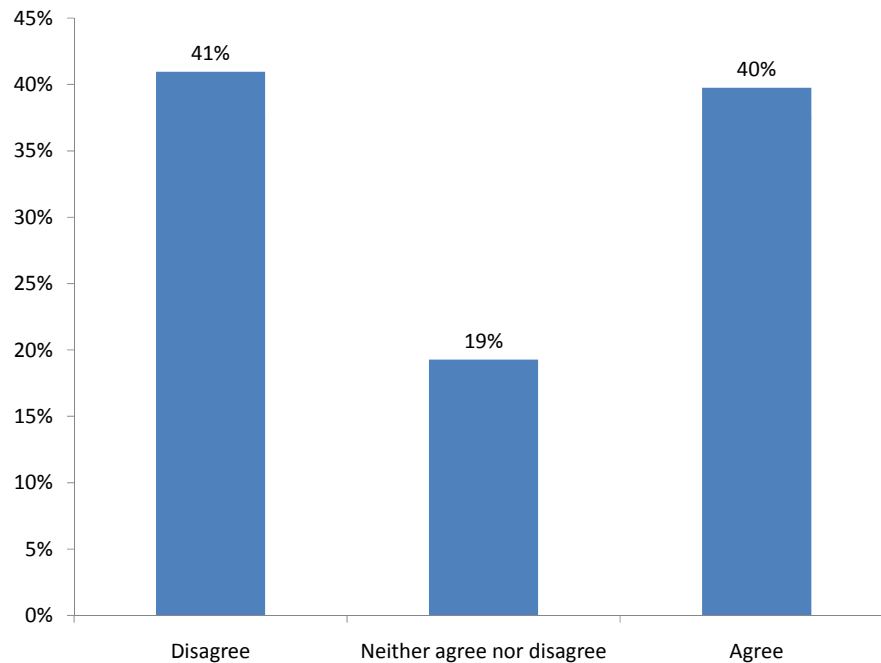
- ➔ **This results in increased B&P expenses, and as result higher overhead rates—with no apparent benefits to the government**
- ➔ **Only 9% of the respondents believed that they were awarded tasks they had not expected to win, when required to bid on every task order**





# Revenue Flow

*The lack of immediate (and identifiable) revenue flow is a disincentive for bidding on IDIQ contracts (vs. task orders)*



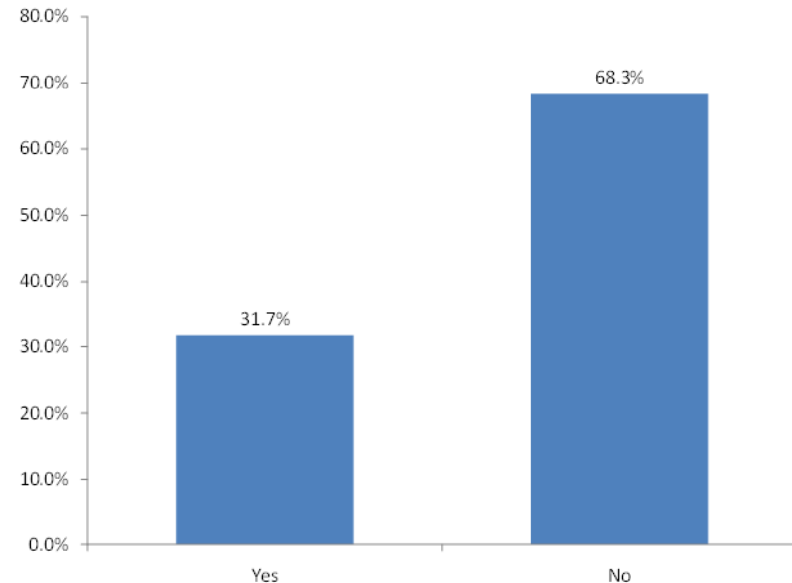
- ➔ We postulated that firms might be disinclined to bid on IDIQ contracts since there is a lack of immediate and identifiable revenue flow for them
- ➔ Respondents were evenly split
- ➔ This split suggests that some firms may have a financial cushion that prevents this from being an issue, while other firms cannot afford to invest in preparing proposals without guaranteed revenue.



# Protests

***My organization has raised an agency-level protest challenging some element of an IDIQ task order competition or selection***

- ➔ We found that 32% of firms had raised an agency-level protest
- ➔ We also found that two-thirds of respondents said that their organization favored having the ability to challenge some element of an IDIQ task order competition (or selection) with the GAO
- ➔ Finally, we found that only 25% of firms filed a protest with GAO





# Findings

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Firms found that when IDIQ contracts were implemented appropriately:

- ➔ They offer flexibility to both firms and the government
- ➔ Task orders can be quicker and easier to bid on than with other contracting arrangements--quicker turnaround of task orders
- ➔ Potentially reduced business proposal burden: standardized terms and conditions for the contracts, aggregation of reporting, and reduced audit burdens all make the contracting arrangement more transparent and reduce uncertainty for firms
- ➔ With the long-term period of performance for the base contract (10 years) contractors are able to become more familiar with the mission and agency requirements



## Findings (cont.)

### Areas that Need Improvement:

- ➔ IDIQ contracts were introduced primarily for the purpose of making contracting more efficient by reducing contracting workload
  - The first step should identify a few of the most highly-qualified firms to address the scope
  - The second step is to speedily bid tasks among the few pre-qualified firms
- ➔ However, the “bidder base” of contractors approved under the IDIQ contract is often too large
  - This does disincentivize firms from bidding on task orders
- ➔ The overall number of IDIQ contracts is too large and frequently overlapping (including by Agency)
  - A smaller number of the contracts could be used more frequently with more rigorous oversight



## Findings (cont.)

- ➔ Small firms, a key source of innovation, were disproportionately unhappy with IDIQ contracts
- ➔ More reasonable timetables for proposal preparation, and earlier notice on clearly defined statements of work, are needed
- ➔ Contract awards, at all stages of the evaluation process, should be based on 'best value' rather than the lowest price technically acceptable (LPTA)—particularly for higher-knowledge content tasks



## Recommendation

- ➔ In order to improve the effectiveness of this contracting strategy we believe DoD should:
  - Reduce the number (overlapping and redundant) and scope of IDIQ contracts
  - Provide a real two-step process for services with no more than five well-qualified providers selected for a narrowly-scoped requirement area
  - Then, for each task order, compete and select a qualified provider, using “best value” criteria