

GAO

Report to the Chairman and Ranking
Minority Member, Committee on Armed
Services, House of Representatives

February 2003

CONTRACT MANAGEMENT

DLA Properly
Implemented
Best Value Contracting
for Clothing and
Textiles and
Views the Supplier
Base as Uncertain





Highlights of [GAO-03-440](#), a report to the Chairman and Ranking Minority Member, Committee on Armed Services, House of Representatives

Why GAO Did This Study

The Defense Logistics Agency (DLA) supplies the nation's military services and certain civilian agencies with critical resources needed to accomplish their worldwide missions. During fiscal year 2001, DLA contracts totaled \$14.8 billion—\$1.2 billion of which was for clothing and textiles. The House Committee on Armed Services directed GAO to determine whether DLA is properly implementing applicable statutory and regulatory guidance for “best value” purchases—those that in the federal government's view provide the greatest overall benefits, not just the lowest price. GAO was also asked to obtain DLA officials' views on the domestic supplier base for key clothing and textile items.

What GAO Recommends

GAO recommends that the Secretary of Defense require the DLA Director to monitor the health of the clothing and textile supplier base and, if warranted, keep the Congress informed on the implications for future defense clothing and textile procurements. One means of informing the Congress may be through the Department of Defense's (DOD) *Annual Industrial Capabilities Report*. In commenting on a draft of this report, DOD concurred with the recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-03-440.

To view the full report, including the scope and methodology, click on the link above. For more information, contact David Cooper at (202) 512-4841 or cooperd@gao.gov.

CONTRACT MANAGEMENT

DLA Properly Implemented Best Value Contracting for Clothing and Textiles and Views the Supplier Base as Uncertain

What GAO Found

Based on a random sample of clothing and textile procurements conducted in fiscal year 2001 by DLA's Defense Supply Center Philadelphia (DSCP), GAO estimates that DSCP generally complied with statutory and regulatory requirements for best value contracting. For example, all of the procurements in GAO's sample considered past performance as an evaluation factor in the source selection process. While GAO noted some discrepancies in several of these procurements, mitigating circumstances lessened the impact of the discrepancies in most cases. DSCP has employed several techniques to promote compliance with best value contracting procedures. For example, in 1996, DSCP published *Guiding Principles for Best Value Source Selection*, a handbook that outlines the functions and responsibilities of key personnel in the best value source selection process, as well as various approaches to source selection.

According to DLA officials at DSCP, the ability of the domestic clothing and textile supplier base to meet future military requirements is uncertain. The officials said that, at present, DLA's domestic supplier base for clothing and textiles is more robust than ever, as numerous domestic suppliers who did not traditionally do business with DSCP are now competing for its contracts. However, they characterized this increased competition as the “last gasp of a dying industry.” Domestic clothing and textile suppliers are competing for DSCP's business as the industry copes with a decline in employment and production and as the supplier base increasingly moves overseas. DSCP officials fear that as the clothing and textile industry faces increased imports, second- and third-tier suppliers that provide input to domestic producers of end items may go out of business, thus eroding the domestic supplier base for these items. They stated, however, that the “Berry Amendment,” which requires DOD to purchase certain items such as food, clothing, and textiles from domestic sources, is helping to maintain the domestic supplier base at present.

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Abbreviations

| | |
|------|------------------------------------|
| DLA | Defense Logistics Agency |
| DOD | Department of Defense |
| DSCP | Defense Supply Center Philadelphia |
| FAR | Federal Acquisition Regulation |

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G A O

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

February 28, 2003

The Honorable Duncan Hunter
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

The Defense Logistics Agency (DLA) supplies the nation's military services and certain civilian agencies with critical resources needed to accomplish their worldwide missions. During fiscal year 2001, DLA contracts totaled \$14.8 billion—\$1.2 billion of which was for clothing and textiles. In a report on the Bob Stump National Defense Authorization Act for Fiscal Year 2003, the House Committee on Armed Services directed us to determine whether DLA is properly implementing applicable statutory and regulatory guidance for “best value” purchases of clothing and textile items.¹ Best value procurements are those that in the federal government's view provide the greatest overall benefits, not just the lowest price. In addition, in subsequent discussions with Committee staff, we were asked to obtain DLA's views on the domestic supplier base for key clothing and textile items.

To conduct our work, we evaluated DLA's implementation of statutory and regulatory guidance for best value purchases of clothing and textiles in fiscal year 2001 with an emphasis on past performance—a key element of best value procurements—as an evaluation factor, as agreed to by the Committee. We took a random sample of 15 of the 142 clothing and textile procurements, each exceeding \$100,000, conducted by DLA's Defense Supply Center Philadelphia (DSCP) in fiscal year 2001. Based on this sample, we were able to make projections about how well DSCP complied with best value guidance for its fiscal year 2001 clothing and textile procurements. Twelve of the procurements in our sample used a tradeoff process to make the award decision, considering factors in addition to price and technical acceptability. The remaining three procurements were awarded based on price and technical acceptability alone. We also solicited DLA's views on the domestic supplier base for clothing and

¹H.R. Report 107-436 on H.R. 4546, Bob Stump National Defense Authorization Act for Fiscal Year 2003.

textiles. Additional information on our scope and methodology appears in appendix I. Appendix II lists the procurements included in our sample.

Results in Brief

Based on our random sample, we estimate that the clothing and textile procurements conducted in fiscal year 2001 by the Defense Supply Center Philadelphia generally complied with statutory and regulatory requirements for best value contracting. For example, all of the procurements in our sample considered past performance as an evaluation factor in the source selection process. We noted some discrepancies in several of the procurements, but, in most cases, these procurements had mitigating circumstances that lessened the impact of the discrepancies. For example, in about half of the cases using a tradeoff source selection process, the solicitation did not provide for a “neutral” rating of prospective suppliers without relevant past performance. In some of these cases, however, when the suppliers’ proposals were evaluated, a neutral rating was provided for each proposal. In the remaining cases, a neutral rating was not an issue in evaluating past performance because either the offerors had some type of past performance or they were rated unacceptable because they did not provide other required information. The Defense Supply Center Philadelphia has employed several techniques to promote compliance with best value contracting procedures. For example, in 1996, the center published *Guiding Principles for Best Value Source Selection*, known as the “Best Value Handbook,” which outlines the functions and responsibilities of key personnel in the best value source selection process, as well as various approaches to source selection.

According to Defense Supply Center Philadelphia officials, the ability of the domestic clothing and textile supplier base to meet future military requirements is uncertain. The officials said that, at present, the Defense Logistics Agency’s domestic supplier base for clothing and textiles is more robust than ever, as numerous contractors who did not traditionally do business with the Defense Supply Center Philadelphia are now competing for its contracts. However, they stated that this increase in competition among domestic suppliers is the “last gasp of a dying industry.” Domestic clothing and textile suppliers are competing for the center’s business as the industry copes with a decline in employment and production and as the supplier base increasingly moves overseas. Defense Supply Center Philadelphia officials fear that as the clothing and textile industry faces increased imports, second- and third-tier suppliers that provide input to

domestic producers of end items may go out of business, thus eroding the supplier base for these items. They stated that the “Berry Amendment,”² which requires the Department of Defense (DOD) to purchase certain items such as food, clothing, and textiles from domestic sources, is helping to maintain the domestic supplier base at present.

We are recommending that the Defense Logistics Agency monitor the health of the clothing and textile industrial base and, if warranted, keep the Congress informed on the implications for future defense clothing and textile procurements. In commenting on a draft of this report, DOD concurred with the recommendation. DOD stated that the Defense Logistics Agency will include the health of the clothing and textile industrial base as a topic in the next *DOD Annual Industrial Capabilities Report*, which is due March 1, 2004.

Background

DLA has three defense supply centers located in Philadelphia, Pennsylvania; Richmond, Virginia; and Columbus, Ohio. DSCP is the only center responsible for clothing and textiles, medical, subsistence, and general/industrial items.

According to the Federal Acquisition Regulation (FAR) Part 15, Contracting by Negotiation, an agency can obtain best value in negotiated procurements by using any one or a combination of source selection processes. In different types of procurements, the relative importance of cost or price may vary. For example, in procurements where the requirement is clearly defined and the risk of unsuccessful contract performance is minimal, cost or price may play a dominant role in source selection, such as in the lowest price/technically acceptable source selection process. In procurements where the requirement is not easily defined or the risk of unsuccessful contract performance is relatively high, technical capability and other factors such as past performance considerations may play a dominant role. In those procurements, it may be in the government’s best interest to consider award to other than the lowest priced or highest technically rated supplier and to evaluate the

²10 U.S.C. 2533a, as implemented by Defense Federal Acquisition Regulation Supplement, Subpart 225.7002.

relative importance of other factors, including past performance,³ in a “tradeoff” process.

The FAR requires that past performance be evaluated in all source selections for negotiated competitive acquisitions expected to exceed \$100,000, unless the contracting officer documents the reason past performance is not an appropriate evaluation factor.⁴ While DOD obtained a FAR deviation in 1999 that raised the threshold for requiring evaluation of past performance in procurements to those expected to exceed \$5 million, DSCP’s “Best Value Handbook” requires past performance to be included as an evaluation factor for all negotiated competitive acquisitions exceeding \$100,000.

DSCP Generally Followed Best Value Guidance and Has Taken Actions to Promote Compliance

Based on our random sample, we estimate that procurements conducted by DSCP in fiscal year 2001 generally complied with best value statutes and regulations with an emphasis on past performance, as implemented in major provisions of the FAR⁵ as well as DLA’s implementing acquisition directive. These criteria pertain to four functional areas of the contracting process: acquisition planning, solicitation content, proposal evaluation, and source selection decision documentation. DSCP has been proactive in taking steps to encourage contracting officers to comply with best value guidance.

DSCP Generally Followed Best Value Statutory and Regulatory Guidance

Of the 15 procurements in our sample, 12 were based on a tradeoff source selection process that considered factors other than price and technical acceptability, while 3 were based on the lowest price/technically acceptable source selection process. We found that the 15 procurements adequately addressed past performance based on FAR and DLA criteria. For each procurement based on a tradeoff process, past performance was the first or second evaluation factor in order of importance. For procurements based on the lowest price, the contracting officers

³Past performance information is relevant information regarding a contractor’s actions under previously awarded contracts. It includes, for example, the contractor’s record of conforming to contract requirements and commitment to customer satisfaction. (FAR 42.1501.)

⁴FAR 15.304(3).

⁵The FAR references the statutory requirements it implements and those statutory citations will not be repeated here.

considered past performance in general terms as part of the determination of the contractors' eligibility for award.

All 15 of the procurements in our sample were required to have written acquisition plans under DLA's acquisition directive implementing the FAR.⁶ Thirteen procurements had written acquisition plans, while 2 procurements awarded using simplified acquisition procedures under a test program for acquisitions of certain commercial items did not.⁷ A DSCP policy memorandum, dated August 21, 2002, reminded buyers and contracting officers of the need to prepare written acquisition plans for contract actions expected to exceed the simplified acquisition threshold, as the procurements here did. However, this memorandum was issued after the procurements included in our review had been completed.

The 12 procurements that were based on a tradeoff source selection process were subject to further requirements pertaining to solicitation content, proposal evaluations, and source selection decisions.⁸ Despite overall compliance with major regulatory provisions of the FAR, we found some cases where specific requirements were not met. However, mitigating circumstances lessened the effect of the lack of compliance. The results of our evaluation in each functional area are presented on the following pages.

⁶While the FAR does not specifically require written acquisition plans, it does direct agencies to prescribe procedures specifying cases in which a written plan shall be prepared (FAR 7.103(d)). Defense Logistics Acquisition Directive 7.102 requires written acquisition plans for all proposed contract actions expected to exceed the simplified acquisition threshold, which is \$100,000.

⁷These two procurements were conducted under the test program, which was authorized by FAR Subpart 13.5 and which allows contracting officers discretion in procuring commercial items exceeding the simplified acquisition threshold but not exceeding \$5 million.

⁸One procurement, conducted as a tradeoff analysis under the test program, was not subject to all of the criteria we cite in the following sections.

Solicitation Content Criteria

Solicitation states whether all evaluation factors other than cost or price, when combined, are (a) significantly more important than, (b) approximately equal to, or (c) significantly less important than cost or price.

Solicitation clearly states all significant evaluation factors and subfactors that will affect contract award and their relative importance.

Solicitation provides offerors the opportunity to identify past or current contracts (including Federal, state, local government, and private) for efforts similar to the government's requirement.

Solicitation authorizes offerors to provide information on problems encountered on identified contracts and offerors' corrective actions.

Solicitation describes the approach for evaluating past performance, including evaluating offerors with no relevant performance history, who may not be evaluated favorably or unfavorably on past performance, but rather, should receive a "neutral" rating.

Source: FAR Part 15, Contracting by Negotiation.

The 12 procurements in our sample that were based on a tradeoff source selection process generally complied with the solicitation content criteria. Five solicitations, however, did not authorize prospective suppliers to provide information on problems encountered on prior contracts and corrective actions taken. Nevertheless, in these five solicitations, some suppliers identified problems and corrective actions taken, while others did not report any problems on their prior contracts. DSCP officials noted that offerors generally submit this information with their proposals even when it is not specifically authorized in the solicitation.

In addition, the solicitations for 7 of the 12 procurements that were based on a tradeoff process did not describe DLA's approach for evaluating past performance of offerors with no relevant past performance history. The solicitations should have provided that a "neutral" rating be assigned to such offerors.⁹ The effect of not describing a neutral rating in the solicitation was mitigated in most of these cases, however. In two cases, DSCP officials did apply neutral ratings when evaluating the proposals.

⁹The FAR requires that such offerors may not be evaluated favorably or unfavorably on past performance and that the solicitation describe the approach for evaluating past performance (FAR 15.305(a)(2)).

In four cases, neutral ratings generally were not an issue in the evaluation of past performance, because nearly all offerors provided relevant past performance information in their proposals. In one case, where simplified acquisition procedures were used based on a tradeoff analysis, the contracting officer assigned unacceptable ratings to the proposals with no past performance history because they did not provide other information required by the solicitation.

On March 1, 2002, DSCP implemented a new proposal rating system to be used in evaluating clothing and textile best value acquisitions. It includes notice to offerors that a neutral rating will be assigned to an offeror with no relevant past performance. DSCP officials expect that all future solicitations will properly cite the neutral rating approach for offerors lacking relevant past performance history.

Proposal Evaluation Criteria

The agency evaluated and assessed past performance solely on factors and subfactors in solicitation.

The agency considered past performance currency, relevancy, source, context of data, and general trends in offerors' performance. When evaluating past performance, information from sources other than those provided by offerors was considered.

When evaluating past performance, relevant past performance information regarding predecessor companies, key personnel who have relevant experience, or subcontractors that will perform major or critical aspects of the requirement was taken into account.

Adverse past performance information to which an offeror had not had an opportunity to respond was brought to the offeror's attention (1) before it was the determining factor for exclusion from the competitive range or (2) during discussions if the offeror was placed in the competitive range.

Source: FAR Part 15.

The 12 procurements that were based on a tradeoff source selection process generally complied with FAR requirements on proposal evaluations. For one of the procurements, however, DSCP did not evaluate and assess past performance on all of the factors and subfactors found in the solicitation. For that procurement, while the solicitation listed customer satisfaction as a subfactor, this subfactor was not considered when the proposals were evaluated. In addition, a commercial item procurement, conducted under the FAR simplified acquisition test

program, did not evaluate past performance as discussed in the solicitation. While the solicitation stated that performance on prior contracts in subcontracting and assisting small businesses would be evaluated as a part of past performance, the evaluation of proposals did not consider these factors. Because these instances involved lower evaluation subfactors in the overall evaluation scheme, it is unclear whether the evaluation of these factors would have ultimately affected the source selection decisions.

Source Selection Decision Criteria

The source selection decision documentation included the “rationale for any business judgments and tradeoffs, made or relied on by the source selection authority, including benefits associated with additional costs.”

Source: FAR Part 15.

The 12 procurements that were based on a tradeoff source selection process complied with the FAR in documenting the source selection decision. For example, a comparative analysis was made of the potential suppliers, as appropriate. DSCP has taken further steps to document the basis of source selection decisions by conducting training for its contracting personnel on the need to thoroughly document all factors considered in making final awards in the source selection decision document.

DSCP Has Employed Techniques to Promote Compliance

A recent DLA review of DSCP procurements found that the center is doing a good job of documenting best value tradeoff decisions in the files. DSCP has employed several techniques to promote compliance with best value contracting procedures. It has provided specific guidance on best value contracting, and a contract support group provides advice and review as procurements are planned and executed.

First, to provide its contracting personnel with detailed procedures for competitive negotiated procurements, DSCP developed and published in 1996 its own *Guiding Principles for Best Value Source Selection*, known as the “Best Value Handbook.” The handbook outlines the functions and responsibilities of key personnel in the best value source selection process as well as various approaches to source selection that are available for use. As stated in the handbook, best value is the preferred method of source selection and should be used to the maximum extent possible.

While other supply centers have issued policy guidance to implement the FAR as well as DOD directives, a DLA official said that DSCP is the only DLA center that has developed a handbook on best value contracting.

Second, like all the Directorates at DSCP, the Directorate of Clothing and Textiles has its own contract support team. Headed by a supervisory procurement analyst, the team consists of five procurement analysts, a contract price/cost analyst, an industrial specialist, and a procurement technician. The team supports the Directorate by providing contracting guidance and direction, developing procurement policies and procedures, and developing and administering procurement training. For example, a training program for contracting personnel emphasizes the need to thoroughly document all factors considered in making the final award. The team also encourages the Directorate to use past performance as an evaluation factor for all purchases over \$100,000.¹⁰

Further, DLA's procurement management review program is designed to provide local, periodic, and specific subject/area reviews of the agency's contracting offices by an independent and objective team of contracting professionals from the headquarters and field contracting staff. In April 2002, a DLA team reviewed DSCP's Directorate of Clothing and Textiles procurements. The DLA team found the Directorate had substantially improved its documentation of tradeoff decisions related to best value source selection in the contract files. The best value tradeoff decisions documented in the files were characterized by the DLA team as among the best that the team had seen in the entire agency.

DLA Views Clothing and Textile Supplier Base as Uncertain

DLA officials view the future of the clothing and textile supplier base as uncertain. They noted that the Berry Amendment, which requires DOD to purchase certain items such as food, clothing, and textiles from domestic sources, helps maintain a domestic supplier base to meet some of DOD's unique military requirements. They also stated that competition for DOD's clothing and textile contracts has never been stronger, as clothing and textile companies that have traditionally not done business with DOD are now competing for DLA contracts. In fact, they informed us that some U.S. companies produce items only for DOD. However, they stated that this increase in competition among domestic suppliers is the "last gasp of

¹⁰Currently, the group responsible for awarding contracts for military insignia procurements uses the higher threshold of \$500,000 for best value contracting.

a dying industry.” An increasing number of domestic suppliers are competing for DSCP’s clothing and textile contracts for a variety of reasons as the industry copes with a decline in employment and production, consolidations and bankruptcies, increased imports, and domestic suppliers moving overseas. If an item cannot be acquired from a domestic supplier, DLA can obtain a waiver from the Berry Amendment, allowing it to purchase the item from a foreign supplier.¹¹ To better understand the future of the clothing and textile supplier base and to identify potential solutions to keep the industry viable, DSCP has initiated an industrial base study on the health of the clothing and textile industry.

Over the past few years, various free trade agreements have been implemented that have affected the clothing and textile supplier base. DSCP officials said that a further complication to the outlook for the clothing and textile supplier base is a World Trade Organization agreement that will eliminate quotas for many imported clothing and textile items by January 1, 2005.¹² According to DSCP officials, the implementation of free trade agreements and the removal of the quotas may threaten second- and third-tier suppliers. For example, they stated that one U.S. company supplies wool fabrics to many domestic companies, including contractors that make coats for the military services. However, other U.S. companies are purchasing inexpensive wool fabrics imported from foreign countries, thus competing with the U.S. supplier. Because this U.S. supplier is losing business to foreign competitors, it may not have enough business to keep its factories operating. According to DSCP officials, if the supplier cannot keep its factories operating, it may eventually go out of business and those contractors that make coats for the military services will not have the company as a domestic supplier of wool.

¹¹During fiscal years 2001 and 2002, DSCP’s Directorate of Clothing and Textiles obtained 12 Berry Amendment waivers.

¹²The Uruguay Round Agreement on Textiles and Clothing, approved by Congress as part of the Uruguay Round Agreements Act, 19 U.S.C. 3511(a)(1), provides for the integration of the clothing and textile sectors into the general rules of the General Agreement of Tariffs and Trade 1994.

In response to the World Trade Organization agreement, DSCP has initiated an industrial base study of the domestic clothing and textile industry to determine what will happen when quotas are removed at the beginning of 2005. The study's preliminary findings support DSCP's concern about the overall health of the U.S. supplier base for clothing and textile products. For example, DSCP has found that an increasing number of DSCP contractors are totally dependent on government work. Further, DSCP found that about 300 U.S. textile mills, which performed weaving and finishing and supplied yarn, closed from 1995 to 2001. DSCP is exploring whether the Berry Amendment will be sufficient to protect the domestic industrial base or whether there are other possible solutions to keep the industry viable and support readiness.

In those situations that involve critical military clothing and textile items, DSCP officials said that DLA, in the future, could strengthen the supplier base by increasingly providing contracts to a number of suppliers for national defense purposes to achieve industrial mobilization. For example, in fiscal year 2002, two industrial mobilization contracts were awarded at a cumulative value of \$2.7 million for cold-weather underclothing.

DLA provides input to DOD's *Annual Industrial Capabilities Report*, which is to be submitted to the Congress by March 1 of each year. Section 2504 of title 10, U.S. Code, requires the report to include, among other things, a description of the methods and analyses being undertaken by DOD to identify and address concerns regarding technological and industrial capabilities of the national technology and industrial base. DLA's input generally focuses on specific items that are being procured. However, a DLA official told us that it would be possible to include a discussion of the clothing and textile industrial base if the situation warranted. Ultimately, the official said that it is up to DOD as to whether such information will be presented in the final report submitted to the Congress.

Recommendation for Executive Action

We recommend that the Secretary of Defense require the DLA Director to monitor the health of the clothing and textile industrial base and, if warranted, keep the Congress informed of the implications for future defense clothing and textile procurements. One means of informing the Congress may be DOD's *Annual Industrial Capabilities Report*, which is submitted annually to the Congress.

Agency Comments and Our Evaluation

DOD provided written comments on a draft of this report. DOD generally agreed with the draft report and concurred with the recommendation. DOD stated that DLA will include the health of the clothing and textile industrial base as a topic in the next DOD *Annual Industrial Capabilities Report*, which is due March 1, 2004. DOD's comments appear in appendix III.

We are sending copies of this report to interested congressional committees, the Secretary of Defense, and the Director, DLA. We also will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

Please contact me at (202) 512-4841 if you have questions regarding this letter. An additional contact and staff acknowledgements are listed in appendix IV.



David E. Cooper, Director
Acquisition and Sourcing Management

Appendix I: Scope and Methodology

To determine whether the Defense Logistics Agency's (DLA) Defense Supply Center Philadelphia (DSCP) Directorate of Clothing and Textiles complied with selected statutory and regulatory guidance for best value contracting, including the use of past performance as an evaluation factor, we took a random sample of 15 of the 142 competed clothing and textile procurements in fiscal year 2001, each exceeding \$100,000. Our sample size was based upon the assumption that the incidence of problems in source selection competition procedures would be 10 percent or less. This assumption gives a 95 percent confidence interval for the sample estimate that is accurate to within plus or minus 15 percent. The assumption of a low incidence of problems was accepted because DLA had just conducted a management review of DSCP prior to the start of fiscal year 2001 and found few problems.

Of the 15 procurements selected for our sample, 12 involved a tradeoff source selection process comparing price and other factors using criteria found in the Federal Acquisition Regulation (FAR) Part 15, Contracting by Negotiation or FAR Part 13, Simplified Acquisition Procedures—Test Program for Certain Commercial Items, for purchases of commercial items exceeding the simplified acquisition threshold but not exceeding \$5 million. In addition, 3 were awarded based on a lowest price/technically acceptable source selection process using criteria found in (1) FAR Part 12, Acquisition of Commercial Items, (2) FAR Part 13, Simplified Acquisition Procedures—Test Program for Certain Commercial Items, or (3) FAR Part 15.

To assess whether DLA properly implemented statutory and regulatory guidance for best value purchases, we reviewed FAR Part 7, Acquisition Planning; FAR Part 12; FAR Part 13; FAR Part 15; and the Defense Logistics Acquisition Directive. We identified and applied major provisions of the FAR and the DLA acquisition directive pertaining to acquisition planning, solicitation content, proposal evaluation, and source selection decision documentation, with a focus on past performance. Finally, we reviewed DSCP's 1996 *Guiding Principles for Best Value Source Selection*, known as the "Best Value Handbook."

To obtain DLA's views on the domestic supplier base for clothing and textiles, we contacted DLA officials from DSCP. We also spoke with officials from the American Apparel and Footwear Association to obtain a general understanding of the industry. We did not independently verify the information the officials provided to us. During our review, DSCP was conducting a clothing and textile study of the industrial base and officials provided us with documentation dealing with the supplier base. This study has not yet been completed. In addition, we gathered information on DOD's *Annual Industrial Capabilities Report* submitted to the Congress by March 1 of each year.

We performed our work from August 2002 to January 2003 in accordance with generally accepted government auditing standards.

Appendix II: Sample of Clothing and Textile Procurements

The table below lists the procurements included in our sample. Dollar amounts shown for the improved physical fitness uniform pants and sound protector procurements represent actual obligations placed against the contracts in fiscal year 2001. Dollar amounts shown for the remaining procurements represent estimated contract values, including the basic contract period and all option periods.

Table 1: Procurements in Our Sample

| Contract | Contractor | Product | Dollar |
|-----------------|--------------------------------|---|---------------|
| SP010001D4014 | Armorworks, LLC | Body armor | \$35,907,825 |
| SP010001D4017 | Harris Mfg. Co., Inc. | Coveralls | \$20,000,000 |
| SP010001D4002 | Mine Safety Appliances Company | Goggles | \$10,000,000 |
| SP010001D0317 | Propper International, Inc. | Shirts | \$9,500,000 |
| SP010001D4020 | AOTEC, LLC | Spectacles | \$6,500,000 |
| SP010001D0306 | J H Rutter-Rex Mfg. Co., Inc. | Trousers | \$6,300,000 |
| SP010001DCB17 | Olympic Mills | Undershirts | \$4,100,000 |
| SP010001D0328 | Ashland Sales and Service Co. | Trousers | \$3,000,000 |
| SP010001MCA17 | American Apparel Inc. | Improved physical fitness uniform pants | \$2,967,498 |
| SP010001D0305 | M & B Headwear Company Inc. | Sun hat | \$2,500,000 |
| SP010001D4022 | Action Embroidery Corp. | Insignia | \$2,300,000 |
| SP010001D5063 | Propper International, Inc. | Coveralls | \$2,000,000 |
| SP010001C5009 | Silencio Safety Direct, Inc. | Sound protectors | \$685,800 |
| SP010001D4029 | Precision Polymer Mfg. | Clipboards | \$500,000 |
| SP010001D5017 | Jacqueline Embroidery Company | Insignia | \$250,000 |

Source: DLA Management Information System.

Appendix III: Comments from the Department of Defense



DEPUTY UNDER SECRETARY OF DEFENSE FOR
LOGISTICS AND MATERIEL READINESS
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

FEB 25 2003

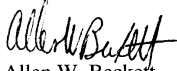
Mr. David E. Cooper
Director, Acquisition and Sourcing Management
U.S. General Accounting Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Cooper:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "CONTRACT MANAGEMENT: DLA Properly Implemented Best Value Contracting for Clothing and Textiles and Views the Supplier Base As Uncertain," dated February 7, 2003 (GAO Code 120176/GAO-03-440).

The DoD generally agrees with the draft report. A detailed response to the GAO recommendation is included in the enclosure. The DoD appreciates the opportunity to comment on the draft report.

Sincerely,


Allen W. Beckett
Principal Assistant

Enclosure



GAO DRAFT REPORT - DATED FEBRUARY 7, 2003
GAO CODE 120176/GAO-03-440

**“CONTRACT MANAGEMENT: DLA Properly Implemented Best Value Contracting
For Clothing and Textiles and Views the Supplier Base As Uncertain”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATION**

RECOMMENDATION: The GAO recommended that the Secretary of Defense require the DLA Director to monitor the health of the clothing and textile industrial base and, if warranted, keep Congress informed of the implications for future defense procurements. One means of informing Congress may be DoD’s Annual Industrial Capabilities Report that is submitted annually to Congress. (p. 10/GAO Draft Report)

DOD RESPONSE: The DoD concurs with the recommendation. The Defense Logistics Agency will include the health of the clothing and textile industrial base as a topic in the next DoD Annual Industrial Capabilities Report, which is due March 1, 2004.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Michele Mackin (202) 512-4309

Acknowledgments

In addition to the name above, Robert L. Ackley, Marie P. Ahearn, Carl S. Barden, Charles D. Groves, John D. Heere, and William E. Petrick, Jr. made key contributions to this report.

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