

## Why GAO Did This Study

The Department of Defense (DOD) obligated about \$380 billion in fiscal year 2009 to acquire products and services. One approach DOD can take to evaluate offerors' proposals is the best value tradeoff process in which the relative importance of price varies compared to non-cost factors.

The National Defense Authorization Act for Fiscal Year 2010 required GAO to review DOD's use of the best value tradeoff process, specifically when non-cost factors were more important than price. In response, GAO determined (1) how often and for what types of contracts DOD used the best value tradeoff process; (2) why and how DOD used such an approach; and (3) challenges, if any, DOD faces in using the best value tradeoff process.

GAO identified a probability sample of new, competitively awarded fiscal year 2009 contracts in which DOD obligated \$25 million or more. GAO reviewed guidance, solicitations, source selection decisions, and other documents for 129 contracts and interviewed DOD contracting and program staff about the use of the best value tradeoff process.

## What GAO Recommends

GAO recommends that to help DOD effectively employ best value tradeoff processes, DOD develop training elements, such as case studies, that focus on reaching tradeoff decisions, as it updates its training curriculum. DOD concurred with this recommendation.

[View GAO-11-8 or key components.](#)

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## DEFENSE CONTRACTING

### Enhanced Training Could Strengthen DOD's Best Value Tradeoff Decisions

## What GAO Found

In fiscal year 2009, DOD used best value processes for approximately 95 percent of its new, competitively awarded contracts in which \$25 million or more was obligated. Almost half of DOD's contracts—47 percent—were awarded using a tradeoff process in which non-cost evaluation factors, when combined, were more important than price. DOD used best value tradeoffs principally to acquire services, such as construction of troop housing, as well as for professional management services.

DOD used the best value tradeoff process in 88 of the 129 contracts GAO reviewed. For 60 of the 88 contracts, DOD weighted non-cost factors as more important than price. In these cases, DOD was willing to pay more for a contractor that demonstrated it understood complex technical issues more thoroughly, could provide a needed good or service to meet deadlines, or had a proven track record in successfully delivering products or services of a similar nature. In making tradeoff decisions, GAO found that DOD selected a lower priced proposal nearly as often as it selected a higher technically rated, but more costly proposal. Overall, GAO found that DOD paid a combined total of more than \$230 million in price differentials—the difference in price between the awardee and the offeror next in line for award—on 21 contracts, but chose not to pay more than \$800 million in proposed costs by selecting a lower priced offer over a higher technically rated offer in 18 contracts. DOD does not track whether the use of best value tradeoff processes correlates with the contractor successfully meeting the terms of the contract and noted that many factors ultimately contribute to an acquisition's success or failure.

DOD officials identified several challenges in using the best value tradeoff process, including the difficulty in determining meaningful evaluation factors and the business judgment of acquisition staff required. DOD officials also noted that the complexity of the tradeoff process increases the risk of bid protests. For example, GAO found that 15 of the 88 contracts awarded using a best value tradeoff process reviewed were protested to GAO, resulting in 4 cases in which DOD terminated the contract or made a new source selection decision when DOD determined that it failed to adhere to the solicitations' requirements. Such concerns are heightened given the expected influx of more than 6,400 new contracting personnel over the next few years. According to DOD officials, making sound tradeoff decisions, and in particular, deciding whether or not a price differential is warranted, is one of the most difficult aspects of using a best value tradeoff process. DOD is developing a new departmentwide source selection guide and intends to subsequently revise its training curriculum, but neither the guide nor DOD's current training curriculum provides agency personnel with information on assessing price differentials when performing tradeoff analyses.