



Highlights of [GAO-04-454](#), a report to the Committee on Small Business, House of Representatives

Why GAO Did This Study

To achieve efficiencies and respond to procurement reforms, agencies have consolidated their procurement contracts—that is, combined existing smaller contracts into fewer larger contracts. To ensure contract bundling—a subset of contract consolidation—does not unfairly disadvantage small businesses, the President tasked the Office of Management and Budget (OMB) to develop a strategy that would hold agencies accountable for contract bundling practices.

In October 2002, the Office of Federal Procurement Policy (OFPP) within OMB issued its strategy.

This report discusses the extent to which contracts were bundled in fiscal year 2002 and assesses the potential effectiveness of regulatory changes that have recently resulted from OFPP's strategy.

What GAO Recommends

GAO recommends that OMB (1) ensure agencies report uniform and reliable contract bundling data and (2) establish contract bundling metrics. OMB concurred with the first recommendation, but not the second. GAO believes metrics are needed to help determine how bundling affects small businesses. GAO also recommends that SBA disseminate best practices to maximize small business contracting opportunities, as required by the OFPP strategy. SBA concurred.

www.gao.gov/cgi-bin/getrpt?GAO-04-454.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David Cooper at (202)512-4125 or cooperd@gao.gov.

CONTRACT MANAGEMENT

Impact of Strategy to Mitigate Effects of Contract Bundling Strategy on Small Business Is Uncertain

What GAO Found

In contrast to data captured in the Federal Procurement Data System (FPDS), only 4 of the 23 agencies held accountable by OFPP's strategy reported a total of 24 bundled contracts in fiscal year 2002—far fewer than the 928 contracts identified as bundled in FPDS. Agency officials, after researching their contracts, determined that the bundling data in FPDS were miscoded due to confusion about the statutory definition of contract bundling, inadequate verification of information, and ineffective controls in the FPDS reporting process. For example, about 33 percent of FPDS contract actions identified as bundled were miscoded, because they were awarded to small businesses. By definition, a small business is essentially precluded from being awarded a bundled contract. The Department of Defense, which reported the second largest number of bundled contracts, determined that only 8 of the 109 contracts identified as bundled in FPDS met the statutory definition of a bundled contract.

Although the actual number of bundled contracts reported by agencies is small, concerns about the effect of contract bundling on small businesses remain. According to OFPP, the primary goal of its strategy—and the resulting regulatory changes—is to increase small business federal contracting opportunities. Because new regulations have only recently been established, it is too early to determine whether agencies are achieving this goal. In addition, part of OFPP's strategy—to identify and disseminate best practices for maximizing small business contract opportunities—has not been implemented. Yet even with time and guidance, it could be difficult to assess the effect of the recent regulations, in part because any increases in small business contracting opportunities could be attributed to other factors. For example, the largest procuring agencies have a history of seeking opportunities to increase small business contracting, and according to the General Services Administration, nearly 80 percent of Federal Supply Schedule contracts are awarded to small businesses. Further, because the regulations primarily relate to contract bundling—an activity most agencies report they do not engage in—the regulations may have little impact on increasing small business contracting opportunities.

Nevertheless, certain regulatory changes—especially those related to oversight—have the potential to promote greater small business opportunities. For example, the new regulations require agencies to annually assess the extent to which small businesses receive a fair share of federal procurements, the adequacy of contract bundling documentation and justifications, and actions taken to mitigate the effects on small businesses of necessary and justified contract bundling. However, the new regulations do not establish metrics to measure agency accountability, and past data on bundling and its effects on small businesses have been limited and unreliable. Without metrics and reliable data, it will be difficult to gauge agency efforts to identify and eliminate contracts that are unnecessarily bundled.