Recommendation 28: Simplify the selection of sources for commercial products and services.

Problem
Despite numerous revisions to statutes and regulations, selecting sources for commercial products and services continues to take too long and involve unnecessarily complex procedures for both government buyers and private-sector sellers.

Background
The Federal Acquisition Streamlining Act of 1994 (FASA) made notable changes to acquisition, including modifications to commercial buying (FAR Part 12) and simplified acquisition (FAR Part 13) procedures. FAR Part 12 established streamlined policies and procedures for acquiring commercial items (products and services) with no dollar limit. Part 13 established streamlined policies and procedures for buying any product or service (commercial or noncommercial) up to the simplified acquisition threshold (currently $250,000). This applicability overlap has caused confusion since implementation of the two FAR parts in 1995.

Adding to the confusion, guidance in FAR 12.102, Applicability, instructs contracting officers to use Part 12 in conjunction with parts 13, 14, and 15 when selecting sources for commercial products and services. FASA provided authority to publicize a synopsis for less than the standard 30 days, but offered little additional flexibility for selecting commercial products and services. As a consequence, when acquiring commercial products and services, contracting officers used a mixture of Part 13 simplified acquisition procedures below the simplified acquisition threshold (SAT), and the more formal Part 15 source selection procedures both below and above the SAT.

Section 4202 of the Federal Acquisition Reform Act of 1996 (FARA), Application of Simplified Procedures to Certain Commercial Items, offered the possibility of substantially simplifying the acquisition of commercial products and services. This statute amended 41 U.S.C. § 1901(a) and 10 U.S.C. § 2304(g), authorizing use of special simplified procedures for commercial item acquisition at amounts greater than the simplified acquisition threshold but not greater than $5 million when the contracting officer reasonably expects, based on the nature of the commercial items sought and on market research, that offers will include only commercial items. This authority was initially set to expire on January 1, 2000.

The proposed implementation of Section 4202 was published in the Federal Register dated September 6, 1996. The proposed rule established FAR 13.5, Test Program for Certain Commercial Items, and explained that the purpose of the proposed rule was “to vest contracting officers with additional procedural discretion and flexibility, so that commercial items acquisitions in this dollar range [$100,000 – $5,000,000] may be solicited, offered, evaluated, and awarded in a simplified manner

1 Applicability, FAR 12.102.
that maximizes efficiency and economy and minimizes burden and administrative costs for both the Government and industry."

The Federal Register notice further explained:

*It is clear that the drafters of this legislation intended for commercial items to be purchased in as simplified a manner as possible. A report by the House Committee of Government Reform and Oversight (No. 104-222) on H.R. 1670 noted that 'The purchase of a commercial item logically lends itself to simplified procedures because there exists a yardstick in the commercial marketplace against which to measure price and product quality and to serve a surrogate for Government-unique procedures.'*

The intent of this proposed rule is to ensure the benefits of this new authority can be fully realized by giving contracting officers a clear understanding of the procedural discretion and flexibility they have, so that acquisitions of commercial items conducted under these regulations may be solicited, offered, evaluated, and awarded in a simplified manner that maximizes efficiency and economy and minimizes burden and administrative costs for both the Government and its suppliers.

The final rule implementing the test program was published in the Federal Register in January 1997, and amended several times in subsequent years to raise the threshold to $7 million and extend the end date of the test program.

Section 815 of the FY 2015 NDAA made the test program permanent for commercial item purchases greater than the SAT, but not exceeding $7 million ($13 million for certain emergency-related acquisitions).

**Discussion**

Selecting sources can be one of the most important, time-consuming, and skill intensive responsibilities of a contracting officer. On occasion, it can result in an unsuccessful or disappointed offerors filing a protest. It is important contracting officers use the most appropriate and streamlined selection technique, taking into consideration factors such as the product or service being acquired, the expected value, technical complexity, and government-unique requirements.

The policies and procedures in Part 13 provide contracting officers with considerable discretion and flexibility. The Government Accountability Office (GAO) has recognized and supported this discretion and flexibility in numerous decisions. Extending the authority to use these simplified procedures for acquisition of commercial products and services up to $7 million has the potential to substantially simplify and speed those acquisitions.

Streamlining the processes for acquiring commercial products and services is also likely to benefit small business. Small businesses are among the most affected by the heavy administrative burdens

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4 Ibid.
5 Ibid.
8 See, for example, American Artisan Products., B-293801.2, June 7 2004, 2004 CPD ¶ 127 at 3; and United Marine International, LLC, B-281512, 99 CPD ¶ 44.
imposed by government contracts. Small businesses typically lack the overhead staff to establish and maintain business systems compliant with government-unique requirements.

FPDS data indicates that in recent years between 35 percent and 39 percent of DoD’s commercial buys have been from small business (see Figure 3-1). The federal government’s commercial buys from small business for that time period are in the same range.

Figure 3-1. FPDS-Reported DoD-Contracted Obligations Using Commercial Item Procedures

The Section 809 Panel reviewed 2017 FPDS data that indicated a majority of contract obligations for commercial products or services were under the $7 million threshold for using simplified acquisition procedures to procure commercial products and services (see Figure 3-1). Although the data set cannot be used to identify which of these obligations already used the streamlined procedures, it does support the notion that DoD could garner benefits from clarifying and simplifying use of Part 13 simplified acquisition procedures for commercial products and services up to $7 million (see Table 3-1).

Table 3-1. DoD Actions by Dollar Threshold, FY 2017

<table>
<thead>
<tr>
<th>Dollar Threshold</th>
<th>Commercial</th>
<th>Noncommercial</th>
<th>% Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,500 to $150K</td>
<td>382,641</td>
<td>402,367</td>
<td>49%</td>
</tr>
<tr>
<td>$150K to $1M</td>
<td>43,960</td>
<td>45,007</td>
<td>49%</td>
</tr>
</tbody>
</table>

9 Data from FPDS, extracted March 22, 2018.
10 Data from FPDS, extracted March 22, 2018. Dollar categories are based on the number of modification-zero actions with reported "base and all options value" falling within the dollar amounts listed. USTRANSCOM (agency ID 9776), which makes up a majority of DoD contract actions, is omitted from this dataset.
A 2001 GAO evaluation of the simplified acquisition test program showed that although federal agencies argued there were positive benefits to the authority provided in the test program, there was little empirical data to support the program. The Section 809 Panel’s review of more recent FPDS data regarding use of the test program suggests the test program is not being widely used, but the data reporting is also likely to be inaccurate due to confusion over the test program’s reporting process. Anecdotal information supports the assertion that streamlined procedures for acquiring commercial products and services up to the $7 million threshold are underused.

Contracting officers are not taking full advantage of the simplification in selecting sources offered by the simplified acquisition procedures. If contracting officers took greater advantage of the simplified acquisition procedures, they would substantially streamline acquisition of commercial products and services.

One well respected professional publication addressed this issue, stating the following:

One of the most remarkable and disappointing phenomena of Government contracting is the unwillingness or inability of many contracting officers to take advantage of the streamlining and labor-saving contract formation procedures that became available during the acquisition reform era of the 1990’s. COs needlessly resort to Federal Acquisition Regulation Part 15 solicitation, offer, and award procedures when making simplified acquisitions, when competing task orders under multiple award service contracts, and even when placing orders under General Services Administration schedules.

The article cites a GAO decision in which a DoD buying activity used the more complex Part 15-type procurement procedures to select a contractor to provide room and board for military recruits. The article cites another GAO decision in which a civilian agency used Part 13 simplified procedures but with the more complex Part 15-type solicitation, offer, evaluation, and selection procedures to select from among numerous providers of a commercial product that was sold in the millions in the commercial marketplace all around the world.

The author concludes by observing the following:

Based on my personal observations, several factors contribute to this problem. First, many of the buyers doing simplified acquisitions lack confidence in their own know-how, so procedural formality makes them feel safe, while creative simplicity seems dangerous. Second, those buyers lack a sound conceptual grounding in procurement and contract formation, which makes it hard for them to improvise simple

| $1M to $7M | 11,953 | 17,415 | 41% |
| $7M and greater | 2,112 | 7,654 | 22% |

Data do not include USTRANSCOM

procedures that are suitable for the acquisition at hand. Third, FAR Part 13 is poorly organized and sometimes confusing.

Conclusions
There are abundant opportunities for more streamlining of commercial products and services procurement. Much of the authority needed to further simplify these procurements is already in place but appears not to have been widely used. Several statutory and regulatory obstacles to greater use of simplified acquisition procedures for commercial products and services exist.

Unnecessarily Narrow Applicability of the Special Streamlined Acquisition Procedures
Perhaps one possible reason for the apparent underuse of the simplified acquisition procedures for commercial procurements can be found in statute. In establishing the authority to use simplified acquisition procedures to acquired commercial products and services up to $7 million, Section 4202 of the FY 1996 NDAA (implemented at 41 U.S.C. § 1901) included an unnecessarily narrow restriction by authorizing the use of these procedures if the contracting officer expects “offers will include only commercial items.”

§1901. Simplified acquisition procedures

(a) WHEN PROCEDURES ARE TO BE USED. — To promote efficiency and economy in contracting and to avoid unnecessary burdens for agencies and contractors, the Federal Acquisition Regulation shall provide for special simplified procedures for purchases of property and services for amounts—

(1) not greater than the simplified acquisition threshold; and

(2) greater than the simplified acquisition threshold but not greater than $5,000,000 for which the contracting officer reasonably expects, based on the nature of the property or services sought and on market research, that offers will include only commercial items.

This restriction is unnecessary, and conflicts with statute expressing the general preference for acquiring commercial items at 41 U.S.C. § 3307(b)(3) that requires offerors of commercial items and nondevelopmental items be provided the opportunity to fill the government’s requirements.

(b) PREFERENCE — The head of each executive agency shall ensure that, to the maximum extent practicable—

(1) requirements of the executive agency with respect to a procurement of supplies or services are stated in terms of—

(A) functions to be performed;

(B) performance required; or

(C) essential physical characteristics;

(2) those requirements are defined so that commercial items or, to the extent that commercial items suitable to meet the executive agency’s needs are not available, nondevelopmental items other than commercial items may be procured to fulfill those requirements; and
(3) offerors of commercial items and nondevelopmental items other than commercial items are provided an opportunity to compete in any procurement to fill those requirements.

This preference is implemented, in part, in FAR 10.002 (d)(1), which states that if the government’s need may be met by a type of item or service customarily available in the marketplace. It specifically states, “the contracting officer shall solicit and award and resultant contract using the policies and procedures in Part 12.” As long as the need may be met by the commercial marketplace, there is no restriction that only commercial items may be offered to meet the government’s need.

**Outdated Requirement to Publish Notices of Contract Actions**

41 U.S.C. § 1708(a) and 15 U.S.C. § 637(e) require publication of notices, subject to certain thresholds, in three circumstances—notice of an intent to issue a solicitation, the posting in a public place at the contracting office of that notice, and the publication of a notice announcing the award. These statutes also require public solicitations be used for all procurements for which the contract value is expected to exceed $25,000. These publication requirements are vestiges of the commerce era when paper notices, mailing of documents, and paper solicitations were common place.

Both statutes recognize the effect of modern electronic media (such as FedBizOpps, FPDS, USASpending) has had on the need for and method of making such publications. 41 U.S.C. § 1708(b)(1) provides an exception to these requirements if the following criteria are met:

(A) the proposed procurement is for an amount not greater than the simplified acquisition threshold and is to be conducted by –

(1) using widespread electronic public notice of the solicitation in a form that allows convenient and universal user access through a single, Government-wide point of entry; and

(2) permitting the public to respond to the solicitation electronically

15 U.S.C. § 637(g) provides a similar exception. These exceptions are limited, however, to procurements not greater than the simplified acquisition threshold, so the effect on streamlining commercial buying using the special simplified procedures in FAR 13.5 is limited to acquisitions under the SAT ($250,000) and does not apply to procurements of commercial products and services between the SAT and the $7 million special simplified acquisition procedures threshold. The language at 15 U.S.C. § 637(g) leaves in place the outdated procurement notice process for electronic procurements and creates an unnecessary restriction that limits the streamlining Congress is trying to achieve.

Solicitation posting requirements have not changed since 1984; therefore, they do not reflect the extent to which the commercial marketplace has evolved during the last 30 years.\textsuperscript{15} According to FAR 5.002,
the purpose for publicizing contract actions is to “increase competition, broaden industry participation in meeting government requirements, assist [the various different types of] small businesses concerns...in obtaining contracts and subcontracts.” In today’s marketplace, using publicly posted solicitations for all commercial buying above $25,000 has the potential to incentivize limited competition and can add unnecessary time to the process. It can result in what Assistant Secretary of the Navy for Research, Development, and Acquisition James F. Guerts described as “choosing between two bad decisions” when better solutions, readily available to other buyers in the marketplace, are not even considered because the vendor does not access FedBizOpps.

Congress has recognized the changing landscape of buying commercial products through e-commerce in Section 846 of the FY 2018 NDAA and the proposed expansion of micropurchase procedures for procurement through the Section 846 e-commerce portal. These changes will streamline purchasing up to the $25,000 threshold, but contracting officers will still be unable to use processes that already exist in the FAR for purchases above the threshold. FAR 13.103 authorizes individuals to use standing price quotations as part of the simplified acquisition procedures, and 13.106-1(c) directs contracting officers to use oral solicitations to the maximum extent practicable when they are more efficient. Both of these procedures, however, have very limited application for purchases above $25,000 because of the requirements in 41 U.S.C. § 1708, 15 U.S.C. § 637, and FAR 5. The existing process leaves the federal government with access to a very small segment of the commercial marketplace when the value of the procurement exceeds $25,000.

Increasing a threshold that has not been increased in more than 30 years will enable contracting officers to leverage market research, standing price quotations as properly defined below, and oral and direct electronic solicitations to efficiently find the best products and services from the most capable suppliers that provide the best value to the government. Currently, FAR Part 5 is confusing and complicated with multiple different thresholds requiring different publicizing requirements. In addition to the $25,000 threshold, 41 U.S.C. § 1708, 15 U.S.C. § 637 still requires public posting on a bulletin board in the contracting office of all proposed contract actions expected to exceed $15,000 but not exceed $25,000. If contracting offices still perform this function, it is even further out of touch with the pervasive use of e-commerce and electronic communication in business today.

Setting a single publication threshold that is consistent with obligations under U.S. trade agreements for all acquisition will help alleviate confusion created by the requirements in FAR Part 5 that are in tension with the simplified procedures in FAR Parts 12 and 13. A threshold of $75,000 is consistent with the increased simplified acquisition and micro-purchase thresholds and is only slightly more than

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16 Publicizing Contract Actions: Policy, FAR 5.002.  
19 In fact, for DoD, most contracting activities are on military installations that the public does not have access to. Only those contractors that already have access to the installation would be able to see notices posted to bulletin boards.  
20 See FAR 24.5.
$60,000, which is what the $25,000 threshold established in 1984 would be in inflation-adjusted dollars.\(^{21}\)

**Insufficient and Confusing Guidance is Provided for the Use of Commercial Policies and Procedures**

The FAR direction to contracting officers regarding which procedures to use when acquiring commercial products and services can be confusing and does not drive contracting officers to use the simplest procedures available. For example, FAR 12.102, Applicability, requires that the contracting officer do the following when acquiring commercial items, regardless of dollar value:

> [U]se the policies in this part in conjunction with the policies and procedures for solicitation, evaluation and award prescribed in Part 13, Simplified Acquisition Procedures; Part 14, Sealed Bidding; and Part 15, Contracting by Negotiation, as appropriate for the particular acquisition.

FAR 13.000, Scope of Part, states that when making an acquisition between the micro-purchase threshold (MPT) and the SAT, the contracting officer must use Part 13 which “prescribes policies and procedures for the acquisition of supplies and services, including…commercial items.” With this vague direction, it is understandable that contracting officers do not more widely use the streamlined acquisition procedures for procuring commercial products and services.

**FAR Guidance for Streamlined Authority for Commercial Buying is Misplaced**

The authority to use Part 13 simplified acquisition procedures for acquiring certain commercial products and services was implemented in Subpart 13.5, Test Program for Certain Commercial Items. Placing the policy and procedures in Part 13 makes some organizational sense, but it would be more appropriately placed in Part 12.6 where buyers would be looking when preparing to make a commercial buy, especially true if a contracting officer were preparing to make a commercial buy with an expected value greater than the SAT.

**Use of Simplified Acquisition Procedures is not Sufficiently Emphasized**

FAR 13.500, Simplified Procedures for Certain Commercial Items, does not require use of the simplified procedures, but merely gives contracting officers the authority to use simplified acquisition procedures, and provides that they may use any simplified procedure. As noted above, contracting officers may be uncomfortable with the flexibility it provides or may simply find greater comfort with the more structured procedures on Parts 14 and 15. If DoD is going to take greater advantage of the commercial marketplace, it must take a more aggressive approach to using streamlined acquisition procedures when acquiring commercial products and services. Commercial sellers are demanding more simplicity; Congress has provided more simplicity in statute, and contracting officers have indicated they want more simplicity for acquiring commercial products and services.\(^{22}\)

**Existing Procedures for Using Simplified Acquisition Procedures are Disjointed**

There is no shortage of references to use of simplified acquisition procedures for acquiring commercial products and services. Simply stating contracting officers should use simplified acquisition procedures

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21 See Bureau of Labor Statistics Consumer Price Index Inflation Calculator at [https://data.bls.gov/cgi-bin/cpicalc.pl](https://data.bls.gov/cgi-bin/cpicalc.pl). October 1984 and May 2018 were the dates used to calculate the inflation adjusted threshold.

22 Contracting officers, interviews with Section 809 Panel.
when acquiring commercial products and services is not enough. As noted above, Part 13 is poorly organized and confusing. For example, in researching the simplified procedures available under the authority in FAR 13.5, it was necessary to review policies and procedures in FAR Parts 2, 5, 6, 10, 11, 12, 13, 18, and 19. As the Section 809 Panel was told in sensing sessions with contracting officers, “simplified procedures need to be simple.”

**Important Streamlining-Related Terms are Not Defined**

One of the simplified procedures available in Part 13 is the use of standing price quotations (13.103), which allows the use of available pricing without obtaining individual quotations, yet this term is not defined. Similarly, contracting officers are authorized in Part 11.103 to require offerors to demonstrate that items offered have achieved commercial market acceptance, yet that term is also not defined.

**Implementation**

**Legislative Branch**

- Revise 15 U.S.C. § 637(g) and 41 U.S.C. § 1708(b) to extend the exemption to the requirement to publish notices of contract actions to procurements using simplified acquisition procedures. The current exemption has an upper limit of the Simplified Acquisition Threshold. By revising the statute’s threshold from the simplified acquisition threshold to the use of simplified acquisition procedures, procurements under the special simplified acquisition procedures under 41 U.S.C. § 1901 and 10 U.S.C. § 2304(g) will be included.

- Revise 15 U.S.C. § 637(e) and 41 U.S.C. § 1708(a) to eliminate the requirement to post solicitation documents in a public place and to increase the threshold for the requirement to publish notice of a proposed contract action on the GPE from $25,000 to $75,000. This revision eliminates the obsolete posting requirement and raises the 30 old synopsis threshold.

- Revise 41 U.S.C. § 1901(a), 41 U.S.C. § 3305 (a), and 10 U.S.C. § 2304(g) to remove the word only. This change will make the authority provided by these statutes consistent with the preference for commercial products and services in 41 U.S.C. § 3307(b) and 10 U.S.C. § 2377.

**Executive Branch**

- Revise FAR 2.101 and 11.103 to define the term market acceptance; revise FAR 2.101 and 13.103 to define the term standing price quotation. These terms are already contained in the FAR but are undefined. Both terms represent techniques that may offer contracting officers the opportunity to streamline the procurement of commercial products and services.

- Revise FAR 5.202(b)(13) and 5.301(b)(6) to conform to the statutory changes at 15 U.S.C. § 637 and 41 U.S.C. § 1708.

- Revise 12.102 and 13.000 to clarify the relationship between Part 12 and Part 13. Contracting officers are required to use Part 12 when acquiring commercial products and services with an expected value greater than the MPT; Part 13 would focus on all purchases below the MPT, and purchases of noncommercial products and services between the MPT and SAT.
Revise the FAR to move the authority to use simplified acquisition procedures for commercial products and services in FAR 13.5, Simplified Procedures for Certain Commercial Items, to FAR 12.6, Selection of Sources for Commercial Products and Services. This change makes the simplified procedures for procuring commercial products and services available in the logical part of the FAR that primarily focuses on procurements of commercial products and services.

Revise FAR 12.203 and 12.6, Streamlined Procedures for Evaluation and Solicitation for Commercial Items, to focus more broadly on the selection of sources for commercial products and services. The existing language implies a more complex process for selecting sources. With the clarification of the relationship between Parts 12 and 13, and the incorporation in 12.6 of special streamlined procedures for acquiring commercial products and services, the revised Subpart 12.6 would focus on using simplified procedures for selecting sources first, and using more complex procedures only when procuring products and services over the SAT.

Revise FAR 12.602 (d) to require contracting officers to use simplified acquisition procedures when acquiring commercial products and services with an expected value between the MPT and the thresholds provided by 41 U.S.C. §§ 1901 and 1903 implemented in FAR 12.602(c). Require contracting officers to obtain approval to use the complex policies and procedures in Part 14 or Part 15 to acquire commercial products or services below the threshold in FAR 12.602(c).

Revise FAR 12.6 to organize in one location the simplified acquisition procedures available to contracting officers under the authority of 41 U.S.C. §§ 1901 and 1903. This change gives contracting officers more clarity, direction, and confidence in using simplified procedures rather than more familiar, but possibly inappropriate, complex procedures for procuring commercial products and services.


**Implications for Other Agencies**

The recommended changes to statute and the FAR would apply to DoD and the civilian agencies that use the FAR. Both DoD and the civilian agencies will benefit from these recommendations.