

**ENVIRONMENTAL BUSINESS COMMITTEE
WHITE PAPER**

**DOD ID/IQ CONTRACTS: A VIABLE VEHICLE TO MANAGE
COMPLEX ENVIRONMENTAL CONDITIONS AND FACILITATE
SMALL BUSINESS PARTICIPATION**

Background

ID/IQ contracts allow the DOD to rapidly deploy skilled teams of environmental specialists (comprised of firms of all sizes) when an immediate need arises – the government simply places an order for services under an existing, previously negotiated, contracting vehicle (thereby saving the time of advertising and awarding a new contract). ID/IQ contracts also accomplish the small business goals embraced by EBC – they ensure that a significant percentage of work to be performed under an ID/IQ contract is performed by small businesses. Prime contractor fees are tied to the prime contractor's success in utilizing small businesses in meaningful contract tasks. Finally, ID/IQ contracts can be scaled in size to allow for meaningful participation of mid-size firms, as well as large and small firms, in the procurement process to ensure that DOD retains the ability to have access to the firms most capable to perform certain tasks.

The June 1999 Senate Department of Defense Appropriation Committee Report for S. 1122 directed that not more than 25 percent of the funding obligated by the Department of Defense for environmental remediation be executed through indefinite delivery/indefinite quantity contracts with total contract ceilings of \$130 million or higher. As the rationale for this position, the Senate Committee stated that "the use of these large, undefinitized contracts often precludes local contractor and small business involvement in DOD's cleanup work." This position overlooks the significant small business subcontracting that occurs in these contracts. In addition, this viewpoint overlooks the fact that ID/IQ small business utilization efforts are IN ADDITION to DOD's prime contract goals for small business, so collectively the Department is in the lead of other federal agencies for small business usage. For example, at the USACE Second Annual Small Business Conference, USACE Commander LTG Joe N. Ballard indicated that, as of December 1998, one-third of DOD prime contract awards went directly to small businesses.

In contrast, in July 1999, the House Defense Appropriations Committee for that appropriation stated in its Report that it was "concerned about the Department's *limited* use of indefinite delivery/indefinite quantity (IDIQ) contracts for environmental remediation." The House report further "directed the Department to report to the congressional defense committees on how this contract vehicle compares with other contract options in cost, involvement of small businesses and inclusion of local companies."

Discussion

EBC supports the action taken by the House Defense Appropriations Committee to encourage DOD's use of the full range of indefinite delivery/indefinite quantity contracts. EBC members are well aware of the rigorous provisions contained in these contracts which ensure that small and small disadvantaged business goals are attained. EBC encourages Congress to urge the Department of Defense to maximize its use of all types and sizes of ID/IQ contracts. We support the House Defense Appropriations Committee action to clarify the costs and small business utilization associated with DOD ID/IQ contracts of all sizes. We believe the reported information will show the utility of these contracts and their appropriate use as a critical tool for DOD when undertaking complex and hazardous environmental remediation projects. Finally, limiting DOD use of ID/IQ contracts could hamper DOD's ability to respond quickly to emerging environmental needs. ID/IQ contracts can be utilized to rapidly deploy specialized teams under preexisting contracts when an environmental need arises, saving the government precious time to advertise and award a new contract.

The Senate report's comments are based on the premise that large ID/IQ contracts limit the participation of small businesses in the environmental remediation market. In fact, EBC believes that large undefinitized ID/IQ contracts facilitate the use of local contractors and small businesses. For example, the Navy reported to Congress that in the first two quarters of FY99, subcontracts to small business accounted for \$63 million or 47% of the \$134 million obligated under their large Remedial Action Contracts (RAC) ID/IQ vehicles. The inclusion of significant small and small disadvantage subcontracting goals in these vehicles make them a strong means for providing small business participation in the environmental marketplace. In fact, limiting the amount of funding that may flow through these contracts also, by extension, limits the amount of money that will flow to the small and small disadvantaged business subcontractors that have already invested in competing for and winning these ID/IQ contracts. We believe the study directed in the House Defense Appropriations Committee report will substantiate the large volume of work given to local, small and disadvantaged business subcontractors via unrestricted indefinite delivery/indefinite quantity contracts of all sizes.

The House study should also focus on other areas for improvement in the use of ID/IQ contracts and issues that impact their successful application. These focus areas should include:

- Assuring that workflow through such contracts at least keeps pace with minimum order amounts and to further assure that reasonable contract minimums are established at the outset.
- Adjustments of elements of work must be closely controlled, because any such adjustments directly impact the performance capability of team members, and the ability of prime contractors to honor subcontracting agreements entered into at the onset of a contract.
- Technical and price competitions on individual task and delivery orders must be carefully balanced with "bid and proposal" costs, since such costs

are not directly recoverable by contractors and the principal of rewarding strong performance in awarding successive tasks should be strongly emphasized.

- Consolidations of smaller contracts into larger ID/IQ contracts should be considered only with active consultations with companies of all sizes through “industry sources sought,” “draft RFPs,” “industry days,” and other techniques to assure that the perspective of small, mid-size and large contractors are taken into account.

Additionally, size standards governing the eligibility of firms for primary and subcontracting opportunities and other preferred benefits must be better correlated to typical firm size and other characteristics of the engineering industry sector to avoid economic dislocations and inequities impacting small, small disadvantaged and mid-size firms.

The application of GSA schedules and similar contract instruments to environmental tasks must be carefully monitored, as they may be unsuitable for some types of environmental projects if it is determined that labor rates rather than best value is driving contractor selection for task orders.

Finally, it is imperative that selection of engineers and related professionals to provide environmental services be based principally on qualifications and technical approach, as embodied in FAR Part 26 and 40 U.S. C. 541 et. seq.