IDIQ Contracting
“The Good, the Bad, & the Ugly”

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January 2013
IDIQ Contracting

Key Topics of Discussion:

• U.S. Federal Government – Spending & Transactions
• IDIQ Contracting Fundamentals
• IDIQ Contracting (Govt. / Prime / Subcontractor)
  – The Good …
  – The Bad …
  – The Ugly …
• Case Study
• Q & A
Federal Government Procurement Spending & Transactions (FY00 - 11)

Total Amount Spent on U.S. Federal Contracts

- **Baseline Spending – FPDS**
- **ARRA Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Amount Spent (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>150</td>
</tr>
<tr>
<td>2004</td>
<td>250</td>
</tr>
<tr>
<td>2008</td>
<td>350</td>
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<tr>
<td>2009</td>
<td>450</td>
</tr>
<tr>
<td>2010</td>
<td>550</td>
</tr>
<tr>
<td>2011</td>
<td>650</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Total Number of U.S. Federal Transactions</th>
</tr>
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<tbody>
<tr>
<td>FY2000</td>
<td>0.5 M</td>
</tr>
<tr>
<td>FY2004</td>
<td>2.0 M</td>
</tr>
<tr>
<td>FY2008</td>
<td>7.7 M</td>
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<tr>
<td>FY2009</td>
<td>9.0 M</td>
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<tr>
<td>FY2010</td>
<td>10.2 M</td>
</tr>
<tr>
<td>FY2011</td>
<td>11.7 M</td>
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**Sources:** Federal Procurement Data System – NG 2011
U.S. Federal Procurement Budget 2012
Winners & Losers

Winners (Procurement Budget Increases vs. FY2011)

• Securities Exchange Commission (SEC) + 10%
• Department of Transportation (DOT) + 4%
• Department of Justice (DOJ) + 2%
• Department of Commerce (DOC) + 2%
• Department of Veteran Affairs (VA) + 2%
• National Institute of Health (NIH) + 2%

Losers (Procurement Budget Reductions vs. FY2011)

• Department of Defense (DOD) – 8%
• Department of Treasury (Treasury) – 7%
• National Aeronautics and Space Administration (NASA) – 4%
• Environmental Protection Agency (EPA) – 3%
• Department of Homeland Security (DHS) – 2%

Source: Deltek, 2012
Federal Procurement Spending Report
U.S. Federal Procurement Spending (FY2008 – FY2011 Average)

# of Transactions & Dollar Ranges

Number of Actions for Dollar Ranges

- 95%
- 4%
- 1%

Sum of Dollars for Action Dollar Range

- = < $150,000
- = Between $150,000 and $1,000,000
- = > $1,000,000

Sources: OMB Reports, FPDS-NG Reports (2007 – 2011)
U.S. Federal Procurement Spending
(FY2008 – FY2011 Average)
Types of Transactions & Sum of Dollars %
IDIQ Contracting Fundamentals

- Indefinite Delivery & Indefinite Quantity (IDIQ)
- IDIQ is not a type of contract, it is a contracting vehicle
- IDIQ is a frame agreement or multiple award schedule with defined terms and conditions
- An IDIQ does not become a contract until a Task Order or Delivery Order is placed on the IDIQ
- 20+ years ago IDIQ contracting was done only by exception
- Today IDIQ contracting is the vast majority of all U.S. Government transactions
The U.S. Federal Government Viewpoint

- IDIQ contracting vehicles are fast and easy to use for the U.S. government
- IDIQ contracting allows great flexibility
  - Lowest Price or Best Value source selection
  - Different Types of contracts on same vehicle (Fixed Price, Cost-Reimbursement, Time-and-Material)
  - Variable quantity
  - Variable delivery dates
  - Multiple year contract
- Task Orders can be developed and added quickly to IDIQ contracting vehicles
- Can allow for increased competition for initial IDIQ award, plus competition for task order awards
IDIQ Contracting – The Bad...

The U.S. Federal Government Viewpoint

- IDIQ is not a definitive contract, thus may have potential open financial liabilities over multiple years
- IDIQ may not have a firm delivery schedule, resulting in late deliveries of products and services
- IDIQ contract may not be fully funded, thus may not be able to award future Task Orders
- IDIQ requires minimum and maximum levels of funding, and adequate funding is not available
- Contractors may not fulfill contract requirements, resulting in negative cost, schedule, and quality impacts to end customers
IDIQ Contracting – The Ugly...

- Prime contractor and subcontractors get into nasty dispute impacting performance and deliveries
- Unit prices may vary significantly with changes in quantity of units purchased
- Changes in U.S. Government requirements may result in significant cost and schedule delays
- U.S. Government many not have adequate resources to perform contract administration, contract changes management, project management, and contract closeout functions
- U.S. Government may not receive quality products, services, systems, or solutions on-time
- Major cost growth, schedule delays, and cost overruns occur
IDIQ Contracting – The Good…

Prime Contractor Viewpoint

• Opportunity to form a strong team and compete for a lot of work and revenue
• Opportunity to provide quality products, services, and/or systems to U.S. Government
• Opportunity to perform some work and subcontract potentially a lot of work to other companies
• Opportunity to make a significant profit/fee
• Opportunity to capture market share of business from competitors
• Opportunity to expand work and business relationships with U.S. Government and subcontractors
IDIQ Contracting – The Bad...

Prime Contractor Viewpoint

- May require a large investment of time and money to compete and win
- IDIQ is often just a hunting license for Task Orders, which may or may not be funded and awarded in a timely manner
- May require teaming arrangements with companies that might otherwise be competitors
- Managing subcontractors may prove very challenging
- U.S. Government may not fully fund the IDIQ
- U.S. Government becomes dissatisfied with the quality of the products, services, or systems provided
IDIQ Contracting – The Ugly...

Prime Contractor Viewpoint

• IDIQ contracts are usually competitive and you may lose
• Even if you win an IDIQ contract you may get awarded very little work/revenue
• Depending upon the IDIQ Task Orders, you may make little/no profit/fee
• Managing the subcontractors may become a nightmare
• Dealing with U.S. Government caused delays can be frustrating, time consuming, and expensive
• U.S. Government terminates the contract
IDIQ Contracting – The Good...

Subcontractor’s Viewpoint

• Opportunity to establish a partnership with a prime contractor and support U.S. Federal Government
• Lower risk than serving as the Prime Contractor
• Use of commercial contract between prime contractor and subcontractor
• Opportunity to develop performance record with Prime Contractors and U.S. Federal Government
• Opportunity to earn revenue and profit/fee
• Opportunity to deliver quality products, services, and/or systems to Prime Contractor and U.S. Government
IDIQ Contracting – The Bad...

Subcontractor’s Viewpoint

- Prime Contractor may not adhere to the terms and conditions of the teaming agreement with the subcontractor
- Prime Contractor may not provide timely funding, authorizations, and/or payments to the subcontractor
- Prime Contractor may compete the work and award subcontracts to other companies
- Prime Contractor may not receive the volume and/or scope of work anticipated, thus less work to be subcontracted
- Prime Contractor may issue Stop Work Order
IDIQ Contracting – The Ugly...

Subcontractor’s Viewpoint

- As a result of reduction of U.S. Government funds – both prime and subcontract receive little to no work on IDIQ contract
- Prime Contractor becomes nightmare to work with:
  - Steals Intellectual Property from Subcontractor
  - Violates Prime/Subcontractor contract
  - Does not pay subcontractor
  - Awards subcontracts to competitors
  - Blames their poor performance on subcontractor
  - Makes false reports to U.S. Federal Government about subcontractor
  - Terminates subcontract
Questions & Comments

Thank You!

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