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APRIL 27, 2006

Fact Sheet

GAO Criticizes No-Bid Contracts to Alaska Native Corporations

On April 27, 2006, the nonpartisan Government Accountability Office (GAO) issued a report entitled *Increased Use of Alaska Native Corporations' Special 8(a) Provisions Calls for Tailored Oversight*. The report examines how federal agencies use the special contracting provisions that apply to Alaska Native Corporations (ANCs) to award large no-bid contracts to ANCs.

The GAO report describes the increasing number of no-bid ANC contracts, agency efforts to avoid competition, and the weak oversight of these contracts. Overall, GAO concluded that without appropriate oversight, “there is clearly the potential for unintended consequences or abuse.”¹

No-Bid ANC Contracts Skyrocket: According to GAO, there has been a dramatic increase in the value of no-bid contracts awarded to ANCs over the past five years. Between fiscal years 2000 and 2004, the value of federal contracts awarded to ANCs under the Small Business Administration’s 8(a) program grew from \$265 million to \$1.1 billion, an increase of over 300%.² Moreover, 77% of these contracts were awarded without competition.³

Agencies Avoid Competition: GAO found that federal agencies are awarding no-bid contracts to ANCs for two primary reasons: (1) this “open checkbook” approach is faster and requires less effort than holding a competition and (2) it helps the agencies meet their small business contracting goals.⁴ In one case, the State Department awarded a no-bid contract to an ANC even though the ANC’s initial proposed price was double the government’s cost estimate and the final price remained higher than the estimate.⁵ In another case, rather than buying water and fuel tanks directly from a manufacturer, the Army awarded a no-bid contract to an ANC.⁶

Contract Work Passed Through to Large Non-Native Companies: GAO also found “almost no evidence” that contracting officials are effectively enforcing the requirement that at least 50% of the work under the 8(a) contracts is being performed by the ANCs rather than large, non-Native subcontractors.⁷ According to GAO, “there is an increased risk that an inappropriate degree of the work is being done by large businesses rather than by the ANC firm.”⁸ In one case, an agency wanted to contract with a particular non-Native business but could not award a no-bid

contract directly to that company. The agency solved this problem by awarding a “pass-through” contract to an ANC and requiring it to subcontract with the desired non-Native company.⁹

¹ Government Accountability Office, *Increased Use of Alaska Native Corporations’ Special 8(a) Provisions Calls for Tailored Oversight* (GAO-06-399) (Apr. 27, 2006) at 40.

² *Id.* at 6.

³ *Id.* at 6.

⁴ *Id.* at 16-17.

⁵ *Id.* at 17.

⁶ *Id.* at 16.

⁷ *Id.* at 21.

⁸ *Id.* at 21.

⁹ *Id.* at 22-23.