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December 21, 2023

Indefinite Delivery, Indefinite Quantity Contracts

The federal government has multiple contracting methods for use in procuring goods and services, one of which is called an Indefinite Delivery, Indefinite Quantity (IDIQ) contract. The Federal Acquisition Regulation (FAR), located at Title 48 of the *Code of Federal Regulations*, defines an IDIQ contract as one that "provides for an indefinite quantity, within stated limits, of supplies or services during a fixed period. The Government places orders for individual requirements."

Other types of federal contracts state the exact quantities and delivery timelines for goods or services, but an IDIQ contract does not require such specifics beyond a preset minimum quantity of goods or service at a negotiated price. This is often called a "minimum guarantee," which the FAR states "should not exceed the amount that the government is fairly certain to order." An agency usually awards within an IDIQ contract a pre-set base period of performance, with elective option years that the government may exercise if it chooses to extend the duration of the contract. According to the General Services Administration (GSA), "IDIQ contracts are most often used for service contracts and architect-engineering services."

Indefinite Delivery Contracts

IDIQ contracts are a subset of indefinite delivery contracts (IDC), and the majority of IDCs are IDIQ contracts. An IDC is a contract that has been awarded to one or more vendors to facilitate the delivery of supply and service orders. The FAR describes three types of IDCs:

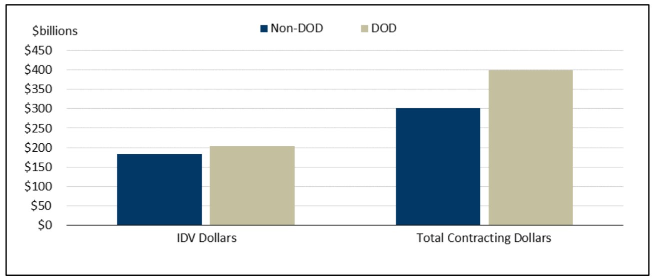
1. A **definite quantity contract** provides for the delivery of a definite quantity of supplies or services for a fixed period.
2. In a **requirements contract**, a contractor fulfills all requirements of a specified government activity for products or services over a defined time period.
3. An **indefinite quantity contract** provides for an indefinite quantity, within stated limits, of products or services during a fixed period. The FAR states that indefinite quantity contracts should be used only "when a recurring need is anticipated."

IDCs are a subset of indefinite delivery vehicles (IDVs), which also include purchasing agreements such as Blanket Purchase Agreements (BPA) and Blanket Ordering Agreements (BOA). In contrast to IDCs, BPAs and BOAs are not legally binding contracts.

In FY2023, approximately 51% of Department of Defense (DOD) contract award dollars and 61% of non-DOD contract award dollars were obligated on IDVs, which include IDIQ contracts (see **Figure 1**).

Figure 1. DOD and Non-DOD Contract Award Dollars

FY2023 (Billions of Dollars)



Source: CRS analysis of data from the System for Award Management website (SAM.gov), "Buying Through Government Acquisition Vehicles" report for 10/1/2022 through 9/30/2023.

Note: IDVs include IDCs (of which IDIQ contracts are a subset) in addition to BOAs and BPAs. The SAM "Buying Through Government Acquisition Vehicles" report does not provide the capability to disaggregate IDVs by type to include only IDIQ contracts.

Single and Multiple Award IDIQ Contracts

A contracting officer may award IDIQ contracts to multiple vendors under a single solicitation. This is called a multiple award IDIQ contract. This allows two or more prequalified vendors to compete for orders from agencies under streamlined procedures. The FAR states that multiple award IDIQ contracts are the federal government's preferred contracting method.

By contrast, a single award IDIQ contract is awarded to a single contractor under a single solicitation. An agency may award these contracts competitively or noncompetitively. The FAR requires agency heads to provide written approval for single award IDIQ contracts that exceed $100 million.

Orders

Once an IDIQ contract has been established, an agency may place orders to fulfill a need. Agencies place task orders for services and delivery orders for supplies. These orders obligate funds and authorize work.

Under a single award IDIQ contract, a contracting officer may place an order with the vendor following the processes outlined in the contract. Under a multiple award IDIQ, the FAR requires that an agency give all the IDIQ contract holders "fair opportunity" to compete for an order.

Unlike other government contracting methods, IDIQ contracts establish prices during the individual ordering process. The FAR states that individual orders "shall clearly describe all services to be performed or supplies to be delivered so the full cost or price … can be established when the order is placed."

According to GSA, IDIQ contracts "streamline the contract process and speed service delivery." A contracting officer can place a task or delivery order using a pre-existing IDIQ contract instead of having to draft, solicit, and award a new contract. IDIQ contracts may also yield cost savings compared to using standard contracting methods, as the government is not obligated to procure goods or services beyond the minimum guarantee.

Frequent Uses of IDIQ Contracts

According to GSA, IDIQ contracts "are used when GSA can't determine, above a specified minimum, the precise quantities of supplies or services that the government will require during the contract period." The Government Accountability Office (GAO) found that IDIQ contracts accounted for approximately one-third of federal contract obligations in FY2015. Approximately two-thirds of IDIQ obligations were for services, and one-third were for supplies.

Federal Supply Schedule

GSA maintains a supply schedule—a list of goods and/or services available to federal agencies from multiple GSA-selected vendors at varying prices. This schedule is known as either the Federal Supply Schedule (FSS) or a multiple award schedule. Agencies may order commercial goods and services listed on the schedule in varying quantities at the prices stated on the schedule. The FSS, therefore, provides a simplified process for agencies to acquire goods and services while also obtaining volume discounts. Although GSA awards most FSS contracts, GSA may authorize other agencies to award contracts and publish supply schedules. For example, the Department of Veterans Affairs awards schedule contracts for certain medical items.

Governmentwide Acquisition Contracts

A governmentwide acquisition contract (GWAC) is an IDIQ contract for information technology goods and services awarded by one agency for government-wide use. Under the Clinger-Cohen Act (40 U.S.C. §11302), the Office of Management and Budget designates agencies that may manage and operate GWACs. Agencies currently operating GWACs include GSA, the National Institutes of Health, and the National Aeronautics and Space Administration.

DOD Use of IDIQ Contracts

DOD is one of the federal government's main users of IDIQ contracts. According to a 2017 GAO report, DOD accounted for 68% of all IDIQ obligations from 2011 to 2015. DOD generally follows federal guidelines concerning IDIQ contracts. The DOD-specific acquisition regulation document, the Defense Federal Acquisition Regulation Supplement, outlines several DOD-specific procedures and rules related to IDIQ contracts.

Some observers argue that using IDIQ contracts can carry benefits specific to DOD. For example, DOD's Defense Acquisition University (DAU) states that the flexibility associated with IDIQ contracts may allow for more effective security cooperation between the United States and its allies and partners by allowing DOD to "meet various mission needs quickly."

On the other hand, the National Defense Industrial Association, one of the largest defense industry trade groups, asserts that IDIQ contracts may "hurt small businesses," as the source selection criteria used for larger contract vehicles may conflict with small business contracting goals. DAU also states that a downside to using IDIQ contracts is that the "processes to establish IDIQ traditionally have long procurement lead time to award."

Issues for Congress

Ten of the 18 DOD single award IDIQ contracts reviewed in a 2017 GAO report were not awarded competitively. According to DAU, a single award contract "increases potential for vendor lock," whereby an agency cannot easily transition to a competing vendor's product or service. This could result in "cost, schedule, and performance risk if the contractor is under-performing."

By contrast, according to DAU, multiple award IDIQ contracts allow for fair opportunity, which "enables selection of best of breed solutions" and "reduces risk for vendor lock and keeps pressure on pricing," which may result in increased competition among vendors and better prices for the government.

As a multiple award IDIQ contract could be awarded to as few as two vendors, a lack of competition could still be considered a risk under these contracts. According to GAO, "contracting officers must avoid situations in which contractors specialize in one or a few areas of the work," as this may increase the likelihood that some of the orders under an IDIQ contract could be awarded noncompetitively despite the presence of multiple vendors.

Further Reading

- 48 C.F.R. §16.5 (or FAR Subpart 16.5), "Indefinite Delivery Contracts."
- GAO, *Federal Contracts: Agencies Widely Used Indefinite Contracts to Provide Flexibility to Meet Mission Needs*, GAO-17-329, April 13, 2017.
- DAU, "Contracting Cone: Indefinite Delivery Indefinite Quantity (IDIQ) Contracts (FAR Subpart 16.5)."

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