

GAO Highlights

Highlights of [GAO-23-106240](#), a report to congressional committees

Why GAO Did This Study

Federal agencies, including DOD, are encouraged to purchase FPI products and services to the maximum extent practicable. In fiscal year 2022, DOD represented over 50 percent of FPI's revenue and purchased a range of items, including furniture, apparel, and electronics.

The Joint Explanatory Statement for the National Defense Authorization Act for Fiscal Year 2022 included a provision for GAO to assess DOD's contracting with FPI. This report describes (1) the value and various characteristics of DOD contracts awarded to FPI from fiscal years 2018 through 2022 and the factors DOD considers when awarding FPI contracts, and (2) the extent to which DOD complied with selected regulations and policies governing contracting with FPI in awarding 12 fiscal year 2021 contracts that GAO reviewed.

GAO selected a nongeneralizable sample of 12 fiscal year 2021 contracts based on factors such as product category and total obligations, among other criteria. GAO reviewed federal laws and DOD regulations and guidance. GAO also analyzed contract file documentation to determine whether DOD met three key acquisition requirements, including whether to directly award contracts to FPI. Further, GAO also interviewed DOD and FPI officials.

View [GAO-23-106240](#). For more information, contact Mona Sehgal at (202) 512-4841 or SehgalM@gao.gov.

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DEFENSE CONTRACTING

DOD's Use of Federal Prison Industries

What GAO Found

Federal Prison Industries (FPI) is a wholly government-owned corporation that employs federal prison inmates to produce products and services that it sells to federal agencies. The Department of Defense (DOD) was FPI's largest federal customer for fiscal year 2022.

Clothing Produced by Federal Prison Industries



Source: Federal Prison Industries. | GAO-23-106240

GAO found that DOD obligations averaged about \$163 million annually from fiscal years 2018 through 2022 for FPI products and services. The Defense Logistics Agency and the Army accounted for the vast majority—more than 90 percent—of the total. The most prevalent product category that DOD obligated funds for was special purpose clothing, such as cold weather jackets.

To decide when and how to contract with FPI, DOD contracting officers told GAO—and our review of contract files confirmed—they primarily consider two factors:

- Whether FPI has a greater than 5 percent share of DOD's market for the product category containing a particular item. If so, the contracting officer must use competitive procedures to buy the item. If not, they must directly award the contract to FPI, subject to certain criteria.
- Whether, on the basis of market research (collecting and analyzing data about market capabilities that meet the agency's procurement needs), FPI products are comparable in terms of price, quality and delivery time.

The 12 contracts GAO reviewed generally met the three key acquisition requirements governing contracting with FPI that GAO assessed, such as whether they were to competitively award the contracts or award the contracts directly to FPI.