



OFFICE OF THE INSPECTOR GENERAL

U.S. Department of Justice

(202) 514-3435 | oig.justice.gov

FOR IMMEDIATE RELEASE
March 14, 2019

DOJ OIG Releases Report on the Bureau of Alcohol, Tobacco, Firearms and Explosives Sole-Source Small Business Contracting

Department of Justice (DOJ) Inspector General Michael E. Horowitz announced today the release of a report examining the Bureau of Alcohol, Tobacco, Firearms and Explosives' (ATF) process for awarding small business contracts using sole-source, or non-competitive, justifications. The DOJ Office of the Inspector General (OIG) evaluated ATF's use of sole-source contracts in 16 contract actions totaling \$56 million dollars. The OIG found that ATF needs to improve its administration and oversight over sole-source small business contracts.

In most cases, the government awards contracts after conducting a fair and open competition. However, to promote small business contracting opportunities with the government, under Small Business Administration (SBA) guidelines, the ATF and the other DOJ components are able to use certain sole-source authorities to award some contracts to small businesses without competition. Key findings from the OIG's audit on ATF's use of sole-source authorities include:

- **ATF awarded nearly half of its sole-source small business contract dollars to Alaska Native Corporations (ANCs)**, which are a subset of small businesses eligible for non-competitive awards established by law and under SBA guidelines. By making awards to ANCs, ATF was able to leverage this program's unique authorities, which permitted it to award sole-source contracts to ANCs, up to a certain amount, without justifications or approvals that would be required for other contractors.
- **ATF utilized exemptions to SBA rules that restrict "follow on" awards to the same ANC.** Follow-on awards are subsequent awards issued to the same small business contractor without changes to the contract requirements. The SBA generally prohibits follow-on awards to ANCs because they can stifle competition and limit the participation of other non-ANC small businesses. The OIG found that ATF utilized an exemption to this rule to issue 5 follow-on awards, and that one of these awards did not meet requirements for this exception and was improper.
- **ATF did not consistently document the required market research prior to awarding a sole-source contract.** ATF contract files contained little or no evidence of market

research, which is required to document that a small business is qualified and capable of satisfying the needs of the agency.

The OIG made 11 recommendations to improve how ATF competes, administers, and oversees contract awards to small businesses. ATF agreed with all of the recommendations.

Today's report is available on the OIG's website under "Recent Reports" and at the following link: <https://oig.justice.gov/reports/2019/a1915.pdf>.

###