

REVIEW OF SBA'S SUBCONTRACTING ASSISTANCE PROGRAM

*Report Number: 7-33
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U.S. Small Business Administration
Office Inspector General

Memorandum

To: Mr. Cal Jenkins
Deputy Associate Administrator for Government
Contracting and Business Development

Date: September 28, 2007

From: Debra S. Ritt
Assistant Inspector General for Auditing

Subject: Review of the Small Business Administration's (SBA) Subcontracting Assistance
Program
Report No. 7-33

This report presents the results of our review of SBA's Subcontracting Assistance Program. The program is vital to increasing the percentage of subcontractor awards to small businesses and ensuring that small businesses have the maximum practicable opportunity to participate in the performance of Federal contracts. We initiated the review to evaluate SBA's effectiveness in ensuring that large contractors comply with applicable laws in developing and implementing their subcontracting plans and to assess the extent to which SBA, through its Commercial Market Representatives (CMRs), is adequately identifying, developing, and marketing small businesses to large contractors to assist them in obtaining contracts.

Our objectives were to assess SBA's (1) oversight of prime contractor compliance with subcontracting plans; (2) marketing of small businesses to identify subcontracting opportunities; and (3) performance goals for the program and the data it collects to evaluate performance and report accomplishments. To accomplish our objectives, we surveyed all six of SBA's Government Contracting (GC) area offices and interviewed responsible SBA officials to determine the results of the compliance reviews conducted for fiscal year (FY) 2006, the primary activity by which SBA ensures prime contractor compliance. Although SBA's CMRs conduct three other types of reviews, we focused our review on the on-site compliance reviews because, according to SBA's policies, they are the main focus of CMRs and can have a significant impact on the way a large contractor administers its small business program. We also examined each office's efforts to market small businesses to large contractors. The review was conducted in

Washington, D.C. from October 2006 to July 2007. A more detailed description of our scope and methodology is provided in Appendix I.

BACKGROUND

It is the policy of the Federal government that small businesses be afforded the maximum practicable opportunity to participate in government contracts. To provide small businesses with contracting opportunities, Federal regulations require prime contractors to develop subcontracting plans with explicit goals for subcontracting to various types of small businesses. Subcontracting plans are required for all contracts or contract modifications that exceed \$550,000 (or \$1 million for construction of a public facility) and have subcontracting possibilities.¹ SBA estimates that there are approximately 2,200 contractors with subcontracting plans. This figure does not include hundreds of Defense Department contractors that are not currently identified in SBA's databases.

The Small Business Act gives SBA oversight authority for assisting Federal agencies and businesses with their subcontracting responsibilities and evaluating prime contractors' compliance with their subcontracting plans. The Act also provides that SBA may evaluate compliance either on a contract-by-contract basis or in cases where contractors have multiple contracts, on an aggregate basis. This authority is also detailed in the Federal Acquisition Regulations.

To address its responsibilities under the Small Business Act, SBA established the Subcontracting Assistance Program, which is its primary vehicle for ensuring that domestic small businesses receive a fair and equitable opportunity to compete for subcontracts resulting from Federal prime contracts. SBA's Office of Government Contracting oversees the program, and Commercial Market Representatives (CMRs), SBA's subcontracting specialists in the field, promote small business subcontracting. CMRs are responsible for reviewing prime contractors' compliance with the requirements of their subcontracting plans and for marketing activities. They also conduct on-site compliance reviews and desk reviews of subcontracting reports to validate how well prime contractors are implementing their subcontracting plans. Finally, CMRs are responsible for performing matchmaking through personal introductions and the use of web-based tools that help connect prime contractors and subcontractors.

RESULTS IN BRIEF

SBA performed only limited oversight of large prime contractors' subcontracting plans, which resulted in billions of dollars of subcontracts escaping oversight. For

¹ See Federal Acquisition Regulation 19.702.

example, in fiscal year 2006 only 968 (less than half) of an estimated 2,200 large prime contractors were reviewed. Of the 968 reviews SBA performed, 235 or 24 percent were performed on-site, and the rest were desk reviews of prime contractors' self-reported achievements or other off-site reviews. While off-site reviews save the Agency time and resources, they are not the best tool for ensuring that small businesses receive subcontracts because SBA does not review underlying documentation supporting the prime contractor's claims. Consequently, we question the effectiveness of SBA's oversight of prime contractors and its ability to ensure that small businesses receive a fair and equitable opportunity to compete for billions of dollars in Federal subcontracts.

We also found that SBA has sharply curtailed active marketing and matchmaking activities of its CMRs, and revised its regulations to eliminate the matchmaking function.² Further, SBA could provide no evidence to show that CMRs conducted activities specifically directed at providing subcontracting assistance. The declining number of CMRs and increasingly part-time nature of their role have restricted the Agency's activities under the Subcontracting Assistance Program. Specifically, the number of full-time CMRs decreased from 24 in 1992 to 5 in 2006, while the number of part-time CMRs increased from 3 to 35 over the same period.

We note that part-time CMRs have a variety of other responsibilities, including serving as Certificate of Competency specialists or size determination specialists, which reduced the amount of time they spent on subcontracting assistance activities. Because these non-CMR duties have mandatory time frames, they often take priority over subcontracting assistance responsibilities. Our review also disclosed that CMRs were not strategically deployed based on the volume of contracting activity in each geographic area, which further impeded SBA's ability to effectively provide oversight of prime contractors' subcontracting plans.

Further, we noted that, during the time of our audit, SBA has been unable to report its achievement of Government-wide subcontracting goals as required by law because it does not yet have an effective information management system for reporting subcontracting dollars awarded to small businesses. Recently, however, SBA has reported subcontracting achievements for FY 2004 through 2006.³ Although SBA's new electronic Subcontracting Reporting System (eSRS) is fully

² See 13 CFR 125.3(e).

³ During our discussions with SBA officials, they agreed with our recommendation and implemented compliance measures. As a result, the Agency was able to report subcontracting goal achievement for FY 2004 through FY 2006 in August 2007.

operational,⁴ it cannot yet upload subcontracting plans, which is an enhancement SBA plans to add in future years.

SBA also lacks a strategic or annual performance plan for the program as required by the Government and Performance Results Act (GPRA) that establishes performance goals for measuring the effectiveness of the program and assigns responsibility for goal achievement. For example, the plan would describe how CMRs will be deployed and the percentage of time that part-time CMRs are expected to devote to the program to ensure adequate coverage of prime contractors.

At the beginning of FY 2007, SBA incorporated into the Agency's scorecard a performance goal for the number of compliance reviews it should conduct annually. While this performance goal measures one of the program's prime activities, it is not a measure of how effective the program has been at increasing the percentage of subcontract awards to small businesses. Also SBA needs goals that measure other program activities, such as counseling small business concerns on how to market themselves to large prime contractors, and facilitating the matching of large prime contractors with small business concerns.

Therefore, we recommend that SBA develop an annual performance plan for the Subcontracting Assistance Program that establishes a set of performance goals that more directly measure program effectiveness and is representative of the full range of program activities. The plan should also assign accountability for achieving the goals.

RESULTS

SBA's Oversight of Contractor Compliance with Subcontracting Plans is Limited and Has Shifted from On-Site to Off-site Reviews

CMRs promote small business subcontracting opportunities by conducting on-site Small Business Program Compliance Reviews at prime contractors' facilities to validate how well the prime contractors are implementing their subcontracting plans. SBA also conducts off-site reviews and desk audits of subcontracting reports that are submitted by prime contractors and completed without on-site visits.

SBA officials told us that staffing reductions in the area offices and scarce travel funds significantly curtailed the oversight that CMRs were able to perform of

⁴ SBA still has to obtain actual Department of Defense (DOD) subcontract awards for FY 2004, FY 2005 and FY 2006 independently from DOD, and input the information into eSRS.

prime contractors' subcontracting plans. In FY 2006, CMRs in SBA's six area offices conducted compliance reviews of 968 of the 2,200 prime contractors. This is less than half of the reviews that SBA should be conducting. Of the 968 reviews conducted, only 235 were performed on-site. The remaining reviews were off-site reviews, 62 percent of which were desk reviews of prime contractors' self-reported achievements represented in the *Subcontracting Report of Individual Contracts*.

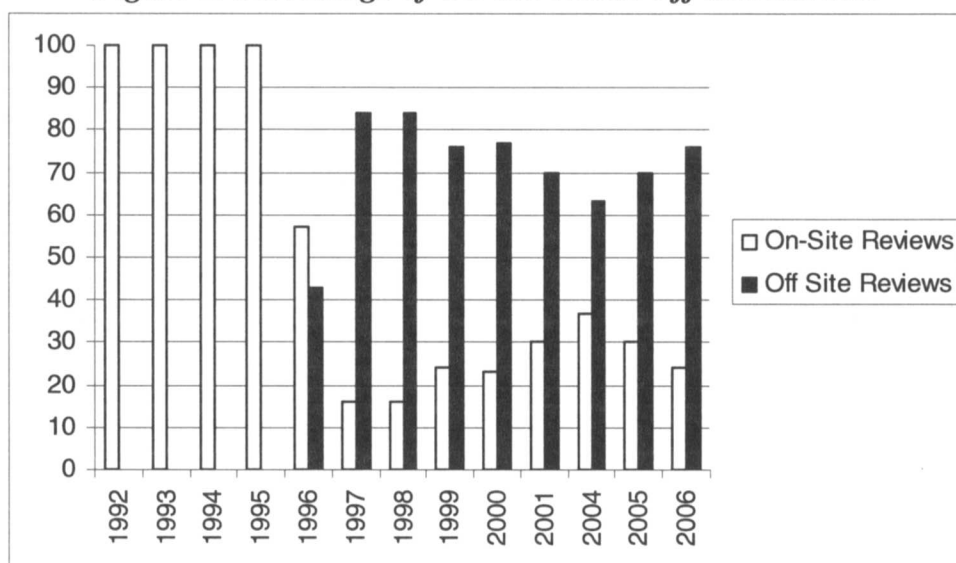
As illustrated in Table 1 and Figure 1, SBA's reliance on off-site reviews has increased substantially since FY 1995. Between FY 1992 and FY 1995, 100 percent of SBA's compliance reviews were performed on-site compared with FY 2006 when only 24 percent were on-site and 76 percent were off-site reviews. CMRs have relied on off-site reviews far more frequently than on-site reviews as the volume of government contracts has grown dramatically, from \$201 billion in FY 2000 to \$314 billion in FY 2006. While off-site reviews save the Agency time and resources, they are not the best tool for encouraging the maximum use of small businesses as subcontractors because SBA does not review underlying documentation supporting the prime contractor's claims.

Table 1. Number and Percentage of On-site versus Off-site Reviews⁵

| FY | All Reviews | On-Site | Off-Site | Desk Reviews |
|------|-------------|------------|-------------|--------------|
| 1992 | 380 | 380 (100%) | 0 | 0 |
| 1993 | 457 | 458 (100%) | 0 | 0 |
| 1994 | 470 | 470 (100%) | 0 | 0 |
| 1995 | 484 | 484 (100%) | 0 | 0 |
| 1996 | 777 | 441 (57%) | 336 (43%) | 336 (43%) |
| 1997 | 1,786 | 290 (16%) | 1,496 (84%) | 1,496 (84%) |
| 1998 | 1,497 | 233 (16%) | 1,264 (84%) | 1,264 (84%) |
| 1999 | 1,425 | 345 (24%) | 1,080 (76%) | 1,080 (76%) |
| 2000 | 1,096 | 252 (23%) | 844 (77%) | 844 (77%) |
| 2001 | 896 | 269 (30%) | 627 (70%) | 627 (70%) |
| 2004 | 1,082 | 397 (37%) | 685 (63%) | 581 (54%) |
| 2005 | 1,061 | 322 (30%) | 739 (70%) | 631 (59%) |
| 2006 | 968 | 235 (24%) | 733 (76%) | 598 (62%) |

⁵ During FY 1998 through FY 2001 the off-site reviews consisted of only desk reviews. During FY 2004 through FY 2006 off-site reviews included desk reviews as well as other types of off-site reviews. In FY 2004, a total of 685 reviews, or 63 percent, were performed off-site; in FY 2005, a total of 739 reviews, or 70 percent, were performed off-site; and in FY 2006, a total of 733 reviews, or 76 percent, were performed off-site. FY 2002 and 2003 data was not available from SBA's databases.

Figure 1. Percentage of On-site versus Off Site Reviews



SBA Has Curtailed its Efforts to Market Small Businesses and Identify Subcontracting Opportunities

During the early stages of our audit, we found that SBA had sharply curtailed CMR marketing and matchmaking support activities, despite its own regulations requiring CMRs to provide this assistance to small businesses. In December 2006, SBA updated policies for the Subcontracting Assistance Program to reflect new regulations de-emphasizing the CMR role in facilitating the matching of prime contractors with small businesses. The new policies also provided CMRs more discretion in the amount of marketing assistance they offer small businesses and encouraged small businesses to market themselves using online matchmaking tools—the Central Contractor Registration system and SUB-Net⁶. Prime contractors were also encouraged to use the registration system to identify small businesses for products and services they need to buy. Since the Central Contractor Registration system and SUB-Net are available free of charge via the Internet, small businesses are able to perform their own searches and postings.

While the online tools are accessible to both large prime contractors and small businesses, SBA cannot show how those tools obviate the need for more proactive marketing and outreach activities by CMRs. We noted that because many of the activities were conducted in conjunction with other programs, such as the Certificate of Competency Program, procurement center representative activities, and size determination activities, we could not determine which reported activities were targeted specifically at providing subcontracting assistance.

⁶ SBA's Subcontracting Network.

The Decline in CMRs and the Part-Time Nature of the CMR Role Have Contributed to the Program's Ineffectiveness

Over the past few years, the number of CMRs has declined and their role has become part-time. The majority of part-time CMRs have additional roles that take higher priority, thereby reducing the amount of time they are able to spend on subcontracting assistance activities. CMRs are also not strategically assigned based on prime contracting activity, inhibiting SBA's ability to effectively exercise its authority of prime contractors' subcontracting plans.

The Number of CMRs Has Declined and They Are Not Strategically Deployed

SBA officials told us there are approximately 35 CMRs nationwide, but that only 5 perform CMR duties full-time. These staffing levels represent a reversal of CMR staffing trends in the 1990s. Specifically, the number of full-time CMRs has decreased from 24 in 1992 to 5 in 2006, while the number of part-time CMRs increased from 3 to 35 over the same period.

We also found that CMRs, whether full-time or part-time, were not strategically deployed based on the volume of contracting activity in various geographical areas. SBA is not able to obtain complete data showing the number of prime contractors with subcontracting plans, or the volume of contracting activity by area office because the Department of Defense (DOD) is not yet requiring its prime contractors to use the electronic Subcontracting Reporting System (eSRS). Although SBA is working closely with their counterparts in DOD to bring them on line with eSRS as quickly as possible, the limited number of CMRs who are not strategically assigned continues to hamper determination of whether workloads are properly distributed to ensure adequate coverage of prime contractors. Consequently, it is difficult to determine whether SBA is providing effective oversight of prime contractors' subcontracting plans.

CMRs Have Additional Roles That Often Take Higher Priority, Reducing the Amount of Time Spent on Subcontracting Assistance Activities

SBA did not have a current analysis of CMR duties to show the percentage of time that part-time CMRs spend providing subcontracting assistance, but admitted they spend a marginal amount of time on their CMR duties. Due to cutbacks in area office staff over the last 10 years, CMRs generally have a variety of additional responsibilities, including serving as Procurement Center Representatives, Certificate of Competency specialists, and/or size determination specialists.

We found that the non-CMR duties placed on CMRs frequently took priority over their Subcontracting Assistance Program responsibilities, as regulations and

guidance mandate tight time frames for these collateral tasks. For example, government-wide subcontracting goals and achievements are subordinate to prime contracting goals and achievements due to the higher profile of the prime contract program. In contrast, CMR work is generally not as time sensitive, causing CMRs to fit in their CMR duties when they have time.

Consequently, we found that CMR-related activities varied widely throughout the six area offices. For example, one area office conducted 43 on-site compliance reviews in FY 2006, while another conducted only 3.

SBA Lacks Program Performance Goals and Meaningful Data to Assess Performance and Report Accomplishments

Section 15(h) of the Small Business Act requires SBA to submit a report to the President that includes for each Government agency:

- the number and dollar value of subcontracts awarded to small business concerns;
- small business concerns owned and controlled by service-disabled veterans;
- qualified HUBZone small business concerns; and
- small business concerns owned and controlled by socially and economically disadvantaged individuals and women.

Until very recently,⁷ SBA has been unable to fully report on the Federal government's subcontracting goal achievement as required by law. This is because SBA did not have an effective information management system that could report subcontracting dollars awarded to small businesses for each Federal agency to assess whether small businesses are receiving a fair and equitable opportunity to compete for Federal subcontracts. SBA's previous database, the Subcontracting Computer System, crashed several years ago and was not repaired. This system was replaced by the electronic Subcontract Reporting System (eSRS). Although eSRS is fully operational, it does not yet enable contracting officers, prime contractors or CMRs to upload subcontracting plans. SBA officials stated that this feature will be added in FY 2008 or as late as FY 2009, depending on the availability of funds.

The new system currently allows Federal prime contractors to submit their required subcontract reports electronically. Relevant agency contract officers then

⁷ SBA completed the FY 2004, FY 2005 and FY 2006 reports in August 2007.

review the reports upon submittal and accept them when revisions are not necessary. Submitted reports are evaluated against the prime contractor goals, which are input to eSRS by the prime contractors. However, the integrity of the goals is not verified until CMR on-site compliance reviews are performed. The declining frequency of CMR on-site compliance visits does not provide adequate assurance that subcontracting goals are correct, or that reports against those goals are realistic.

Further, SBA is required to develop an annual performance plan covering the Subcontracting Assistance Program since the program is set forth in the Agency's budget. However, SBA had not developed a strategic or annual performance plan to guide direction of the program as required by GPRA that establishes comprehensive performance goals for measuring the effectiveness of the program and assigns responsibility for goal achievement. For example, the plan would describe how CMRs will be deployed and the percentage of time that part-time CMRs are expected to devote to the program to ensure adequate coverage of prime contractors.

At the beginning of FY 2007 SBA did incorporate into the Agency's scorecard a performance goal for the number of compliance reviews SBA would conduct annually. While this performance goal measures one of the program's prime activities, it is not a measure of how effective the program has been at increasing the percentage of subcontract awards to small businesses. As a result, SBA should develop and implement more effective goals for increasing subcontract awards to small businesses, such as measuring the effectiveness of all key program activities.

SBA's Area Directors are held to meeting the performance goal for compliance reviews, but not to all performance goals related to the Subcontracting Assistance Program. Until recently, they also had not established sufficiently detailed performance goals for the CMRs under their supervision. Beginning in FY 2007, Area Directors established CMR performance targets for compliance reviews; however, they do not include on-site reviews. Instead, although a specific number of reviews is now required to be performed each fiscal year, they can all be desk reviews. While the establishment of specific performance goals for compliance reviews is a step in the right direction, it does not address how many of the more rigorous on-site reviews will be performed. In addition, CMR performance goals do not include sufficient definition of the marketing and outreach activities they were expected to conduct.

Additionally, the line of authority with respect to management of the Subcontracting Assistance Program is vague. Although the program has a National Program Manager who ostensibly is responsible for implementation of the program and setting policy, Area Directors do not report to this individual

directly. Moreover, the National Program Manager does not have budget authority over program resources.

A draft of the report was provided to the Agency on August 17, 2007. Since that time, SBA has provided technical corrections and a description of recent efforts to address our findings. Where appropriate, we have modified the report to incorporate SBA's changes.

RECOMMENDATIONS

We recommend that SBA's Deputy Associate Administrator for Government Contracting and Business Development:

1. Develop an annual performance plan for the Subcontracting Assistance Program that establishes performance goals for measuring the effectiveness of all key program activities, and assigns responsibility for achieving the goals. The plan should also address how CMRs will be deployed and the percentage of time that part-time CMRs are expected to devote to the program to ensure adequate coverage of prime contractors.
2. Submit annual reports on the Federal government's subcontracting goal achievements more timely, including the number and dollar value of subcontracts awarded to small businesses, as required by law.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

The Deputy Associate Administrator for Government Contracting and Business Development disagreed with our first recommendation that a more effective oversight plan be developed and implemented for monitoring the achievement of subcontracting goals. He stated that given the large volume of subcontracting plans, it would be impossible to provide effective oversight of every plan. We agree with management's response and have deleted the recommendation.

The Deputy Associate Administrator concurred with our second recommendation (now recommendation number 1), noting that SBA is currently updating a nationwide workload analysis, which will help to determine incremental CMR staffing needs and form the basis for additional hiring authority, as appropriate. The Deputy Associate Administrator further noted that SBA established performance goals in FY 2007 and has been using metrics to evaluate the effectiveness of CMRs. The Agency will incorporate our suggestion in establishing the FY 2008 goals to the extent practical, and explore ways to

establish goals related to on-site compliance reviews and incorporate these goals into CMRs' annual personal business commitment plans.

The Deputy Associate Administrator partially concurred with our third recommendation (now recommendation number 2), noting that SBA has never included the number of subcontracts in any of its reports to the President or to Congress, and that it will continue to report on subcontracting achievements as measured by dollars and percentages as they have for the past 20 years.

We believe that management's comments on our recommendation number 1 are responsive to our recommendations; however, due to management's partial concurrence on our recommendation number 2, OIG will pursue a management decision through the audit resolution process. We believe that, because SBA is required by law to report on the number of subcontracts, it should identify an approach to complying with reporting on the number of subcontracts awarded during the fiscal year.

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We appreciate the courtesies and cooperation of the Office of Government Contracting and Business Development representatives during this audit. If you have any questions concerning this report, please call me at (202) 205-7203 or Heidi Leineweber, Director, Business Development Programs Group at (202) 205- [Exemption 2].

APPENDIX I. SCOPE AND METHODOLOGY

Our audit objectives were to assess SBA's: (1) oversight of prime contractor compliance with subcontracting plans; (2) marketing of small businesses or activities to identify subcontracting opportunities; and (3) performance goals for the program and the data it collects to evaluate performance and report accomplishments. To address our objectives, we surveyed officials in all six of SBA's Office of Government Contracting Area Offices.

We also analyzed pertinent legislation, regulations, and operating procedures and reviewed other relevant agency documentation. We interviewed SBA Commercial Market Representatives (CMRs), the National Program Manager for the Subcontracting Assistance Program, the Associate Administrator for Government Contracting, and the Associate Deputy Administrator for Government Contracting and Business Development. We accompanied one of SBA's Commercial Market Representatives on a scheduled on-site compliance review and examined each Area Office's efforts to market small businesses to large contractors and their compliance review activities.

We conducted our audit from October 2006 to July 2007.

APPENDIX II. SBA MANAGEMENT'S RESPONSE



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

DATE: September 28, 2007

TO: Debra S. Ritt
Assistant Inspector General for Auditing

FROM: Dr. Paul S. Hsu [Exemption 2]
Associate Administrator for Government Contracting
and Business Development

SUBJECT: Small Business Administration's (SBA) Subcontracting Assistance Program
Project No. 6031

The Office of Government Contracting appreciates the opportunity to comment on the August 17, 2007, subject draft report titled "SBA's Subcontracting Assistance Program."

Several editorial changes and certain concerns are cited below.

1. Under Background on page 2, note that the \$500,000 threshold has been adjusted for inflation and is now set at \$550,000. (The \$1 million for construction was left unchanged due to rounding.)
2. In the same section (next sentence), note that the figure of 2,200 estimated contractors is likely to increase when DoD begins using the eSRS; i.e., we will undoubtedly identify hundreds more that we currently have no way of identifying.
3. On page 3, the paragraph beginning with "Further, we note that SBA ...," we object to the statement that SBA has not been able to report its achievement of Government-wide subcontracting goals because it does not yet have an effective information system. We have now reported the subcontracting achievements for all years through FY 2006. We also object to the statement that the eSRS is not fully operational. The eSRS became fully operational well over a year ago. The design of the eSRS did not include uploading subcontracting plans, only reporting against them. This feature is viewed as an enhancement that will make the eSRS more useful; however, it is not essential to the reporting function, which is fully operational.
4. At the top of page 4, and elsewhere throughout the report, the references to "marketing small businesses to large contractors" should be deleted. CMR activities are described in 13 CFR 125.3(e), and they no longer include this function. ("Conducting matchmaking" is a legitimate activity, but we do not think it is the type of activity where we would establish quantifiable goals.)

5. Also near the top of page 4, the last sentence (above “Results”) is no longer correct, since we have now reported on the Federal Government’s subcontracting goal achievements for all years including FY 2006.
6. At the bottom of page 5, under the topic “SBA has Curtailed its Efforts to Market...,” the statement that “despite its own regulations,” is incorrect. As noted above, 13 CFR 125.3(e) governing the CMR’s duties does not require CMRs to market small businesses to prime contractors.
7. At the top of page 6, the statement that prime contractors are encouraged to use the “registration system” (CCR) ... “to locate subcontracting opportunities” is incorrect. Small businesses use SUB-Net to locate subcontracting opportunities, and prime contractors use the CCR to identify small businesses for products and services they need to buy.
8. The statement in the next paragraph (page 6, paragraph 2) that “SBA cannot show how widely the tools are used” is incorrect. We can give you statistics on SUB-Net since its inception in 1999. We can also give you statistics on the CCR if you require this information.
9. At the top of page 7, the statement that SBA does not have data to show the percentage of time that part-time CMRs spent providing subcontracting assistance is incorrect, because this is available through the Cost Allocation Survey maintained by SBA’s OCFO.
10. Footnote #3 at the bottom of page 7 is partially incorrect, because the eSRS can show the precise number of large prime contractors in each area office. (At this point in time, the DoD contractors are missing; but the eSRS was designed to provide this capability, and the function is working correctly for contractors with civilian agencies.)
11. At the top of page 8, the statement, “Since FY 2003,” is incorrect as mentioned above. SBA completed the FY 2004, FY 2005, and FY 2006 reports in August 2007.
12. In the same paragraph (page 8, paragraph 1), the statement that SBA does not yet have an effective information system is incorrect. The eSRS, as noted above, has been fully operational for well over a year.
13. In the next paragraph (page 8, paragraph 2), the phrase “once eSRS becomes fully operational” is incorrect. As noted above, it is fully operational today.
14. In the same paragraph (page 8, paragraph 2), the statement that subcontracting goals submitted to eSRS by one prime contractor had simple mathematical errors” should be reworded to reflect that the reports should mirror the approved subcontracting plans on file for a given contract, even if the goals are wrong, because those are the actual goals that the Government accepted. The eSRS does have an edit feature to catch errors on the achievement side of the report; and, in fact, the eSRS actually calculates the percentages for the user on the achievement side, eliminating any possibility of incorrect percentages on the achievements.

15. In the same paragraph (page 8, paragraph 2), the statement that “SBA does not have its own controls in place to verify the accuracy and reliability of eSRS data” is misleading, because the design of eSRS puts the responsibility on the contracting officer or OSBDU official to accept or reject all reports. The eSRS reporting tool designed for SBA excludes any report that has not been accepted by the procuring agency.
16. At the top of page 9, the phrase “marketing small businesses” should be deleted for the reasons stated earlier, and the statement that SBA should include goals for “conducting matchmaking” should be rethought, since this is hardly the kind of activity for which SBA would establish formal goals.
17. In the next paragraph on page 9, beginning with “SBA’s Area Directors,” the statement that SBA’s Area Directors for Government Contracting “have not established performance goals for the CMRs under their supervision” should be qualified. Every Area Director and CMR has subcontracting program goals in their PBCPs. We suggest that this entire paragraph be deleted or substantially rewritten.
18. Also under “Recommendations,” we would remove the phrase “marketing assistance” from recommendation #2 for the reasons discussed earlier.

Recommendation #1:

Develop and implement an approach for ensuring more effective oversight of prime contractors’ subcontracting plans.

Management Response:

We disagree with this recommendation. Bear in mind that there are tens of thousands of subcontracting plans; it would be impossible to provide effective oversight of every subcontracting plan; rather, we attempt to provide effective oversight of the large business prime contractors that have one or more subcontracting plans. We suggest that you delete recommendation #1 altogether.

Recommendation #2:

Develop an annual performance plan for the Subcontracting Assistance Program that establishes performance goals for measuring the effectiveness of all key program activities, including providing marketing assistance, and assigns responsibility for achieving the goals. The plan should also address how CMRs will be deployed and the percentage of time that part-time CMRs are expected to devote to the program to ensure adequate coverage of prime contractors.

Management Response:

We agree with this recommendation. To enhance SBA’s ability to effectively monitor prime contractor compliance, more resources are needed in the Office of Government Contracting. As mentioned in your report, SBA has five full-time CMRs. The remaining thirty or more CMRs perform such duties on a part-time basis.

We are currently updating a nationwide workload analysis, which will help us to determine incremental CMR staffing needs and optimal assignment. Based on this assessment, as appropriate, we will pursue additional hiring authority.

With respect to an annual performance plan for the Subcontracting Assistance Program, we will incorporate your suggestions in the FY 2008 performance goals to the extent practical. As mentioned above, we have established performance goals in fiscal year 2007, and we have been using metrics to evaluate the effectiveness of the CMRs for several years. In fiscal year 2008, we will explore ways to establish goals related to on-site compliance reviews and try to incorporate these goals into the CMRs' personal business commitment plans.

Recommendation #3:

Annually report on the Federal government's subcontracting goal achievements, including the number and dollar value of subcontracts awarded to small businesses, as required by law.

Management Response:

We partially agree with this recommendation. As noted above, the Office of Government Contracting has never included the number of subcontracts in any of our reports to the President or the Congress. We have, however, completed the reports on subcontracting achievements, as measured by dollars and percentages, for fiscal years 2004, 2005 and 2006. We will continue to complete the subcontracting achievement reports annually on this basis, as we have done for more than two decades.

Thank you again for giving us the opportunity to comment on the draft report.