

**SBA's Prime Contracts  
and  
Subcontracting Programs**

**October 1995**

***Inspection Report***

**No. 95-10-001**

**Office of Inspector General  
U.S. Small Business Administration**



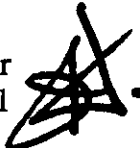
**U.S. Small Business Administration**  
Washington, D.C. 20416

**OFFICE OF  
INSPECTOR GENERAL**

October 31, 1995

TO: Philip Lader  
Administrator

THROUGH: James F. Hoobler  
Inspector General

FROM:  Tim Cross  
Assistant Inspector General  
for Inspection and Evaluation

SUBJECT: Inspection of SBA's Prime Contracts and Subcontracting  
Programs

I am pleased to submit our inspection report on SBA's prime contracts and subcontracting programs. It was initiated at the request of the Associate Deputy Administrator for Government Contracting and Minority Enterprise Development.

While our inspection was in progress, the Office of Government Contracting (GC) took action to streamline the program in the face of a significant reduction in resources. We hope this report will assist SBA management in reaching final decisions on program changes. The inspection report includes (1) an examination of external constraints affecting program performance, (2) a review of aspects of the deployment of field personnel, and (3) suggested ways in which the GC might maximize program performance with its reduced resources.

The inspection team received excellent cooperation from GC Headquarters and field staff. If you have any questions or comments, we would be happy to discuss them with you at your convenience.

Attachment

## TABLE OF CONTENTS

	Page
<b>EXECUTIVE SUMMARY</b>	iii
<b>BACKGROUND</b>	1
<b>OBJECTIVES, SCOPE, AND METHODOLOGY</b>	5
<b>THE PROCUREMENT ENVIRONMENT</b>	6
<b>THE PRIME CONTRACTS PROGRAM</b>	11
<b>THE SUBCONTRACTING PROGRAM</b>	20
<b>APPENDICES</b>	
A    Figure 1:    Office of Government Contracting Organizational Chart	27
B    Table 1:    Prime Contracts and Subcontracting Field Employees, Planned Staffing	28
C    Table 1:    Comparison of Breakout Savings by Activity, FY 1992 to 1994	29
Table 2:    Comparison of Breakout Savings From the First Year of Award, FY 1993 and 1994	30
Table 3:    Selected Set-aside Program Statistics, FY 1990 to 1994	31
Table 4:    Total Breakout Program Savings, FY 1985 to 1994	32
D    Table 1:    Government Contracting Personnel with Subcontracting Responsibilities	33
Table 2:    Subcontracting Reporting Discrepancies, FY 1994	33
E    Office of Government Contracting Comments	34
F    Contributors to This Report	39

## ABBREVIATIONS

ADA	Associate Deputy Administrator
ARA/PA	Assistant Regional Administrator for Procurement Assistance
BPCR	Breakout Procurement Center Representative
CMR	Commercial Market Representative
COC	Certificate of Competency
DLA	Defense Logistics Agency
DoD	Department of Defense
FACNET	Federal Acquisition Computer Network
FAR	Federal Acquisition Regulation
FASA	Federal Acquisition Streamlining Act
FY	Fiscal Year
GC	Office of Government Contracting
GC/MED	Office of Government Contracting and Minority Enterprise Development
I&E	Inspection and Evaluation
OIG	Office of Inspector General
OIRM	Office of Information Resources Management
OSDBU	Office of Small and Disadvantaged Business Utilization
PASS	Procurement Automated Source System
PCR	Procurement Center Representative
SADBU	Small and Disadvantaged Business Utilization
SBA	Small Business Administration
SBLO	Small Business Liaison Officer
SOP	Standard Operating Procedure
TPCR	Traditional Procurement Center Representative

## EXECUTIVE SUMMARY

### Scope and Background

In late 1994, the Office of Inspector General (OIG) Inspection and Evaluation Division (I&E) initiated an inspection of the prime contracts and subcontracting programs at the request of the Small Business Administration's (SBA) Associate Deputy Administrator for Government Contracting and Minority Enterprise Development (ADA for GC/MED). While this inspection was in progress, SBA decided to reinvent the Government contracting programs and reduce the prime contracts field staff by almost 40 percent. Moreover, it has been proposed that prime contracts and subcontracting field personnel report directly to district directors. Accordingly, this report focuses on (1) an examination of some of the external constraints affecting program performance, (2) a review of selected aspects of the deployment of field personnel, and (3) suggested ways in which the Office of Government Contracting (GC) might maximize program performance with fewer resources.

We visited 11 procurement centers in three of the six GC geographical areas and interviewed area directors and field staff in all six areas. In addition to reviewing the relevant literature, legislation, and regulations, we interviewed non-GC officials, including contracting officers at procuring agencies and SBA district officials.

The Small Business Act of 1958 established a procurement assistance program in SBA to aid small businesses in obtaining "a fair proportion" of Government contracts. Essentially a pre-award initiative, the prime contracts program is composed of the set-aside and breakout programs administered by Procurement Center Representatives (PCRs). Traditional Procurement Center Representatives (TPCRs) seek to secure small business set-asides at those Federal buying activities which spend the most procurement dollars. Breakout Procurement Center Representatives (BPCRs) are to expand free and open competition, thereby increasing Federal procurement opportunities for small businesses and obtaining cost savings to the Government. In addition, State PCRs primarily make Federal acquisition opportunities known to small businesses in states which do not host major Federal buying activities.

The subcontracting program is basically a post-award program designed to provide small businesses with the maximum opportunity to obtain subcontracts. Commercial Market Representatives (CMRs) review large business Federal prime contractors to identify opportunities for small businesses and ensure that subcontracting plan requirements accepted by Federal contracting officers during contract negotiations are met.

Because these GC programs rely largely on persuasion to achieve their goals, they can be considered advocacy programs. They differ from most other SBA programs in several ways: (1) they require specialized contracting expertise, (2) their specific functions are not always understood because the largest group--the PCRs--is primarily located in non-SBA facilities, (3) many of the programs' accomplishments cannot be quantified, and (4) small businesses that

receive contracts or subcontracts are often unaware of the role played by PCR or CMR staff, thus denying the programs a vocal constituency.

SBA's Government contracting program is only one of many facets to the Federal procurement process. SBA's efforts to assist small businesses are constrained by the varying levels of support provided by procuring agencies and prime contractors. Centralized purchasing and reductions in contracting staff due to Government reinvention and downsizing are having a major impact on SBA's Government contracting program. The passage of the Federal Acquisition Streamlining Act (FASA) is also likely to have a substantial--but as yet unclear--impact on SBA's Government contracting program. Finally, SBA's own reinvention initiatives are significantly affecting GC programs. These dramatic changes have made the future of PCR and CMR functions increasingly uncertain. Consequently, difficult deployment choices have been made, and a GC "reengineering task force" is developing pilot programs to use its remaining staff most effectively.

### **The Reinvention of Government Contracting**

SBA's Government contracting program faces the difficult task of adjusting to the demands of a leaner Federal budget while continuing to meet critical small business needs. While the Agency's decision to make PCR program cuts was made independently without the benefit of a formal analysis of program performance, recent changes in Federal downsizing and Federal procurement reform have made some program adjustments necessary.

In the past, the absence of Central Office GC field control has resulted in deployment that could not always be adjusted appropriately to meet changing program needs. In the future, in order to adjust quickly to the changing procurement environment, it will be even more important to monitor PCR activities systematically. As a result of an SBA/OIG audit in 1993, GC developed comprehensive program review "checklists" to be used either by a field supervisor or by Central Office management to examine each PCR's performance. While these are appropriate tools to make a reasonable assessment of individual performance and the need for a PCR at a buying facility, they are not used regularly.

Program officials acknowledge that previous dollar levels attributed to set-asides and breakout savings cannot be sustained with the severe personnel cuts to be taken in Fiscal Year (FY) 1995. The challenge is to find ways to maximize program performance. In addition to the need for regular program reviews, we have identified actions in several areas--some of which are already being addressed by GC in pilot initiatives--that can help program management adjust to the changing procurement environment. First, because Government contracting programs are increasingly national in scope, we recommend that the ADA for GC/MED: (1) request the Office of Field Operations to require responsible district directors to use the GC-developed program review checklists at least biennially for each TPCR and BPCR and provide copies to GC officials in Washington to assist in decisions on redeploying staff; (2) provide training on the nature and scope of Government contracting programs to district directors who will

be responsible for administering GC's PCR and CMR programs; (3) work with the Office of Field Operations to develop district director incentive awards and appraisal criteria tied to national goals in order to maintain maximum national program impact; and (4) seek approval from the Administrator for GC program management to retain control over the PCR and CMR field budgets to ensure that GC will make deployment decisions rather than the district directors.

Second, multiple reporting requirements reduce the efficient use of a PCR's time, and a lack of internal database linkages reduces the accuracy of their data. We recommend that the ADA for GC/MED eliminate overlaps in field reporting and introduce more efficiency by expanding GC's current efforts with the Office of Information Resources Management (OIRM) to integrate all reporting software and develop linkages among multiple reports to ensure consistency in their data.

Third, past training opportunities for both PCRs and CMRs, when they have been available, have tended to be ad hoc, on-the-job, or part of GC conferences usually held for broader purposes. We therefore recommend that the ADA for GC/MED ensure that adequate funding is available to provide for automation and training.

GC's reengineering plan also involves a number of pilot initiatives to target CMR efforts more effectively. Subcontracting resources are limited, and staffing levels and workloads vary considerably, resulting in uneven coverage of prime contractors. An unequal distribution of workload among CMRs appears to be correlated to uneven coverage of large prime contractors. We recommend that the ADA for GC/MED more evenly distribute prime contractors among CMRs to improve SBA's coverage. In addition, the number of Federal contractors with subcontracting plans is unknown, complicating GC's efforts to focus program activities and increasing the likelihood that small business opportunities are lost. We recommend that the ADA use the information on subcontracting implementation that will be provided to SBA by prime contractors in FY 1996 to determine more accurately the number of prime contractors that need reviews, thus focusing CMR efforts more effectively.

Because we found that some CMRs are currently participating in marketing activities that may not be appropriate given the subcontracting program's limited resources, we recommend that the ADA provide additional guidance to CMRs clearly defining what constitutes appropriate marketing activities in an effort to optimize CMR time and resources. We further found that PCRs reviewing proposed subcontracting plans consult CMRs--who may be able to provide valuable assistance--infrequently. We therefore recommend that the ADA direct PCRs to consult regularly on proposed subcontracting plans with cognizant CMRs to improve the coordination and effectiveness of PCR reviews. Finally, to remove existing inconsistencies among the subcontracting databases, we recommend that the ADA direct program management to closely monitor the databases containing prime contractor reviews and quarterly reports to ensure accuracy.

## Office of Government Contracting Comments

GC did not take issue with any of the inspection's major conclusions or the recommendations. Regarding the subcontracting program, they commented that the report accurately describes the areas that need to be strengthened. Program officials provided a number of comments, all of which have been given careful consideration. Most--including those relating to changes in current plans--have been incorporated into the text of the report.

Program officials commented that our recommendation to distribute more evenly prime contractors among CMRs could not be accomplished without moving CMRs to different locations or incurring more travel expense. Thus, they stated, required funding should be included in the recommendation. While we do not disagree that additional funding may be required, we did not perform a budget analysis to determine GC funding needs. We believe, however, that the uneven distribution of prime contractors is detrimental to program efficiency and effectiveness.

GC states that characterizing the prime contracts and subcontracting programs as advocacy programs understates the importance of the PCR's and CMR's role. We do not agree. Advocacy of small business interests does not imply that substantive duties are in any way diminished. Ultimately, however, the source of the success of both PCRs and CMRs is the art of persuasion. While PCRs have appeal authority to the Secretarial level, the procuring agency is still the court of last appeal. Only 38 such appeals were made nationwide in FY 1994--a small fraction of the recommendations made by PCRs. Moreover, that PCRs have this appeal authority implies that the issues involved are not clear-cut and that PCRs need to use effective persuasive powers. We believe that defining these programs as a type of advocacy program underlines both the importance of these government contracting positions to small businesses and the difficulties inherent in their functions.

We agree with GC that their new computer operations specialist can deal with some of the data integration issues that our report raises.

GC noted that in some circles prime contracting refers only to the TPCR program. Nevertheless, to be consistent with GC's organizational structure which places the TPCR, State PCR, and BPCR programs under the Office of Prime Contracts, we continue to refer to all PCR programs as prime contracts programs.

Finally, GC stated that district directors have local, i.e., individual district, goals. Therefore they suggested that our recommendation concerning tying district director goals to national goals for the purpose of providing awards and incentives be changed to include GC district goals. We decided not to include district GC goals in our recommendation because it is critical to emphasize the national nature of the programs. We believe that including district goals in our recommendation would be confusing as an incentive.

The full text of GC's comments can be found in Appendix F.



## BACKGROUND

In the fall of 1994, the ADA for GC/MED in SBA requested that the OIG inspect the prime contracts and subcontracting programs. Among other issues, the ADA asked that we look at program functions and effectiveness, constraints on program performance, and ways to improve program delivery. While our review was in progress, SBA initiated a major reinvention of its Government contracting programs, compelling the OIG inspection team to revise and ultimately narrow the scope of this review.

The Small Business Act of 1958 established SBA's procurement assistance program to aid small businesses in obtaining "a fair proportion" of Government contracts.<sup>1</sup> Within SBA, this program is administered by GC in GC/MED. (See Organizational Chart, Figure 1, in Appendix A.) GC directs various Government contracting programs, including prime contracts, subcontracting, certificate of competency (COC), size determinations, the Procurement Automated Source System (PASS), and natural resources sales assistance.<sup>2</sup> In recent years, more than half of GC's field staff have been dedicated to the prime contracts and subcontracting programs.

### The Prime Contracts Program

The prime contracts program includes two initiatives: small business set-asides and contract breakouts. To carry out the legislative mandate to assure a fair proportion of Federal contracts for small businesses by setting aside contracts for competition among small businesses only, SBA has assigned TPCRs to major Government purchasing offices.<sup>3</sup> Accomplishments under the program are dependent upon the number of buying facilities covered by SBA representatives. TPCRs may be assigned to any contracting activity, but to stretch its limited resources, the SBA directs its main effort at those installations which spend the most procurement dollars.<sup>4</sup> TPCRs have the authority to appeal the decisions of contracting officials up to the procuring department

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<sup>1</sup>The Small Business Act of 1958, as amended, Public Law 85-536, sections 2(a) and 15(a).

<sup>2</sup>The COC program handles appeals filed by small businesses when a Federal agency's contracting office proposes to reject the low bidder or offeror because the agency questions the concern's ability to perform the contract. The size determinations program defines the criteria for qualifying as a small business in various industries. PASS is a computerized database of small businesses nationwide that are interested in Federal procurement opportunities. Natural resources sales assistance provides small businesses in the forest products industry with preferential bidding opportunities for purchasing timber offered by the Federal Government.

<sup>3</sup>Federal Government purchasing offices are also known as buying activities, contracting activities, and procurement centers. These three terms are commonly used interchangeably.

<sup>4</sup>Federal Acquisition Regulation (FAR), Part 19.402.

or agency head. Besides pursuing set-asides, TPCRs also counsel small businesses regarding sales to Government agencies.

In addition to TPCRs, GC has had 16 State PCR positions, the first of which were authorized by Congress in FY 1988. The primary focus of State PCRs is to make Federal acquisition opportunities known to small businesses in their respective states, i.e., those which do not have major buying activities and thus no resident PCRs. A State PCR also performs TPCR duties and serves as the state-wide SBA representative for other acquisition matters.<sup>5</sup>

After a successful pilot program, the Small Business Competition Enhancement Act of 1984 established the BPCR program in response to evidence that the Government--especially DoD--often paid exorbitant prices for standard parts.<sup>6</sup> The pilot was designed to increase competition in Federal procurement, especially for contracts awarded for spare parts and support equipment for major weapons systems. The law provides that SBA shall collocate a BPCR who is an engineer and at least two technical advisors at each major procurement center.<sup>7</sup>

While the BPCR program's primary purpose was to "break out" portions of contracts for full and open competition by businesses of any size, it was recognized that substantial savings could be generated. These "breakout savings" accrue not to SBA, however, but to the procuring agency. In addition to concerns about competition and savings, Congress also wanted to ensure that obstacles to small business competition in Federal procurement were eliminated.<sup>8</sup> Consequently, BPCRs have the same appeal authority as TPCRs.

Many PCR functions are common to the set-aside and breakout programs. For example, all PCRs review acquisition plans and purchase requests. In addition, a TPCR reviews proposed subcontracting plans, while a BPCR is more likely to examine technical data, drawings, and specifications. All PCRs identify potential small business vendors for contracting officials, instruct buying activity personnel on SBA's Government contracting programs, and speak at procurement conferences and seminars. They also counsel small businesses on doing business with the Government. Additionally, TPCRs periodically perform surveillance reviews of the implementation of small business programs at various contracting activities.<sup>9</sup> In recent years,

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<sup>5</sup>Standard Operating Procedure (SOP) 60 02 5B, pp. 42-43.

<sup>6</sup>Small Business Act, section 15(l)(1).

<sup>7</sup>Small Business Act, section 15(l)(1), (4), and (5). One of the technical advisors must also be an accredited engineer.

<sup>8</sup>In FY 1994 more than 44 percent of the value of all breakout awards went to small businesses.

<sup>9</sup>For TPCR functions see SOP 60 02 5B, pp. 15-18. For BPCR functions see SOP 60 02 5B, pp. 53-55.

as the total number of program personnel has been reduced, some TPCRs and BPCRs have also performed other functions, e.g., TPCRs as CMRs and BPCRs as TPCRs.

### The Subcontracting Program

To provide small businesses with the maximum opportunity to perform subcontracts, Congress enacted Section 8(d) of the Small Business Act in 1978. It gave SBA broad authorization to (1) assist Federal agencies and businesses in meeting their subcontracting responsibilities, (2) review contract solicitations that require subcontracting plans and submit its findings to the appropriate Federal agency, and (3) evaluate prime contractors' compliance with subcontracting plans. To carry out this authority, CMRs review Federal prime contractors to identify opportunities for small business and ensure that subcontracting plan requirements are met.<sup>10</sup> CMRs have no appeal authority.

Specific CMR duties include performing program compliance reviews, follow-up reviews, and needs assessments. Program compliance reviews evaluate a prime contractor's program for small businesses, including the implementation of specific subcontracting plans.<sup>11</sup> Follow-up reviews are carried out on previously reviewed prime contractors and focus on past CMR recommendations. Needs assessments are designed to determine the specific requirements of prime contractors for the purpose of identifying new opportunities for small businesses. Other CMR activities include identifying new small business vendors to prime contractors, matching large business prime contractors with small business subcontractors, counseling small businesses, developing marketing opportunities, participating in procurement fairs, and performing PASS demonstrations.

Because the prime contracts and subcontracting programs rely largely on persuasion to achieve their goals, they are, in many ways, advocacy programs. They differ from most other SBA programs in several ways: (1) they require specialized contracting expertise, (2) their specific functions are not always widely understood because the largest group--the PCRs--are primarily located in non-SBA facilities, (3) many of the program's most significant accomplishments cannot be quantified, and (4) small businesses that receive contracts or subcontracts are often unaware of the role played by PCR or CMR staff, thus denying these procurement assistance programs a vocal constituency.

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<sup>10</sup>SBA monitors other-than-small prime contractors with Federal contracts valued at over \$500,000 (or \$1,000,000 for construction of a public facility), and prime contractors are required by law to negotiate a subcontracting plan with the procuring agency. Small business prime contractors are not required to have subcontracting plans.

<sup>11</sup>Subcontracting plans include specific goals for small, small disadvantaged, and women-owned businesses.

## GC Reorganization

In late 1994, as a part of Phase I of SBA's "Reinventing the Federal Government" streamlining initiative, GC was reorganized. Ten Assistant Regional Administrators for Procurement Assistance (ARA/PA) were replaced with six area directors who report to the Associate Administrator for GC.<sup>12</sup> In March 1995, SBA announced Phase II of its reinvention plan-- "Stretching Taxpayer Dollar\$." For GC, the plan entailed "consolidating sites and expanding employee responsibility and accountability."<sup>13</sup> It featured a 34 percent reduction in GC field staff (from 220 to 146 personnel), and an almost 40 percent reduction in total PCR personnel, including the elimination of the State PCR program. At the same time, GC appointed a task force to develop a plan to use the remaining staff most effectively.

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<sup>12</sup>In 1994 the Office of Procurement Assistance was renamed the Office of Government Contracting and combined with the Office of Minority Enterprise Development, the Office of Technology, and the Office of Size Determinations to form the new Office of Government Contracting and Minority Enterprise Development.

<sup>13</sup>SBA, "Reinventing SBA: 'Stretching Taxpayer Dollar\$'," March 27, 1995, p. 7.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The scope of this inspection--begun in December 1994--had to be revised substantially when the SBA Administrator announced the consolidation of PCR positions and GC began to reengineer its PCR and CMR programs. As a consequence, the OIG team decided on an abbreviated inspection that would (1) review selected aspects of the deployment of PCRs and CMRs and the focus of their efforts, (2) examine external constraints affecting program performance, and (3) suggest ways in which GC might maximize program performance with significantly reduced resources.

To learn firsthand the dynamics of each of the three programs, we visited 11 procurement centers in three of the six GC areas. We interviewed in person or by phone TPCRs, State PCRs, BPCRs, CMRs, and area directors in all six GC areas. To obtain the views of non-GC officials, we spoke with Small and Disadvantaged Business Utilization (SADBU) Specialists and contracting officers at procuring agencies and SBA district officials. We discussed the programs and the proposed reengineering effort at length with Central Office officials. Our research included relevant legislation and history, the Standard Operating Procedures (SOPs), numerous internal and external statistical reports, the Federal Acquisition Regulation (FAR), the FASA, and past SBA/OIG audits.

We conducted our work between December 1994 and June 1995 in accordance with the Quality Standards for Inspections issued in March 1993 by the President's Council on Integrity and Efficiency.

## THE PROCUREMENT ENVIRONMENT

**Summary.** As an advocate for small business, SBA's Government contracting program is one of many elements in the complex Federal procurement process. SBA's efforts to assist small businesses in securing Federal contracting opportunities are constrained by procuring agencies' and prime contractors' varying levels of support for SBA's objectives. Government downsizing and the passage of FASA are likely to have a substantial--but as yet unclear--impact on SBA's Government contracting program. The Agency's reinvention initiatives are also affecting GC programs, making the future of PCR and CMR functions increasingly uncertain. Consequently, GC has had to make difficult deployment choices and reexamine functions to maximize performance with a substantially reduced staff.

### Discussion.

#### Support by Other Agencies

The ability of SBA programs to maintain or increase the small business share of Federal procurement is limited by the authority and management practices of other Federal departments and agencies. Program managers and/or contracting officers determine set-aside and breakout awards for small businesses and are responsible for negotiating and approving subcontracting plans that include goals for the use of small businesses. Different organizational "cultures" among buying activities can mean different levels of support for small businesses. For example, some contracting officers perceive a conflict between the public policy goals advocated by SBA and their department's or agency's mission goal--acquiring the best product or service for the lowest possible cost, with the least risk and time involved.

The PCR's role is further complicated at buying facilities where procurement is distributed among several different offices or where there is high turnover among contracting personnel. Both require PCRs to spend more time helping procurement staff learn the Federal Government's small business policies and regulations, and new arrivals place an added burden on the PCR to win their confidence and professional respect. Because agency support for them has varied, small businesses have needed an advocate.

Some observers consider PCRs redundant because of the presence of an Office of Small and Disadvantaged Business Utilization (OSDBU) in each agency.<sup>1</sup> The SADBU Specialist at that

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<sup>1</sup>In 1965 responsibility for the set-aside program was given to the agencies, and all TPCRs were reassigned. The following year witnessed a 25 percent drop in set-asides for small businesses. After Congressional hearings, the SBA program was reinstated in 1967. Although the procurement world was different 30 years ago and the SADBU Specialist position was not created until 1978, the experience suggests that, without the presence of an outside advocate, agencies would pay less attention to small businesses.

office performs some of the same functions as the PCR in assisting small businesses. These include reviewing procurement proposals, sponsoring and/or participating in outreach efforts, and providing guidance and training to agency staff who work with small business. SBA and OSDBU personnel agreed, however, that because the SADBUs Specialist works for the agency and reports to an agency official, there are limits to his or her ability to effect changes in procurement actions. The SADBUs Specialist also lacks appeal authority. Moreover, supporting the agency mission is the SADBUs Specialist's highest priority. At buying activities where the OSDBUs Director serves as both a small business advocate and a contracting officer, or where the position of OSDBUs Director is rotated every few years among contracting officers, the department or agency mission can assume an even higher priority.

Contracting officers have primary responsibility for negotiating subcontracting plans that include small business goals and for monitoring subsequent compliance. There may be little incentive to enforce subcontracting plans if the prime contractor is performing well on a contract. Further, lack of concern about implementation on the part of a procurement official may communicate to a prime contractor that subcontracting performance is not important; consequently, opportunities for small businesses could be lost. A prime contractor's small business subcontracting efforts may also depend on the effectiveness of its own Small Business Liaison Officer (SBLO). By law all prime contractors with subcontracting plans must designate an SBLO who is responsible for administering the firm's subcontracting program. Often the position is not designated full-time, however, and it is not always considered important by the prime contractor.<sup>2</sup>

#### Federal Government Downsizing

The total value of the goods and services the Federal Government buys has been declining. According to the Federal Procurement Data Center, from FY 1991 to FY 1994, Federal Government procurements declined from almost \$211 billion to \$196 billion. DoD procurement, which represents almost 70 percent of all Federal procurement, also decreased over 11 percent during the same period.<sup>3</sup>

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<sup>2</sup>A study completed in 1991 for SBA found that SBLOs have very different positions within organizations. "Consequently, some SBLOs have a great deal of influence over the buying decisions of the contractor while others have little." Caron H. St. John and Kirk C. Heriot, Subcontracting: A Case Study (Clemson, South Carolina: Clemson University, College of Commerce and Industry, Department of Management, 1991) pp. 4 and 32.

<sup>3</sup>U.S. General Services Administration, Federal Procurement Data Center, Federal Procurement Report, Fiscal Year 1991 through Fourth Quarter (Washington, D.C.: Federal Procurement Data Center, 1992), p. 2; U.S. General Services Administration, Federal Procurement Data Center, Federal Procurement Report, Fiscal Year 1994 through Fourth Quarter (Washington, D.C.: Federal Procurement Data Center, 1995), p. 2.

Increased centralized purchasing is a consequence of Government reinvention and downsizing that already has had an impact on SBA's Government contracting program. This is especially noticeable in the case of DoD procurement. For example, military services have transferred the purchase of some spare parts to centralized Defense Logistics Agency (DLA) locations, making the relocation of some PCRs advisable. Recent and planned DoD base closures are further contributing to this centralization.

Staffing in Federal contracting offices is being reduced. One potential implication of fewer contracting personnel is an increase in contract bundling, i.e., combining many small contracts into one large procurement. While this would decrease the workload for contracting officers, fewer small contracts could also reduce opportunities for small businesses.

#### The Federal Acquisition Streamlining Act

FASA--signed into law on October 13, 1994--has the potential to affect the PCR program significantly. It attempts to streamline the way the Government purchases goods and services. The law provides that each contract for the purchase of goods and services with an anticipated value over \$2,500, but not greater than \$100,000, is reserved for small businesses, unless the contracting officer cannot obtain offers from at least two small businesses that are competitive in price, quality, and delivery.<sup>4</sup> Because the current SOP requires PCRs to concentrate on procurements of at least \$25,000, it is not clear how the increase in the simplified acquisition threshold to \$100,000 will ultimately affect the PCRs' workload.

One of FASA's most important requirements involves the conversion of Federal procurement to an electronic commerce system, i.e., the practice of conducting business electronically within a trading community with the use of information technologies. FASA calls for a Federal acquisition computer network (FACNET) to be implemented Government-wide by January 1, 2000. When the system is fully operational, it will inform the general public about Federal contracting opportunities, permit electronic submission of bids and proposals, facilitate responses to questions about solicitations, and be readily accessible to the public. FACNET will even provide a means for making payments to contractors. Once operational, this system will open the procurement process to thousands of new small business offerors.

SBA and OSDDBU officials have expressed concerns about the impact on small businesses of both electronic commerce and procurement reform. At least in the short run, many small businesses may not have the equipment, technical knowledge, or financial resources to utilize FACNET. Conversely, electronic commerce could result in contracting officers being overwhelmed by bids

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<sup>4</sup>This provision is to take effect no later than October 1, 1995. Moreover, a contracting officer can make purchases up to and including \$2,500 without obtaining competitive quotations if the contracting officer determines the price is reasonable. Federal Acquisition Streamlining Act, Public Law 103-355, sections 4301 and 10001(b)(3).



and proposals. If procurement officials respond by reducing the time allowed for businesses to submit bids or proposals, opportunities for some small businesses are likely to be lost. Understandably, the full impact of electronic commerce on either small businesses or SBA's GC program is not yet clear.

#### Reinvention/Consolidation

As part of an Administration effort to create a Federal Government that "works better and costs less,"<sup>5</sup> GC will consolidate sites and expand employee responsibility to "centralize processing to achieve economies of scale and use current technology."<sup>6</sup> To absorb a 30 percent (\$6 million) GC budget cut for FY 1996, program officials are currently planning for a reduction in excess of 35 percent in prime contracts and subcontracting field staff by October 1995. (See Table 1 in Appendix B.) PCR resident and non-resident coverage at 13 major and approximately 30 minor procuring activities will be eliminated. At the same time, it has been proposed that TPCRs and BPCRs report to the SBA district offices nearest their current duty stations. District directors would supervise and write the PCRs' performance appraisals.

Under the new plan, TPCR and State PCR positions will be merged and assigned to buying activities. One-third of these PCRs will be given additional assignments to cover the states without a resident PCR. Management anticipates that, despite a 19 percent combined reduction in TPCR and State PCR positions (including the elimination of the State PCR program), GC will be able to cover PCR locations accounting for 93 percent of the procurement dollars under PCR review during FY 1994 through a combination of on-site and electronic monitoring.<sup>7</sup> BPCR field positions will, however, sustain a much greater reduction--nearly 70 percent. Under current plans, the remaining breakout personnel will be located at 15 facilities that accounted for 78 percent of FY 1994 breakout savings. It should be noted that SBA's downsizing proposals require legislative changes to eliminate the breakout technical advisor positions and the State PCR program. In addition, CMR staffing has been reduced from 19 to 18. GC program management is currently developing pilot initiatives for the PCR and CMR programs to accommodate reduced staffing and the changes in Federal procurement practices. According to GC, these initiatives will combine organizational and business redesign, training and technology integration, and public/private partnerships to produce streamlined processes, cost savings, and greater efficiency in service delivery.

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<sup>5</sup>The National Performance Review, Vice President Al Gore, From Red Tape to Results: Creating a Government that Works Better and Costs Less, September 7, 1993, p. i.

<sup>6</sup>"Stretching Taxpayer Dollar\$," May 16, 1995, pp. 1 and 7.

<sup>7</sup>The number of PCR positions dropped from approximately 125 in FY 1992 to 112 by March 1995 and are expected to decline to 66.

**Conclusion.** The PCR and CMR programs are influenced by external constraints, one of which is the varying levels of support for SBA's efforts to help small businesses secure Federal contracting opportunities. The dramatic changes resulting from declining Federal procurements, reductions in Federal contracting staff, new acquisition legislation, and SBA's internal reinvention process make the future of PCR and CMR functions increasingly uncertain. GC program management is seeking to adjust to these changes with new pilot program initiatives.

## THE PRIME CONTRACTS PROGRAM

**Summary.** The Government contracting program is faced with adjusting to significant external and internal changes. Determining which buying activities provide the most small business opportunities--never an easy task--is made more difficult by current Federal downsizing and the new acquisition legislation described previously. In the past, Central Office program management has not had effective control over either TPCR or BPCR deployment. Now the administration of these two programs is to be placed under district director control. To assure maximum effectiveness at a time of dramatically reduced GC staffing, program managers will have to monitor program performance more systematically. Although GC has developed appropriate monitoring methods, they are not regularly used. We have identified actions in three other areas--some of which are already being addressed by GC--that can help program management adjust to the changing procurement environment: supervision and control, reporting requirements, and provision of adequate support services.

### **Discussion.**

#### Deployment of PCR Personnel and Efforts

In the past, Central Office program management has not had effective control over the deployment of either TPCRs or BPCRs. Prior to October 1994, the Central Office exercised general policy and oversight while regional administrators were responsible for the administration of the program and its resources. Because of budget constraints and the fact that spending decisions were made by regional administrators who sought to balance their resources according to the needs of competing SBA programs, decisions on the deployment of PCRs were effectively outside of the control of program management. As a result, needed deployment changes were not always made, and some PCR slots were lost as a result of attrition and positions being transferred to other SBA programs.

Decisions on where to deploy PCRs cannot be based simply on the dollar volume of the various buying activities. An agency with a high dollar value in procurements may not provide opportunities for small businesses because its contracts may be unsuitable for them due to their size, technical complexity, or other reasons. Moreover, predicting a buying activity's future level of procurement is difficult. SBA and DoD officials told us that buying activity forecasts sometimes bear little resemblance to final funded acquisitions. In reinventing Government contracting programs, SBA officials have found that downsizing in Federal agencies, including DoD base closures, has even made it problematical in the short run to determine which buying activities will survive.

Determining the optimal deployment of BPCRs is especially complex. The legislation requires BPCR teams to be located at each major procurement center while allowing the Administrator to allocate staff where there is the greatest *potential* for cost savings to the Government. Buying

activities have a varying mix of procurements that have differing breakout potential. For example, activities with frequent buys, such as spare parts, are likely to have more breakout opportunities than facilities with primarily non-repetitive buys. Moreover, it is generally more difficult to break out items at procurement centers that purchase large systems--e.g., weapons systems--or contracts let by research and development facilities. Thus, it is not only the dollar value of procurements but also the quantity and type of items purchased that is important in deployment decisions.

### Consolidation of PCR Positions

While SBA's decision to make PCR program cuts was made without the benefit of a formal analysis of program performance, it was apparent that some changes needed to be made.<sup>1</sup> Recent changes in Federal procurement made adjustments to the breakout program especially advisable. Some sites no longer provide a significant breakout potential, and some may need TPCRs more than BPCRs. Because the procurement world is constantly changing, the minimum number and exact mix of BPCR staff needed per location is not always clear.<sup>2</sup>

Changes in the Federal procurement process are also likely to affect the deployment of TPCRs. With electronic commerce and the Commerce Business Daily on-line, GC anticipates that fewer TPCRs will be needed to cover more buying activities. It will take time, however, to implement electronic commerce, upgrade equipment, and train SBA personnel, and we are concerned that the projected 19 percent decrease in TPCR and State PCR field positions may be somewhat premature.

Initially, the financial savings achieved by the staff reductions will be at least partially offset by the need to increase spending for computers and training. The effects of the reductions in both the TPCR and BPCR programs need to be closely monitored by program management to keep any detrimental impact on small businesses to a minimum. GC will require the flexibility to locate PCRs according to need, without the restrictions of the legislation that established State PCRs in specific states and requires BPCRs to have two technical advisors. Finally, there should be less demand for specified State PCRs because electronic commerce is capable of making opportunities known to all.

No reliable method exists for predicting the dollar value of future breakout savings or set-asides. The total breakout savings at any given facility can vary considerably from year-to-year. (See

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<sup>1</sup>Actual PCR staff reductions are currently being based primarily on the dollar value of the buying activity's procurement, agency forecasts of future purchasing, geographical balance, and--in the case of breakout locations--projected savings based on past savings.

<sup>2</sup>An SBA/OIG Audit covering Fiscal Years 1990 and 1991 found that some breakout locations operated efficiently with fewer than three staff members while others appeared to need a full team. SBA OIG, "Audit of SBA's Breakout and Set-Aside Activities" (Audit Report No. 3-1-C-006-032, March 31, 1993), pp. i & 8.

Table 1 in Appendix C.) The 15 breakout sites that will remain produced approximately 78 percent of the total breakout savings in FY 1994 but only about 53 percent of the total savings in FY 1993. If only contracts awarded during the first year of a multi-year award are considered, several of the remaining facilities showed no new breakouts in either FY 1993 or FY 1994.<sup>3</sup> (See Table 2 in Appendix C.) With DoD's downsizing and the increasing consolidation of spare parts procurement, the variations in both set-aside and breakout opportunities are likely to change even more. The reductions in PCR personnel are also likely to affect program results.

Program officials intend to monitor any changes in the percentage of awards to small business and small business set-asides at those activities where resident PCR coverage is eliminated. With reduced staffing, deployment questions that are difficult to answer now will take on greater importance. For example, should a TPCR who has been successful in obtaining set-asides for small businesses in one buying activity be redeployed to another? Would the absence of the TPCR from the first buying activity result in significant decreases in its small business set-asides? In short, program management will have to maintain a high degree of flexibility and be prepared to relocate PCRs as needed.

### Performance

We were requested by the ADA to assess the performance of PCRs. Because the prime contracts program functions in many ways as an advocacy program, we found that evaluating individual PCR performance can be a very complex task. As indicated in the Background section of this report, PCR responsibilities include a wide range of activities. While the required PCR reports cover various measurable statistics, other PCR activities are not conducive to meaningful measurement. (See Table 3 in Appendix C for examples of the type of information regularly provided by each TPCR on his or her activities.)

In terms of the statistical achievements of the breakout program, changes in Federal budgets, as well as in the procurement process, have had a major impact. It has become increasingly difficult to break out items because of decreases in purchasing and reductions in the numbers of contracting officials and program managers. With fewer people to do the work, the trend at some bases is toward greater consolidation and larger contracts, i.e., away from breakout initiatives and their derivative small contracts. As mentioned earlier in this section, some breakout sites no longer appear to need a BPCR presence.

Nevertheless, even though breakout savings fell from a high of \$284.6 million in FY 1990 to \$166 million in FY 1994, during the ten years from 1985 through 1994, the program saved the Government over \$2 billion. (See Table 4 in Appendix C.) In FY 1993 and FY 1994, breakout

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<sup>3</sup>For multi-year procurements of items or services broken out after SBA action, savings occur as long as the price awarded continues to be less than the pre-breakout unit/award price for up to five years after the first procurement. SOP 60 02 5B, p. 74.

savings translated into an average of approximately \$3.6 million and \$5.2 million, respectively, for each engineering professional in the program.

It is more difficult to detect the effect of Federal Government downsizing on the TPCR program by reviewing program statistics, which show no discernible trends. For example, there does not appear to be any pattern to the wide fluctuations in the most tangible measure of TPCR influence--the number and dollar value of PCR set-aside recommendations accepted. (See Table 3 in Appendix C.)

While a review of the statistics from an individual procurement center can indicate the level of PCR-generated activity at the facility, it is not entirely representative of PCR performance. For several reasons, many PCR activities are not easy to measure and may only be evaluated subjectively. First, it is not practical to follow the later development of a sufficient number of the small businesses that a PCR counsels or recommends out of PASS. As a result, the impact of these actions--especially counseling--is virtually impossible to gauge. Second, uncontrollable factors may skew PCR statistics, e.g., a large one-time purchase or turnover in key procuring agency officials.

Third, looking only at the number of a PCR's set-aside recommendations or appeals may understate his or her impact. A PCR may significantly influence a set-aside or breakout merely by having a conspicuous presence at the activity, without making a single recommendation. Finally, while a large portion of a PCR's time is spent in reviewing acquisition plans, forecasts and purchase requests, breakouts or set-asides may not be attainable for much of what he or she reviews. In the case of breakouts, even if the buying activity officials agree, several years may pass between the acceptance of an item for breakout and the actual award of the contract.

While the statistics collected by GC cannot provide a complete picture of either individual or program performance, we found that GC officials do have appropriate tools to make a reasonable assessment of individual performance and the need for a PCR at a particular buying facility. These tools have not been regularly used, however. A 1993 OIG audit found that PCR backup documentation for reporting requirements at some installations was not routinely reviewed by supervisors and suggested that the result was less accurate data.<sup>4</sup> Pursuant to the audit's recommendations, GC developed program review "checklists" to be used either by a field supervisor or by Central Office management to examine each PCR's performance. These program reviews not only require the verification of documentation but also assess less tangible performance measures, e.g., the PCR's relationship with the SADBU Specialist and the head of the procuring activity.

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<sup>4</sup>The audit found a correlation between inadequate monitoring and cases of insufficient documentation for set-asides reported by TPCRs and, to a lesser extent, for savings reported by BPCRs at several buying activities. SBA/OIG, "Audit of SBA's Breakout and Set-aside Activities," p.ii, 13, and 19.

Historically, because the Government contracting programs were managed in the field by the regional offices, the Central Office did not have the authority to require PCR supervisors to make regular PCR program reviews or use the checklist. Time and budget limitations have sharply reduced the number of program reviews conducted by Central Office officials, as well. Our inspection found that wide variations in the depth of supervision and review provided by the program's field management have continued since the 1993 audit. Moreover, Headquarters management is not kept informed by the field of the use of the checklist and seldom receives copies of completed reviews. Nevertheless, a PCR program review, which can be carried out by a single individual within several days, provides not only an excellent means of assessing PCR performance but a good status report on a buying activity's small business program.<sup>5</sup>

### Supervision and Control

SBA has proposed to decentralize the administration of the PCR and CMR programs, moving control from the area level to the districts. Under this structure, prime contracts and subcontracting field personnel would continue to work out of their current duty stations, but district directors, vice GC management, would be responsible for the direct supervision of the staff's performance. Because Government contracting is a national program, we believe that certain steps, e.g., ensuring that the program's focus remains national, should be taken to guarantee the flexibility needed to adjust to changes taking place in the Federal procurement process.

One of SBA's strategic principles is customer-driven outreach.<sup>6</sup> Government contracting is a national program, and being customer-driven means that PCRs and CMRs must operate across district boundaries for several reasons. First, a PCR's or CMR's small business customers often do not reside within a single district. For example, we found that fewer than 15 percent of all FY 1994 contracts that were broken out and resulted in savings were awarded to firms in the same state as the buying activity awarding the contract.<sup>7</sup> While many of the prime contractors reviewed by the subcontracting program are located in urban areas, most are spread throughout the United States. Because there are only one-third as many CMRs as there are district offices, CMR portfolios inevitably cross district boundaries.

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<sup>5</sup>The number of surveillance reviews, in which teams of Central Office and field personnel assess the effectiveness of a procurement center's small business programs, has also declined due to limited funding. Because of GC's limited resources, the reviews must focus on agencies that are large or have recognized problems. A smaller GC staff will place further limitations on team efforts.

<sup>6</sup>SBA, "Profile: Who We Are and What We Do," Second Edition, FY 1995, first page (no folio).

<sup>7</sup>FY 1994 data was provided by SBA's Office of Information Resources Management.

Second, as mentioned earlier, the centralization of certain DoD procurement functions is reducing the number of buying activities, while increasing the geographical coverage of each.<sup>8</sup> Third, FASA has the potential to expand bidding opportunities for small businesses across the board, thus broadening the base of small businesses taking part in the Federal procurement process.<sup>9</sup> For the foreseeable future, therefore, PCRs and CMRs will be serving a national, rather than a strictly district, clientele.

In the past, the lack of GC headquarters control reduced the flexibility with which staff could be moved to address changing needs.<sup>10</sup> In the face of reduced SBA resources and changes in procurement procedures, the prime contracts and subcontracting programs require an organizational structure that can give their efforts maximum impact.

Under current proposals, the number of GC area directors will be reduced and they will no longer have PCR or CMR responsibilities. Given the limited number of GC Headquarters staff, program monitoring in the field will have to be accomplished primarily by the cognizant district directors. As changes in the Federal procurement process continue, regular assessments of staff performance and of opportunities for small business programs at buying facilities will be important for making necessary deployment changes. The same SBA budgetary constraints that have made it necessary to eliminate GC's PCR supervisory staff are reducing the resources needed in district offices. We are concerned that supervising district directors will not have sufficient time to devote to regular monitoring of the PCR program. Moreover, supervising PCRs will require them to expand their technical knowledge base considerably.

Placing PCRs and CMRs under district office control would require the Agency to make major adjustments. First, district directors would need training to understand better the nature and scope of Government contracting programs. Second, district director incentive awards and appraisal criteria would need to be tied to national, not district, goals. Third, district directors should use the existing program review checklists to evaluate each TPCR and BPCR and provide copies to Washington for use in making field changes. Finally, GC should maintain control of the PCR and CMR field budgets to ensure that they can transfer field personnel readily across district lines to meet changing Federal procurement needs.

#### Reporting Requirements

At the present time, the Central Office requires quarterly individual and summary reports that capture a variety of statistical data on the PCR programs, including the dollar value of set-aside

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<sup>8</sup>See "The Procurement Environment," page 8.

<sup>9</sup>See "The Procurement Environment," page 8.

<sup>10</sup>See page 11.



awards and breakout savings.<sup>11</sup> In addition to the Central Office reporting requirements, some area offices and/or supervisors also require monthly and other reports to track workload and productivity. To make the most efficient use of a PCR's time, multiple reporting requirements should be reviewed to verify need and identify possible overlap.

To make cost-effective redeployment decisions, GC must have accurate data. We found several obvious discrepancies in the FY 1994 breakout data that--while they did not affect total savings generated by the program--call into question the accuracy of the data as a whole. To reduce potential data errors, program officials should direct their new computer operations specialist to work with OIRM to develop cross-checking linkages among reports from both BPCRs and TPCRs to ensure that discrepancies between summary reports and individual reports are identified early and resolved.

In the breakout program, for multi-year procurements of items or services broken out as a result of SBA action, savings can be recorded for up to five years after the first procurement. Thus, reported annual savings often include amounts resulting from efforts in prior years. Although this information is available in the database, GC does not regularly track one year breakout savings--i.e., savings made only during the first year of an award. Given the dynamic changes in Government procurement and the substantial variations in savings by year for some facilities, tracking one-year savings could provide management with useful information, not only for the purpose of individual productivity analysis but also for determining the continuing breakout potential of a given procurement center.

#### Provision of Support Services

With fewer staff available to carry out GC's mission in a changing environment, the office must ensure that each person has the tools to maximize his or her impact on small businesses. Because GC is being downsized, program management plans to cross-train TPCRs, State PCRs, and CMRs as procurement generalists. A generalist would have to handle a range of procurement issues that formerly were separate job specialties.<sup>12</sup> The generalist approach has at least two advantages. First, a generalist could increase efficiency by handling procurement issues that, in the past, might have required bringing in an additional specialist. Second, and perhaps most important, a generalist might be better able to identify all types of a buying activity's procurement opportunities.

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<sup>11</sup>Other data in the reports include the value of the awards to small and small disadvantaged businesses, recommendations for either set-aside or breakout issued and accepted, appeals, conference and training session participation, the counseling of businesses, and, in the case of breakouts, the numbers of items screened and the value of awards to large businesses.

<sup>12</sup>Some GC staff in San Francisco have been generalists for several years, having been trained through temporary assignments to various GC programs.

A major disadvantage of the generalist approach is the difficulty of developing individuals capable of performing several different specialized functions, each with its own body of knowledge. The responsibilities of a TPCR and a CMR are distinct; to become competent in both areas will require comprehensive training which GC has not conducted.

GC does not provide formal training programs for PCRs and CMRs, and continuing education requirements have not been established. The vast majority of GC personnel interviewed stated they had received little or no training while employed with SBA.<sup>13</sup> A few have provided for their own continuing education. Training opportunities, when they have been available, have tended to be ad hoc, on-the-job, or part of GC conferences usually held for broader purposes. As GC's field personnel move from more specialized roles to positions that require skills in multiple areas, training must be made available to bring them up-to-date on their new procurement areas and responsibilities. Program management has indicated that it plans to make training for PCR and CMR staff a high priority.

At a conference last fall, PCRs were asked by program management what they could do to support their customers more effectively. In part their responses reflected the need for more resources: training in computers, procurement reform, and other SBA programs; computer equipment with access to E-Mail, PASS, and FACNET; and sufficient travel funds to visit liaison buying activities.<sup>14</sup> Unfortunately, in order to absorb a 20 percent cut in the FY 1995 GC budget, funding for travel, training, supplies, and equipment funding was sharply reduced. With the reduction in GC staff, the need for travel funds to visit liaison activities will become even more important.

Program management also intends to maximize coverage of procurement centers through the development of a pilot national systems operations program. This program, which is now under development, will be used to record and review proposed procurement actions and aggregate data. Network services such as E-Mail will be made available to all personnel, and as field personnel are provided greater access to expanded automation, additional technology training will also be necessary.

Nevertheless, PASS--a database used extensively by both prime contracts and subcontracting staff to identify small businesses for Government contracts--is not funded in SBA's FY 1996 budget. As a result of FASA, PASS is to be replaced by the DoD-developed Central Contractor

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<sup>13</sup>In the fall of 1993, GC conducted a survey to determine how many of a standard five course contracting curriculum designed by GC had been taken by field employees and when. We were told that each Government department or agency has set similar standards. Only 24 percent of the field employees indicated that they had taken four or all five of the courses, and only 19 of the 257 courses employees reported taking were since 1990.

<sup>14</sup>To a great extent, PCRs have relied on the facilities and equipment of the buying activities where they are located. For example, SBA has an agreement with DoD that precludes charging SBA as a tenant at the facilities.

Registration (CCR) system, a part of the still-evolving electronic commerce initiative. Because DoD and SBA still have outstanding issues to resolve, it is unclear when the DoD system will be able to replace PASS completely. After September 30, 1995, the use of PASS will be limited and by June 1996 no updates will be made. GC is seeking a ruling from the Office of General Counsel on whether the PASS system could be maintained outside of appropriated funds, e.g., through user fees.

**Conclusion.** In the past, the absence of Central Office GC control over field personnel resulted in deployment that was sometimes inconsistent with changing program needs. There are now additional constraints. According to program officials, major reductions in staffing make it unlikely that the current level of set-aside awards and breakout savings can be maintained. To adjust quickly to a changing procurement environment, GC will need to monitor future PCR activities by using existing, but not regularly used, program review checklists. Because GC's contracting programs are national in scope, GC's management must retain the maximum flexibility to move program personnel as required. Multiple reporting requirements in some geographical areas may unduly consume too much of a PCR's time, and the lack of internal database linkages reduces the accuracy of data. Training opportunities for both PCRs and CMRs, when they have been available, have tended to be ad hoc, on-the-job, or part of GC conferences held for broader purposes. To optimize performance with fewer personnel, GC's "reengineering team" is developing pilot initiatives.

**Recommendations.** We recommend that the ADA for GC/MED:

1. Request the Office of Field Operations to require responsible district directors to use the GC-developed program review checklists at least biennially for each TPCR and BPCR and provide copies to GC officials in Washington to assist in their decisions on staff redeployments.
2. Provide training on the nature and scope of Government contracting programs to district directors who will be responsible for administering GC's PCR and CMR programs.
3. Work with the Office of Field Operations to develop for district directors incentive awards and appraisal criteria tied to national goals in order to maintain maximum national program impact.
4. Seek approval from the Administrator for GC program management to retain control over the PCR and CMR field budgets to ensure that GC will make deployment decisions rather than the district directors.
5. Eliminate overlaps in field reporting and make it more efficient by expanding GC's current efforts with OIRM to integrate the software for the remaining reports and develop linkages among multiple reports to ensure consistency in their data.
6. Ensure that adequate funding is available to provide for automation and training.

## THE SUBCONTRACTING PROGRAM

**Summary.** SBA's subcontracting program has broad legislative authority to review Federal prime contractors to identify opportunities for small business and ensure that subcontracting plans are satisfied. Resources are limited, however, and staffing levels and workloads vary considerably, resulting in uneven coverage of prime contractors. Moreover, the actual number of contractors with subcontracting plans is unknown. Program officials acknowledge that complete coverage of all prime contractors with subcontracting plans is not feasible, and GC's reengineering plan involves a number of initiatives to target CMR efforts more effectively. We are also concerned that there may be too little consultation with CMRs by PCR's reviewing subcontracting proposals.

### **Discussion.**

GC's prime contracts and subcontracting programs are separate and dissimilar. PCR's operate almost exclusively during the pre-award period. Except for small business counseling and occasional requests by PCR's to confer on proposed subcontracting plans, CMR activities center around post-award contract implementation.

### Deployment of CMR Personnel and Efforts

The subcontracting assistance program is currently staffed with 17 full-time CMRs. Approximately 20 additional GC personnel, primarily from the prime contracting and COC programs, perform subcontracting reviews on a part-time basis. Because staffing decisions prior to GC's 1994 reorganization were made by each regional administrator, CMR staffing levels and the use of other GC personnel for subcontracting work vary widely across the country.

The resulting variations in CMR workload appear to have contributed to uneven coverage of prime contractors by CMRs. According to 1994 program records, two part-time CMRs monitored 64 prime contractors in Region X, while in Region III two full-time and one part time CMRs were responsible for 773 prime contractors. (See Table 1 in Appendix D.) Each CMR has a portfolio of prime contractors and, while general guidance is provided by the SOP, he or she determines which contractors to review and the types of reviews to be completed. Because portfolio sizes vary widely among full-time CMRs, some prime contractors are regularly reviewed, while many others are virtually ignored. As of the close of FY 1994, almost 60 percent of the prime contractors in the database had not been reviewed for compliance with their subcontracting programs. To improve coverage, we believe that prime contractors should be more evenly distributed among CMRs.

Difficulties in covering the prime contractors most in need of assistance or review are compounded because the exact number of prime contractors with subcontracting plans is unknown--a fact acknowledged by program officials. Although the subcontracting program's

database contains over 2,500 prime contractors, there are several reasons that it does not reflect a complete universe. First, prime contractors who do not appear to provide good opportunities for small business may be omitted from the system. Second, while the FAR requires that contracting officers provide the cognizant SBA field offices with copies of all contracts or contract modifications containing subcontracting plans, CMRs have indicated that contracting officers do not always comply.<sup>1</sup> Therefore, a CMR may not be aware of contracts until they happen to come across them while reviewing other contracts at the firms. If CMRs are not notified of new contracts with subcontracting plans, primes may be omitted from review and opportunities for small businesses may be lost. Finally, companies that no longer have Federal contracts can be left in the database if the CMRs believe they may provide future opportunities for small businesses. Following initial discussions with the OIG inspection team, however, GC has made changes in the computer system to eliminate the active status of companies that no longer have Federal contracts.

Beginning in FY 1996, new reporting rules will require prime contractors to send copies of their subcontracting reports to the appropriate CMR.<sup>2</sup> Program management should be able to use this information to determine more accurately the number of prime contractors needing reviews and thus focus CMR efforts more effectively. CMRs have no appeal or enforcement authority, however, so their success in improving the opportunities for small business subcontracting depends on their individual powers of persuasion.

### Additional Ways to Maximize Program Performance

#### Reengineering Efforts

The subcontracting program currently focuses on marketing assistance and compliance reviews. The former includes counselling small businesses, developing marketing opportunities, and making referrals to prime contractors. Comprehensive compliance reviews are designed to ensure that prime contractors are fulfilling their subcontracting plans and providing the maximum opportunity for subcontracting to small businesses. It is not clear, however, if the subcontracting program has sufficient resources to perform adequately the wide range of responsibilities assigned to it. Further, a few of the marketing activities described by some CMRs may be more appropriately performed by the small businesses and prime contractors themselves. These include mailing out small businesses' brochures to prime contractors and performing PASS runs for large prime contractors that already have substantial resources, including direct access to PASS. We believe that GC needs to clarify just what constitutes appropriate marketing assistance.

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<sup>1</sup>FAR 19.705-6.

<sup>2</sup>Federal prime contractors who hold contracts over \$500,000 (over \$1,000,000 for construction) are required to report on actual subcontracting awards and award goals for individual contracts. Prior to FY 1996, prime contractors were only required to send reports to the procuring agency.

Complete coverage of all contractors with subcontracting plans is not feasible, so GC is developing a number of initiatives to stretch resources and improve program results. One is to target reviews at companies that have never been reviewed. A Corporate Pilot Program has also been proposed to determine if SBA can conduct compliance reviews more effectively by working with a prime contractor's corporate headquarters, rather than with its individual divisions. At this point, however, program management does not know the extent to which this approach might expand the coverage of prime contractors or the subcontracting opportunities for small businesses.

#### Review of Subcontracting Plans

The Small Business Act authorizes SBA to review solicitations for contracts that by law require subcontracting plans.<sup>3</sup> Because of their proximity, TPCRs are responsible for reviewing subcontracting plans at buying facilities where they are located. TPCR comments on proposed subcontracting plans are only advisory in nature, and there is no obligation for contracting officers to make recommended changes. This first step in SBA's participation in the subcontracting process would benefit from improved cooperation between PCRs and CMRs.

We were told by CMRs that while TPCRs occasionally consult with them about proposed subcontracting plans, it is not standard procedure. In some instances a CMR has criticized a subcontracting plan only to discover that it had been previously accepted by a PCR during contract negotiations, thus sending a contradictory message to prime contractors. CMRs have regular contact and knowledge of many prime contractors and could be a valuable source of information for PCRs reviewing subcontracting plans. Historically, communications have been constrained because of distance, i.e., a prime contractor and the responsible CMR are often located far from the buying activity awarding the contract. Increased availability of electronic mail and fax machines will, however, allow for greater communication in the immediate future. To improve the effectiveness of the PCR review, management should direct PCRs to consult regularly on proposed subcontracting plans with the cognizant CMRs.

#### Duplication of Effort

The CMRs we interviewed often participate in joint reviews with DLA staff, who perform compliance reviews on DoD contractors with subcontracting plans. While there are differences in the content and breadth of the two agencies' reviews, considerable duplication does exist. SBA Program officials have indicated that as part of GC's reengineering efforts, they are working with DLA to reduce duplication and redirect the office's resources to civilian agency primes. If GC were to relinquish all responsibility for the review of DoD primes, some contracts may be overlooked because DLA does not review all DoD prime contracts. For example, DLA does not monitor Army Corps of Engineers contracts. Because SBA does not

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<sup>3</sup>See "Background," page 3, footnote 11.

have the resources to examine all contracting plans, Agency reviews of DoD primes could be restricted to those contracts that are not scrutinized by DLA.

### Contractor Reviews and Reporting

In discussions with SBA officials, a number of small business trade associations urged SBA to increase its emphasis on compliance when reviewing prime contractors. Currently, the 21-page report used by CMRs for reviews weighs a number of factors, including compliance, equally. Program management now plans to incorporate suggestions from CMRs to improve the reporting format by assigning more weight to compliance issues. GC is also working to streamline the reporting format for DLA's use.

To track GC's efforts in the subcontracting area, program management requires a detailed computer-based account of CMR activities in a cumulative quarterly report. The items used in this report need to be reevaluated to validate their usefulness. For example, CMRs are required to count the number of firms on each list of sources furnished to prime contractors--216,878 in FY 1994. Such large numbers provide neither an indication of the types of subcontracting opportunities available for small business nor the number of prime contractors that received source listings. More meaningful measures may well be the number of listings or PASS printouts that CMRs provide to prime contractors and/or the number of prime contractors receiving source listings from SBA.

CMRs are also required to record the types of reviews conducted and each prime contractor's rating directly in the prime contractor database. The information in this database should be consistent with that appearing in the CMR quarterly reports, which also require information on the number and type of reviews completed. Nevertheless, in comparing the prime contractor database with the quarterly reports, we found significant discrepancies that call into question the accuracy of the information being used by program management to evaluate CMR activities. (See Table 2 in Appendix D.) While the two systems are linked by computer, field personnel have the ability to overwrite information on the quarterly reports. Program management stated that as a result of learning of these discrepancies from the OIG inspection team, steps are now being taken to eliminate systemic weaknesses in reporting procedures. We support program management's efforts to improve consistency and recommend that, because CMRs will retain some overwrite capability, the information in the two reporting systems should be closely monitored for future inconsistencies.

**Conclusion.** Imbalances in the distribution of workload among CMRs appear to be correlated to uneven coverage of prime contractors. Moreover, the number of Federal contractors with subcontracting plans is unknown, complicating GC's efforts to focus program activities and increasing the likelihood that small business opportunities are lost. Some CMRs are currently participating in marketing activities that may not be appropriate given the subcontracting program's limited resources. We also found that PCRs reviewing proposed subcontracting plans

infrequently consult with CMRs, who may be able to provide valuable assistance. GC's reengineering plan involves a number of pilot initiatives to target CMR efforts more effectively.

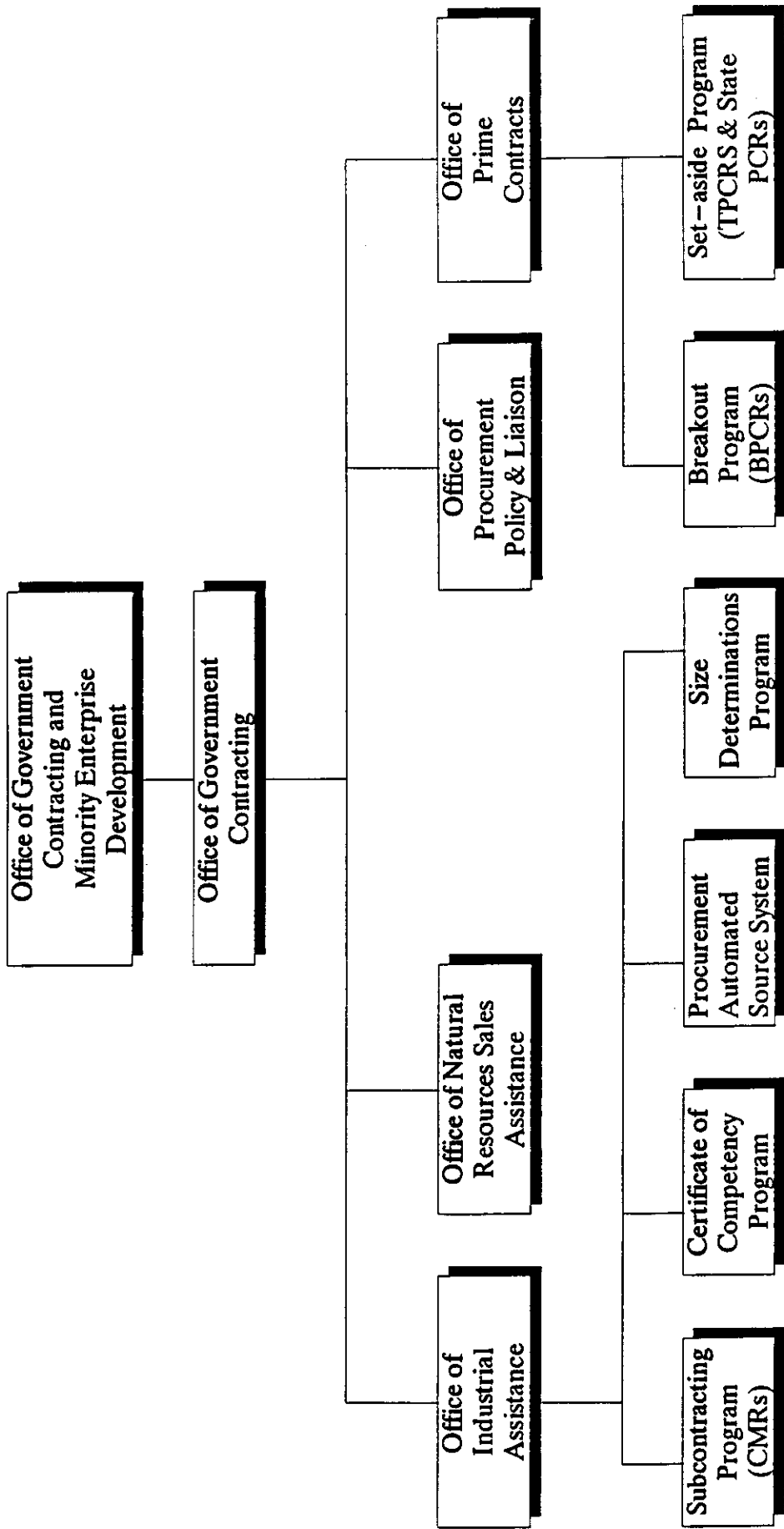
**Recommendations.** We recommend that the ADA for GC/MED:

7. More evenly distribute prime contractors among CMRs to improve SBA's coverage.
8. Use the information on subcontracting implementation that will be provided to SBA by prime contractors in FY 1996 to determine more accurately the number of prime contractors that need reviews, thus focusing CMR efforts more effectively.
9. Provide additional guidance to CMRs clearly defining what constitutes appropriate marketing activities in an effort to optimize CMR time and resources.
10. Direct PCRs to consult regularly on proposed subcontracting plans with the cognizant CMRs to improve the coordination and effectiveness of PCR reviews.
11. Direct program management to closely monitor the databases containing prime contractor reviews and quarterly reports to ensure consistency.



## APPENDICES

Figure A.1. Office of Government Contracting Organizational Chart



**Table B.1. Prime Contracts and Subcontracting Field Employees - Planned Staffing**

<b>Program</b>	<b>March 1995 No. of FTEs</b>	<b>Planned Reductions (%)</b>	<b>FY 1996 No. of FTEs</b>
Set-aside	63	-12 (19.0%)	51
Breakout	49	-34 (69.4%)	15
Subcontracting	19	-1 (5.3%)	18
<b>Total</b>	<b>131</b>	<b>-47 (35.9%)</b>	<b>84</b>

Note: FTE = full-time equivalent position.

Source: SBA, Office of Government Contracting.

Table C.1. Comparison of Breakout Savings by Activity  
 FY 1992 to 1994  
 (\$millions)

Area	Activity (State)	FY 1992	FY 1993	FY 1994
Area 1	Hanscom Air Force Base (MA)	38.7	2.4	2.3
	Fort Picatiny Arsenal (NJ)	5.4	1.0	2.4
	Fort Monmouth (NJ)	12.1	4.3	1.5
Area 2	Naval Aviation Supply Office (DC)	0.0	6.5	25.0
	Naval Sea Systems Command (DC)	10.0	8.8	0.0
	Space and Naval Warfare Systems Command (DC)	6.8	0.0	19.6
	Defense Industrial Supply Center (PA)	2.0	2.0	3.6
	Navy Aviation Supply Office (PA)	7.3	7.8	8.5
	Navy Ships Parts Control Center (PA)	2.4	2.4	2.0
	Defense General Supply Center (VA)	0.5	0.8	1.6
Area 3	Army Missile Command (AL)	0.6	1.2	1.4
	Eglin Air Force Base (FL)	15.3	0.1	45.8
	Marine Corps Logistics Command (GA)	0.1	2.2	0.0
	Warner Robins Air Logistics Center (GA)	0.5	1.6	0.2
Area 4	Armament, Munitions and Chemical Command (IL)	0.0	12.7	0.0
	Army Tank-Automotive Command (MI)	3.2	2.9	4.4
	Defense Construction Supply Center (OH)	0.4	1.1	0.7
	Defense Electronic Supply Center (OH)	1.0	0.7	0.1
	Wright Patterson Air Force Base (OH)	0.6	0.0	0.0
Area 5	Oklahoma City Air Logistics Center (OK)	3.1	5.8	2.5
	Johnson Space Center (TX)	N/A	0.0	0.0
	San Antonio Air Logistics Center (TX)	7.8	5.4	7.0
Area 6	Sacramento Air Logistics Center (CA)	60.5	28.8	2.7
	Space Missile Center & Missile Systems Command (CA)	42.5	14.0	3.9
	Army Aviation and Troop Support Command (MO)	2.5	9.6	28.5
	Ogden Air Logistics Center (UT)	11.0	1.0	2.4
<b>Total</b>		<b>234.3</b>	<b>123.3</b>	<b>166.0</b>

Note: NA = not applicable. There was no SBA resident PCR at Johnson Space Center prior to 1993.

Source: SBA, "Report to the Committee on Small Business of the United States Senate and the Committee on Small Business of the United States House of Representatives," annual.

Table C.2. Comparison of Breakout Savings From the First Year of Award  
 FY 1993 and 1994  
 (\$thousands)

Area	Activity (State)	FY 1993 <sup>a</sup>	FY 1994 <sup>b</sup>
Area 1	Hanscom Air Force Base (MA)	2,446	0
	Fort Picatinny Arsenal (NJ)	2	1,463
	Fort Monmouth (NJ)	348	0
Area 2	Naval Aviation Supply Office (DC)	6,500	25,000
	Naval Sea Systems Command (DC)	8,793	0
	Space and Naval Warfare Systems Command (DC)	0	0
	Defense Industrial Supply Center (PA)	901	2,035
	Navy Aviation Supply Office (PA)	2,429	574
	Navy Ships Parts Control Center (PA)	1,710	626
	Defense General Supply Center (VA)	52	369
Area 3	Army Missile Command (AL)	8	254
	Eglin Air Force Base (FL)	0	0
	Marine Corps Logistics Command (GA)	2,199	0
	Warner Robins Air Logistics Center (GA)	442	7
Area 4	Armament, Munitions and Chemical Command (IL)	0	6
	Army Tank - Automotive Command (MI)	30	3,679
	Defense Construction Supply Center (OH)	394	45
	Defense Electronic Supply Center (OH)	565	0
	Wright Patterson Air Force Base (OH)	3	0
Area 5	Oklahoma City Air Logistics Center (OK)	2,309	1,891
	Johnson Space Center (TX)	0	0
	San Antonio Air Logistics Center (TX)	1,489	2,519
Area 6	Sacramento Air Logistics Center (CA)	0	81
	Space Missile Center & Missile Systems Command (CA)	4,826	0
	Army Aviation and Troop Support Command (MO)	4,027	8,837
	Ogden Air Logistics Center (UT)	85	0
<b>Total</b>		<b>39,558</b>	<b>47,386</b>

<sup>a</sup> FY 1993 one year savings was calculated by the Office of Government Contracting.

<sup>b</sup> FY 1994 data was calculated by the inspection team using the same methodology.

Source: SBA, Office of Government Contracting.

Table C.3. Selected Set-aside Program Statistics  
 FY 1990 to 1994  
 (\$thousands)

FY	Total Awards	Total SB Awards	Total SB Set-Asides	% of SB Awards to Total	% of SA to % of SA to Total SB Dollars	Total Dollars	No. of PR's Reviewed	No. of Form 70s Issued <sup>a</sup>	No. of Form 70s Accepted	% of Form 70s Accepted	Value of Form 70s Accepted
1990	\$137,703,391	\$25,976,135	\$9,574,135	18.9	36.9	7.0	86,031	513	397	77.4	\$649,430
1991	\$148,178,592	\$31,493,417	\$10,226,663	21.3	32.5	6.9	86,734	529	444	83.9	\$752,521
1992	\$140,162,446	\$29,403,756	\$10,215,059	21.0	34.7	7.3	67,677	543	410	75.5	\$915,527
1993	\$141,333,928	\$30,996,585	\$10,695,865	21.9	34.5	7.6	65,990	482	342	71.0	\$519,693
1994	\$151,540,596	\$32,661,678	\$11,365,262	21.6	34.8	7.5	56,095	439	343	78.1	\$974,186

Note: SB = small businesses; SA = set-aside; PR = purchase requests.

<sup>a</sup> SBA Form 70's are issued by the TPCR in response to unwarranted set-aside rejections or withdrawal of existing set-asides by the procuring agency.

Source: SBA, Office of Government Contracting.

**Table C.4. Total Breakout Program Savings  
FY 1985 to 1994  
(\$millions)**

<b>Year</b>	<b>Savings</b>
1985	142.9
1986	171.1
1987	163.8
1988	257.7
1989	255.2
1990	284.6
1991	237.5
1992	234.3
1993	123.2
1994	166.0
<b>Total</b>	<b>2,036.3</b>

Source: SBA, "FY 1993 Report to the Committee on Small Business of the United States Senate and the Committee on Small Business of the United States House of Representatives," April 29, 1993; and unpublished data.

**Table D.1. Government Contracting Personnel  
With Subcontracting Responsibilities**

<b>Region</b>	<b>Full-Time CMRs</b>	<b>Part-Time CMRs</b>	<b>Total</b>	<b>No. of Prime Contractors</b>
I	1	1	2	112
II	3	3	6	465
III	2	1	3	773
IV	2	1	3	308
V	2	1	3	157
VI	4	2	6	224
VII	0	3	3	138
VIII	2	2	4	93
IX	2	8	10	358
X	0	2	2	64
<b>Total</b>	<b>18</b>	<b>24</b>	<b>42</b>	<b>2,692</b>

Source: SBA, Office of Government Contracting.

**Table D.2. Subcontracting Reporting Discrepancies  
FY 1994**

<b>Type of Review</b>	<b>No. of Reviews</b>		<b>Difference</b>
	<b>Quarterly Summaries</b>	<b>Prime Contractor Database</b>	
<b>Program Compliance</b>	301	253	48
<b>Follow-up</b>	525	316	209
<b>Needs Assessment</b>	190	85	105
<b>Total</b>	<b>1,016</b>	<b>654</b>	<b>362</b>

Source: SBA, Office of Government Contracting.



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

DATE: Oct. 18 1995

TO: Tim Cross  
Assistant Inspector General  
for Inspection and Evaluation

FROM: *Judith A. Roussel*  
Judith A. Roussel  
Associate Administrator  
for Government Contracting

SUBJECT: Final Draft Inspection Report

I reviewed the draft inspection report on "SBA's Prime Contracts and Subcontracting Programs." I would like to make a few comments on the portions dealing with both the Subcontracting Assistance and the Prime Contracts Programs.

Page iii, paragraph 4 -- I suggest the following additions to the second sentence: "Commercial Market Representatives (CMRs) review large business Federal prime contractors to identify opportunities for small businesses and ensure that subcontracting plan requirements, accepted by the Federal contracting officer during contract negotiations, are met."

Page v, 3rd full paragraph, sentence 3 -- The sentence should read: "An unequal distribution ... coverage of large prime contractors." This should be corrected throughout the report. The Subcontracting Assistance Program is only concerned with large prime contractors.

Page 24, recommendation 7 -- This cannot be accomplished without moving CMRs to different locations or incurring considerably more travel expense. Required funding should be included in the recommendation.

Page 26, organization chart -- The Procurement Automated Source System should be listed under the Office of Industrial Assistance (OIA). Also, the Size Determinations Program, not the Size Standards Program, is part of OIA.

I believe your report accurately describes the areas within the Subcontracting Assistance Program that need to be strengthened. As you stated, these areas are mainly due to limited financial and human resources.

COMMENT: (Page iii, Para. 5) "Because these GC programs rely largely on persuasion to achieve their goals, they can be considered advocacy programs."

RESPONSE: It is our belief that the TPCR and BPCR programs go far beyond an advocacy role. Our PCRs have the ability to challenge the findings of the procuring offices they cover. For example, a PCR has the statutory duty to challenge a contracting officer's unreasonable failure or refusal to set-aside procurements or agree to the breakout of items for full and open competition. Those decisions can be appealed to the head of the contracting activity while all procurement action is suspended. Ultimately, the appeal can be submitted to the cognizant Departmental Secretary for resolution. Our PCRs have meaningful "hands-on" responsibilities at the procuring offices they cover. Accordingly, to imply that the role of the PCRs is primarily an advocacy role understates the importance of the PCR's role and responsibilities in the procurement process.

COMMENT: (Page iii, Para. 5, (3)) "Many of the program's most significant accomplishments cannot be quantified,"

RESPONSE: The Breakout Program's most significant accomplishment are the savings to the taxpayers and awards to small businesses resulting from the actions of our BPCRs. Since 1985, this program has saved the American taxpayer more than \$2 billion. Since 1992, breakout awards to small business have increased by more than 74 percent. These accomplishments are quantified through the collection of data from our BPCR cadre on a quarterly basis, and is used to develop an annual report to the Congress on the most meaningful achievements of the BPCR program.

COMMENT: (Page v, First Full Para.) "We recommend that the ADA ... introduce more efficiency by requesting that ... OIRM integrate all reporting software and develop linkages among multiple reports to ensure consistency in their data."

RESPONSE: The Office of Prime Contracts added a SYSOP position in 3Q/FY95. The SYSOP is currently exploring ways to develop software integration and linkages among reports that will ensure high levels of consistency. The SYSOP is working with OIRM personnel to ensure compliance with all Agency standards.

COMMENT: (Page 1, Para. 2) "GC directs various Government contracting programs, including prime contracts ..."

RESPONSE: For purposes of clarity and understanding, we recommend that "prime contracts" be changed to prime contracts, breakout, ..." (In some circles prime contracting refers to the TPCR program only).

COMMENT: (Page 2, Para. 4) "They also counsel small business ... and identify specific opportunities for 8(a) and women-owned small businesses."

RESPONSE: For purposes of clarity and understanding, we recommend that "small and small disadvantaged" businesses be added to the sentence, lest any outside party think that PCR efforts are limited to 8(a) and WOBs. Also, add "enhance overall competition" to the same sentence after "with the Government", to account for the BPCR's role.

COMMENT: (Page 6, Para. 1) "As an advocate for small business, SBA's contracting program is one of many elements in the complex Federal procurement process."

RESPONSE: For the reasons outlined above, we recommend deleting "As an advocate for small business." The remainder of the sentence can stand as is.

COMMENTS: (Page 9, Second Full Para.) "The remaining breakout personnel will be located at 17 facilities ... ."

RESPONSE: The current 606 calls for BPCRs to be located at 15 facilities. We recommend that the 17 be changed to 15.

COMMENTS: (Page 12, First Full Para.)

RESPONSE: We recommend adding the following statement:

"GC will require the flexibility to locate BPCR support staff according to need, without the restrictions of current legislation which mandates that each BPCR be supported by at least two technical advisors."

COMMENTS: (Page 12, Fourth Full Para.) The second to the last line refers to 17 breakout sites.

RESPONSE: The current 606 calls for BPCRs to cover 15 breakout sites. We recommend that the 17 be changed to 15.

COMMENTS: (Page 15 , Para. 2)

RESPONSE: We recommend that the following statement be added:

"To maintain their current levels of effectiveness, GC programs and personnel must not become "local" in their focus. District Directors that receive GC personnel must allow for the programs to be run as national programs."

COMMENTS: (Page 16, Third Full Para.) "Second, district director incentive awards and appraisal criteria would need to be tied to national, not district goals."

RESPONSE: Recognizing that the DD's have local, i.e. individual district goals, we recommend changing the sentence to read:

" ... tied to both national, and district goals in GC."

COMMENTS: (Page 17, First Full Para.) "We found several obvious discrepancies in the FY 1994 breakout data -- that did not affect total savings generated by the program -- call into question the accuracy of the data as a whole." The report again recommends that GC develop, with OIRM, cross-checking linkages among reports from both TPCRs and BPCRs.

RESPONSE: The obvious discrepancies cited by the IG is based on two entries by two individual BPCRs in one reporting quarter. As stated above, The Office of Prime Contracts added a SYSOP position in 3Q/FY95. The SYSOP is currently exploring ways to develop software integration and linkages among reports that will ensure high levels of consistency. The SYSOP is working with OIRM personnel to ensure compliance with all Agency standards.

COMMENTS: (Page 17, Third Full Para.) " ... , a generalist might better be able to identify all types of a buying activity's procurement opportunities, e.g., those for subcontracting as well as prime contracts."

RESPONSE: We recommend that the sentence end after "... procurement opportunities." An assumption can be made that a generalist assigned to a procuring activity would be in a position to identify that activity's procurement opportunities, but may not necessarily be able to identify subcontracting opportunities. Many

subcontracting opportunities have been identified by our CMRs subsequent to their reviews of large business prime contractors. A generalist would need an understanding of how a particular prime contractor operates. For example, it may make sense for one prime to subcontract for a particular item, while it may be more practical for another prime to produce the identical item on an "in-house" basis.

COMMENT: (Page 19, recommendation No. 5). "Eliminate overlaps in field reporting and make it more efficient by requesting that OIRM integrate ... ."

RESPONSE: We recommend changing the recommendation to read as follows:

"Eliminate overlaps in field reporting and make it more efficient by continuing and expanding SYSOP efforts with OIRM support to integrate ... ."

Thank you for giving me the opportunity to comment.

**CONTRIBUTORS TO THIS REPORT**

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