



Highlights of [GAO-08-975T](#), a testimony before the Committee on Small Business, House of Representatives

Why GAO Did This Study

The Small Business Administration's (SBA) Historically Underutilized Business Zone (HUBZone) program provides federal contracting assistance to small firms located in economically distressed areas, with the intent of stimulating economic development. Questions have been raised about whether the program is targeting the locations and businesses that Congress intended to assist. This testimony focuses on (1) the criteria and process that SBA uses to identify and map HUBZone areas; (2) the mechanisms SBA uses to ensure that only eligible small businesses participate in the program; and (3) the actions SBA has taken to assess the results of the program and the extent to which federal agencies have met HUBZone contracting goals. To address these objectives, GAO analyzed statutory provisions as well as SBA, Census, and contracting data and interviewed SBA and other federal and local officials.

What GAO Recommends

In the report upon which this testimony is based ([GAO-08-643](#)), GAO recommended that the SBA Administrator take steps to ensure that only eligible firms participate in the HUBZone program and further assess the effectiveness of the program. SBA agreed with these recommendations and outlined steps that it plans to take to address them.

To view the full product, including the scope and methodology, click on [GAO-08-975T](#). For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

SMALL BUSINESS ADMINISTRATION

Additional Actions Are Needed to Certify and Monitor HUBZone Businesses and Assess Program Results

What GAO Found

SBA relies on federal law to identify qualified HUBZone areas, and recent statutory changes have resulted in an increase in the number and types of HUBZone areas—changes that could diffuse the economic benefits of the program. Further, the map that SBA uses to help firms interested in participating in the program to determine if they are located in a HUBZone area is inaccurate. Specifically, the map incorrectly includes 50 metropolitan counties and excludes 27 nonmetropolitan counties. As a result, ineligible small businesses participated in the program, and eligible businesses have not been able to participate.

The mechanisms that SBA uses to certify and monitor firms provide limited assurance that only eligible firms participate in the program. Although internal control standards state that agencies should verify information they collect, SBA verifies the information reported by firms on their application or during recertification—its process for monitoring firms—in limited instances and does not follow its own policy of recertifying all firms every 3 years. GAO found that more than 4,600 firms that had been in the program for at least 3 years went unmonitored. Further, SBA lacks a formal policy on how quickly it needs to make a final determination on decertifying firms that may no longer be eligible for the program. Of the more than 3,600 firms proposed for decertification in fiscal years 2006 and 2007, more than 1,400 were not processed within 60 days—SBA's unwritten target. As a result of these weaknesses, there is an increased risk that ineligible firms have participated in the program and had opportunities to receive federal contracts.

SBA has taken limited steps to assess the effectiveness of the HUBZone program, and from 2003 to 2006 federal agencies did not meet the government-wide contracting goal for the HUBZone program. Federal agencies are required to identify results-oriented goals and measure performance toward the achievement of their goals. SBA tracks the number of firms certified or recertified, the annual value of contracts awarded to HUBZone firms, and the number of program examinations completed annually, but has not devoted resources to completing an evaluation of the program. Consequently, SBA lacks key information that could help it better manage and assess the results of the program. Finally, most federal agencies did not meet their HUBZone contracting goals during fiscal year 2006, the most recent year for which we had data. While the percentage of prime contracting dollars awarded to HUBZone firms increased in each fiscal year from 2003 to 2006, the 2006 awards fell short of the government-wide 3 percent goal by about one-third.