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UNITED STATES GOVERNMENT

Memorandum

GENERAL ACCOUNTING OFFICE

JUL 21 1978

TO : The Comptroller General

FROM : Director, LCD R. W. Gutmann

SUBJECT: Trends in A/E Contracting

Request

At a meeting on March 17, 1978, you requested that we perform some preliminary work in the Corps of Engineers to examine trends with respect to the participation of small, new, and minority firms in the A/E contracting market.

Scope

We performed limited work at the Office of the Chief of Engineers and the Baltimore District Office. We also utilized the services of FGMSD to analyze data available to GAO from another source--DD Form 350--a report of each DOD procurement action over $10,000 by fiscal year.

Results

Minority firms - Data is not available on the extent of contracting with minorities. Beginning this year the Corps of Engineers has established goals of 5 percent of contracts and 5 percent of dollar value.

Small business - Majority of A/E firms fall within the SBA criteria according to the Corps of Engineers and data from the Engineering News Record on top 500 firms--only about the top 100 meet the $7.5 million criterion for engineering firms. Further, data is not accumulated by the Corps of Engineers.

"New" firms - Corps of Engineers had no reports, but its stated policy is to spread work around. We tested available data for the Corps of Engineers (DD Form 350) nation wide. We used 1972 as base year, when 213 different firms were identified as receiving A/E contracts from the Corps.

Fiscal Year	Total firms	New	Percent
1973	312	232	74.4
1974	153	79	51.6
1975	389	243	62.4
1976	417	235	56.4
1977	425	209	49.2

Tentative conclusions

The data developed regarding the percentage of awards to new firms does not lend itself to any firm conclusion regarding trends throughout the Government for several reasons.

--In view of the high percentages (which appear to be out of line), much detailed audit effort would be required to verify the data.

--Although the above percentages are somewhat higher, we did note in our A/E selection report that the percent of contracts awarded by the Corps to new firms before and after the Brooks Bill was 38 percent and 40 percent, respectively.

--In implementing the Brooks Bill, DOD issued instructions relating to the public advertising and discussion requirements in May 1973 and November 1973, respectively. Therefore, it is reasonable to consider the data shown for FY 1973 as pre Brooks Bill.

--Also noted in our A/E selection report, and reiterated by Corps personnel, is their policy of spreading the work around. Therefore, the Corps would always have a significant number of new firms receiving contracts. The Brooks Bill caused no change in this policy. It would be difficult, if not impossible, to attempt to determine to what extent the high percentages in the Corps are due to its policy or to the Brooks Bill.

Regarding the areas of small business and minority contracting, based on the data presented above, we do not believe further effort by GAO is practical.

Discussion with American Consulting Engineers Council

On July 11, 1978, we met with Larry Spiller and Scott Jackson of ACEC and discussed the above information. Mr. Spiller agreed with our position on the small business area. Regarding contracting with new firms, he agreed that the data was out of line and suggested that the Government-wide percentage for firms receiving their first contract would be between 15 to 18 percent. He thought the Brooks Bill has helped, even though the Corps had a policy to spread the work around.

Mr. Spiller's main concern was in the area of minority contracting. He stated that ACEC and AIA had identified about 350 minority A/E firms country-wide. If other agencies, such as GSA, EPA, NASA, VA, Navy, etc., established goals similar to the Corps, it is possible that the Federal Government on the whole would be trying to place thousands of contracts a year with the 350 minority firms. Put another way, the resource is not available if each agency proceeds on its own and competes with the other agencies. He suggested that GAO may wish to initiate a review on its own to look into this matter.

Recommendation

If any further work is to be performed at this time, we recommend that it be in the minority contracting area as suggested by Mr. Spiller.

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We are available to discuss this further, if you wish.

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