November 2008

GAO
Accountability·Integrity·Reliability

Highlights

Highlights of GAO-09-16, a report to congressional requesters

SMALL BUSINESS ADMINISTRATION

Agency Should Assess Resources Devoted to Contracting and Improve Several Processes in the 8(a) Program

Why GAO Did This Study

The Small Business Administration (SBA) helps small businesses gain access to federal contracting opportunities and helps socially and economically disadvantaged small businesses, known as 8(a) firms, by providing management and contracting assistance. SBA negotiates agency-specific goals to ensure that the federal government meets the statutory goal of awarding 23 percent of contract dollars to small businesses. GAO was asked to (1) describe how SBA sets small business contracting goals and the extent to which federal agencies met these goals; (2) examine the role of SBA staff in supporting small business contracting at selected federal agencies; and (3) examine SBA's overall administration of the 8(a) program. To address these objectives, GAO reviewed SBA guidance and SBA Inspector General (IG) reports, interviewed SBA and other federal officials, and conducted site visits and file reviews at four SBA locations.

What GAO Recommends

GAO recommends actions that include SBA reassessing the resources allocated to achieve program objectives; better ensuring that prospective 8(a) applicants are aware of program requirements; and conducting regular surveillance reviews for the 8(a) program. In responding to a draft of this report, SBA agreed with these recommendations and outlined steps that it has initiated or plans to take to address them.

To view the full product, including the scope and methodology, click on GAO-09-16.
For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

What GAO Found

SBA reviews prior year goal achievement and other factors to set individual contracting goals necessary for federal agencies to achieve the government-wide goal of awarding 23 percent of federal contract dollars to small businesses. Individual agency results varied in fiscal years 2000 through 2006, although the agencies collectively achieved or came close to the 23 percent goal. In fiscal year 2006, SBA began using a scorecard to help monitor agencies' small business contracting efforts. Of the 24 agencies rated, half received the lowest rating (for failing to meet at least two contracting goals and other criteria). SBA later reviewed agency progress in implementing small business procurement plans and many agencies improved their ratings.

SBA staff advocate, review, and monitor small business contracting at federal agencies, but resource constraints have limited the ability of staff to fulfill these responsibilities. SBA's procurement center representatives (PCR) work with federal agencies by reviewing proposed acquisitions, recommending contract set-asides, and performing surveillance reviews (which monitor small business contracting at federal agencies). As of August 2008, SBA had 59 PCRs, with many responsible for multiple agencies. SBA has recognized that more PCRs are needed, but has not developed a formal plan to align staff resources with program objectives. Resource constraints also affected SBA's commercial market representatives (CMR), who monitor subcontracting plans. For fiscal year 2006, the SBA IG reported that CMRs monitored less than half of the 2,200 large prime contractors. These resource constraints reduced assurances that SBA can monitor contracting effectively.

SBA's administration of the 8(a) business development program is challenged by several factors, including some participants not understanding the program's purpose and requirements, its staff's diminished ability to conduct business development activities, an inefficient process to terminate firms, and a lack of routine surveillance reviews specific to the program. While SBA has controls in place to determine if firms are eligible to enter the program, firms do not have to participate in an information session or complete an assessment that rates their suitability for the program. Thus, some firms may have entered the program with unrealistic expectations or not clearly understood program requirements. SBA officials said that an emphasis on completing annual reviews of 100 percent of 8(a) firms, which are time intensive, and an inefficient termination process for noncompliant 8(a) firms diminished the time its business development specialists had for providing business development assistance. Delays in terminating firms also could result in noncompliant firms obtaining contracts. Finally, in 2006, the SBA IG recommended that SBA regularly conduct surveillance reviews for the 8(a) program. However, SBA has not yet implemented this recommendation. As a result, SBA has reduced assurances that agencies have complied with monitoring requirements for the 8(a) program.