

The 7(j)  
Management and  
Technical Assistance  
Program

April 1993

*Inspection Report*

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Office of Inspector General  
U.S. Small Business Administration

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



**OFFICE OF  
INSPECTOR GENERAL**

April 20, 1993

**TO:** Dayton Watkins  
Acting Administrator

**FROM:** James F. Hoobler  
Inspector General

**SUBJECT:** Inspection of the 7(j) Management and Technical Assistance Program

FOIA  
Ex. 6

Attached is an inspection report on the Agency's 7(j) Management and Technical Assistance Program, located within the Office of Minority Small Business and Capital Ownership Development (MSB&COD). The report assesses the efficiency and effectiveness of selected aspects of the 7(j) program, including program objectives, program administration, small business access, service coverage, service delivery, utilization of program resources, and related matters. It recommends targeting 7(j) assistance and developing a program delivery plan. The report also includes recommendations on additional steps to be taken to ensure the accuracy and comparability of the data currently being gathered, improvements in the administration of the program, and the provision of additional guidance to the field on the use of 7(j) and the monitoring of certain services.

We appreciate the full cooperation that the Associate Administrator of MSB&COD, the Central Office's MSB&COD staff, and responsible field personnel extended to us. Likewise, we want to thank the Grants staff of the Office of Procurement and Grants Management for their professional assistance.

Should you have any questions regarding this inspection, we would be pleased to meet with you at your convenience. Copies of this inspection will also be forwarded to the cognizant oversight committees of the Congress. As this report is public information, it must also be made available to the press and the general public.

Attachment

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## GLOSSARY

Task Order Services: 7(j) assistance in which the provider must supply a clearly specified service to an eligible client within a stipulated time period.

Non-Task Order Services: 7(j) assistance which has a broader time frame, is more likely to provide seminars and workshops, and permits the provider greater latitude in servicing the client.

## EXECUTIVE SUMMARY

### Objectives and Background

Section 7(j) of the Small Business Act authorizes the Small Business Administration (SBA) to provide management and technical assistance to certified 8(a) firms, socially and economically disadvantaged individuals whose firms are not participants in the 8(a) program, low income individuals, and small businesses located in areas with a high concentration of unemployed or low-income individuals. Responsibility for the 7(j) program is assigned to the Associate Administrator for Minority Small Business and Capital Ownership Development (MSB&COD) and administered by the Division of Management and Technical Assistance (DM&TA). 7(j) assistance is provided through either **task order services**, which encompass a specific time period during which the provider must supply a clearly specified service to an eligible client, or through **non-task order services**, which have broader time frames, are more likely to provide seminars and workshops, and permit the provider greater latitude in servicing the client. SBA's Office of Procurement and Grants Management (OPGM) is responsible for negotiating and executing 7(j) awards.

During the last few years, DM&TA has made substantial progress in collecting data on the 7(j) program, especially information on which to base funding allocations. Moreover, in fiscal year (FY) 1993, the Associate Administrator of MSB&COD requested that SBA's Office of Information Resources Management (OIRM) initiate development of an automated system for the 7(j) program that will eventually link DM&TA with all regional and district offices. Beginning in FY 1994, management and technical assistance available under 7(j) will be targeted primarily to 8(a) firms, and the current 16 task order categories will be reduced to the four areas MSB&COD has identified as the most important for sustained business health.

The objective of this Office of Inspector General (OIG) inspection was to assess the efficiency and effectiveness of selected aspects of the 7(j) program, including program objectives, program administration, small business access, service coverage, service delivery, utilization of program resources, and related matters. We gathered data through: questionnaires distributed to all regional and district offices, on-site reviews of four regional and 13 district offices, and a limited random sample client survey in the selected offices to determine the level of satisfaction and service usage by firms receiving 7(j) assistance. Although the regions and districts selected for detailed analysis do not represent a random sample of SBA field offices, we believe the results are useful indicators of the program's potential strengths and weaknesses program-wide and, in many cases, they provide support for national survey results. The OIG inspection focused primarily on FY 1990-91, as the two most recent years for which data were complete. The inspection complies with the generally accepted auditing standards established by the Comptroller General for performance audits of federal organizations, programs, activities, and functions, and with the Quality Standards for Inspections issued in March 1993 by the President's Council on Integrity and Efficiency.

## Findings and Recommendations

### Legislative Objectives

1. At current funding levels, 7(j) assistance is targeted at too broad a population to have a significant impact. Limiting it to 8(a) firms would reduce the need for outreach and provide a more focused role for the program. In FY 1991, the 7(j) program provided task order services to only one-third of existing 8(a) firms and to less than one percent of minority small businesses in the nation. National survey results indicate not only that 7(j) outreach efforts are directed primarily to 8(a) firms, but also that field officials believe 8(a) firms are more likely to request assistance in time to avoid serious financial or management problems. This suggests that 8(a) firms are generally more knowledgeable of their needs and, therefore, are more likely to benefit from 7(j) assistance. We therefore concur in MSB&COD's decision last fall to propose legislation to limit the 7(j) target population to 8(a) firms. We recommend that the Associate Administrator for MSB&COD ensure that the 7(j) target population is limited to 8(a) firms either through administrative procedures or through legislative initiative.
2. Failure to require either client self-certification of eligibility or some form of eligibility-verification of non-8(a) clients increases the risk that scarce resources will be misdirected to ineligible firms. The Standard Operating Procedure (SOP) is not clear, however, on whether the 7(j) technical representative is responsible for determining eligibility for non-task order services. Results of the national survey indicate that verification of 7(j) eligibility has been sporadic. The temporary self-certification form used for a portion of FY 1992 has expired. We recommend that the Associate Administrator for MSB&COD provide a form for self-certification of 7(j) eligibility to the field as soon as possible and direct the field to use the form for all non-8(a) firms requesting 7(j) assistance until the 7(j) program is restricted to 8(a) firms.
3. The Central Office does not maintain adequate information on 7(j) clients and services in part because task order providers often fail to submit annual reports, as required by the Notice of Award. Because of the vagueness of the Notice of Award provisions requiring the submission of reports by task order awardees, providers often misinterpret them to require reports only at the end of the final option year of their awards. We recommend that the Associate Administrator for MSB&COD work with SBA's OPGM to revise the MSB&COD SOP and the Notice of Award to clarify the requirement for annual task order award reports and include penalties for providers who fail to submit them in a timely manner.
4. Because field officials use 7(j) assistance categories in widely divergent ways, the recent expansion of reporting to Washington based on categories of assistance may fail to achieve its goal of more accurate and informative data. In FY 1991, almost 70 percent of 7(j) task orders nationwide were written under only three of the 16 categories of assistance. In the field sample and in conversations with national survey participants, we found that a much wider variety of services were delivered than the three categories imply and that the correlation between the category selected and the actual service provided may be tenuous and misleading. Moreover, both the current category of "specialized" assistance and the "industry-specific" assistance to be used beginning in FY 1994 may cover almost any type of assistance. We recommend that the Associate

Administrator for MSB&COD direct DM&TA to develop a reporting system that will provide accurate and informative data on the types of assistance being provided within the prescribed categories.

5. Past and current 7(j) funding levels have been insufficient to support the wide array of services specified in the legislation. From FY 1980 to FY 1993, appropriations for 7(j) decreased from \$12 million to \$8.1 million. At the same time 7(j) legislation provides for, and SBA attempts to provide, an extensive array of services, attempting to be "all things to all people." We believe that the scope of the program should be limited and targeted towards 8(a) certified firms.

6. Despite alternative sources of assistance available in many districts, limiting the target population of 7(j) could deprive worthy small businesses of services. Based on the national survey and field review, we believe that there are some districts in which limiting the 7(j) target population will eliminate certain types of assistance to large numbers of firms that are current recipients. Some districts, in fact, provide 7(j) assistance primarily to non-8(a) firms. We recommend that the Associate Administrator for MSB&COD advise the districts in which limiting the 7(j) target population and services will have a significant impact on current 7(j) clients and request that MSB&COD officials identify alternative sources of assistance to smooth the transition.

#### Allocation and Use of Resources

7. Although DM&TA has made substantial progress in data collection, allocations of FY 1991 7(j) funding to some districts were based in part on inaccurate reporting from the field and incomplete record keeping in DM&TA on FY 1990 award modifications. The national survey confirmed that there are difficulties in transmitting accurate 7(j) information from the field to Washington and that some of the report formats can be confusing. While DM&TA also lacked complete records on award modifications made for FY 1990-91, FY 1992 access to the records of the Federal Financial System should remedy this deficiency. We recommend that the Associate Administrator for MSB&COD direct DM&TA to create simpler formats for the "Call Contract Log Sheet" and "Monthly Activity Report" for use in the computerized information system to be developed in FY 1993.

8. Despite improvement in recent years, delays in the finalization of awards and award modifications result in the loss of task order days and funding to the 7(j) program, impairing the efficiency of task order services. Nationwide up to \$1.7 million in task order funds were lost to the 7(j) program in FY 1990-91 as a result of unused task order days. In the national survey, delays in either finalizing or modifying cooperative agreements by OPGM were cited by a third of the SBA districts and three-quarters of the regional offices as primary reasons for the loss of task order days in FY 1991. A quarter of the districts responded that not enough 7(j) client demand existed to use all task days. According to DM&TA records, only four percent of the available FY 1992 task days were unused, indicating increased efficiency in program delivery. Nevertheless, we recommend that the Associate Administrator for MSB&COD direct DM&TA to work with OPGM to revise 7(j) cooperative agreement procedures to provide task order days in a lump sum to be used under any of the categories specified in the award. We further recommend

that the Associate Administrator for MSB&COD require districts that lose a significant number of task days at the end of a fiscal year to justify to DM&TA an allocation for the following year.

9. In spite of scarce 7(j) resources in FY 1991, five of the 13 offices reviewed failed to comply with SOP requirements limiting per client spending for task order services without higher level approval. The national survey and field sample revealed that some officials regard the \$5,000 per client per year limit as an inappropriate ceiling. We believe that, given limited resources, a per client ceiling is appropriate but could be more usefully stated in terms of task days, in lieu of a dollar amount, to allow for inflation and provide greater flexibility in covering travel costs. We recommend that the Associate Administrator for MSB&COD replace the current annual limit of \$5,000 per client with a reasonable limit on the number of task days to be provided to a client in a single fiscal year. (Exceptions could continue to be made with the approval of the responsible Assistant Regional Administrator ARA for MSB&COD.)

10. Inadequate monitoring of task orders has resulted in significant variations in numbers of task order days used for similar services. Some sampled offices used a higher number of task days per similar task order service than other offices, especially in FY 1990. In our file review, we found no explanation or special circumstances to account for these variations. We recommend that the Associate Administrator for MSB&COD request regional offices to develop guidelines for (and subsequently monitor) the range of task days to be used for similar services.

11. Insufficient guidance and training on 7(j) assistance have resulted in confusion in the field regarding acceptable uses of 7(j) funding and limited the effective use of scarce resources. Our field work supported the view of several officials that some forms of assistance seemed too standardized or too generic, requiring little effort on the part of the task order provider. We found that 7(j) products with general application, such as manuals, are not shared among the regions. There is also some confusion in the field regarding the provision of certain types of services. Both the field review and the national survey suggest that there is a lack of uniformity in the implementation of the 7(j) program that may derive from a lack of sufficient program guidance from Headquarters and training of field personnel.

We recommend, among other things, that the Associate Administrator for MSB&COD direct DM&TA to provide to 7(j) field managers more training in the uses of 7(j) assistance, subject to the availability of resources. We also recommend that the Associate Administrator require DM&TA to develop additional instructions or guidance on the use of 7(j) to be inserted in either the SOP or a "user's manual," as appropriate. We further recommend that the Associate Administrator instruct DM&TA to work with OPGM to insert in the Notice of Award a provision permitting SBA use, with all 7(j) clients, of any 7(j) products, and to encourage 7(j) field personnel to send items with broad applicability to small business--especially to 8(a) firms--to DM&TA for wider distribution. To increase cost-effectiveness, we recommend that the Associate Administrator direct DM&TA to work with regional and OPGM officials to develop for the Request for Proposal and Notice of Award a requirement that, where appropriate, providers develop standard formats for such items as brochures, capability statements, and accounting manuals. These could then be tailored by the provider to meet individual client needs on relatively short notice.



12. The "specialized services" category in the Notice of Award is in conflict with MSB&COD's SOP on the provision of legal services. Although the Notice of Award for 7(j) providers includes the provision of legal services under the category of "specialized services," the SOP explicitly requires that legal services be acquired from attorneys and law firms by contract and not "from or through 7(j) grantees." We recommend that the Associate Administrator for MSB&COD ask OPGM to discontinue execution of 7(j) task order awards providing legal assistance and delete "selected legal services" from the Notice of Award.

13. Given the broad legislative objectives of the 7(j) program, the absence of more specific goals and objectives limits the ability of program managers to measure the achievements of 7(j) assistance. Task order services are often provided piecemeal or in response to individual problems. Although we found several districts with general plans for providing certain services to firms upon entry into the 8(a) program or at certain milestones in the firms' progress in the program, DM&TA, as the responsible program office at Headquarters, has not developed a set of 7(j) program objectives. We recommend that the Associate Administrator for MSB&COD require DM&TA to develop a concise program delivery plan, complete with specific goals and supporting objectives as guidance for 7(j) providers and SBA field personnel.

14. Current SOPs do not provide for effective monitoring of non-task order services. Non-task order services are more loosely administered and monitored than task order services. We recommend that the Associate Administrator for MSB&COD direct DM&TA to work with OPGM to revise the MSB&COD SOP and the Notice of Award to define reporting requirements for non-task order providers, including penalties for those who fail to submit the reports in a timely manner. We also recommend that the Associate Administrator require DM&TA to revise the SOP to include provisions for effective monitoring of non-task order services and develop a report format for field use to enable regular monitoring by DM&TA.

### Service Delivery

15. Most 8(a) task order clients in the 13 offices reviewed were pleased with 7(j) assistance. This was determined by means of a statistical sampling of 8(a) clients in these districts.

16. About one-fifth of the 8(a) task order clients expressed dissatisfaction with the last 7(j) assistance they received, even though SBA field records for most of them indicated no dissatisfaction at the time the service was provided. While our review was limited, the data suggests that the Agency may have a serious communication problem with its clientele that effectively precludes on-going assessment of 7(j) services.

Although the response rate for non-8(a) and non-task order clients was less than the nearly 80 percent response rate of the 8(a) task order clients, the responses of non-8(a) and non-task order clients were roughly equivalent. We also found approximately the same proportions among the four regions.

17. Files sampled in the field and in DM&TA contained no evaluations by clients of the service provided for almost 40 percent of task-order clients and over 55 percent of non-task order clients reviewed. This could be due either to client resistance to providing an assessment or to an omission on the part of the 7(j) technical representative. Several field officials corroborated our conclusion that many 7(j) clients (especially 8(a) firms) were unwilling to express dissatisfaction to responsible SBA officials. We did not find client evaluations in the files of 20 percent of the 8(a) task order clients who responded to our client survey, suggesting that evaluations solicited by the local office immediately after the completion of a 7(j) service should be supplemented by a later retrospective evaluation request by a neutral third-party.

18. No method for systematically measuring the performance of 7(j) providers or the program's long-term impact on client firms has been established. We recommend that the Associate Administrator for MSB&COD direct DM&TA to develop a system for periodic Central Office surveys of the long-term impact of the 7(j) program as part of the planned 7(j) computerization. To facilitate surveys, we also recommend that the Associate Administrator request that SBA field offices, as they become more effectively computerized, maintain uniform records of all 7(j) assistance provided.

19. Penalties required by the Notice of Award for late task order reports are not consistently enforced and do not allow for extenuating circumstances. The client survey revealed that timeliness of service delivery was not seen as a significant problem by 8(a) task order clients. Nevertheless, using a conservative methodology, we found that the districts reviewed did not levy required penalties totaling about \$150,000 for at least 106 late task order service reports in FY 1990-91. SBA officials indicated that penalties are seldom levied. There may be valid reasons for a late report but there is no specific provision in the Notice of Award for the consideration of mitigating circumstances. Enforcement of realistic penalty provisions would serve as an incentive to providers to submit the critical reports expediently, thereby preventing potential waste of 7(j) funds. We recommend that the Associate Administrator for MSB&COD direct DM&TA to work with OPGM to develop for the SOP and the Notice of Award specific provisions that would permit consideration of extenuating circumstances in levying a penalty for a late task order report. To ensure compliance with late report penalty requirements, we also recommend that the Associate Administrator for MSB&COD direct DM&TA to develop a monitoring system as a part of the planned 7(j) computerization.

#### **Minority Small Business and Capital Ownership Development Office Comments**

The MSB&COD Office agrees with most of our recommendations. The FY 1994 7(j) program announcement has targeted 8(a) certified firms, and a self-certification form for non-8(a) firms is being redrafted. MSB&COD is finalizing a work order for a contractor to develop an action plan and program review criteria. With the automation system currently being developed for the 7(j) program, MSB&COD will address several of the other recommendations. MSB&COD staff will share with OPGM the report and the issues relating to the content of the cooperative awards and the award process.

### **Final Note**

It should be understood that this inspection reviewed selected aspects of the 7(j) management and technical assistance program. Moreover, our sampling was conducted only in the 13 districts under review. It was, therefore, beyond the scope of this inspection to address the comparative effectiveness of other SBA programs providing technical and management assistance to small businesses. Given the comprehensive nature of the legislative objectives of the 7(j) program and the declining 7(j) appropriations, however, the OIG review raises the issue of the relationship between the 7(j) program and SBA's other management and technical assistance programs. We believe that this matter should be addressed by both SBA management and the Congress.

## **PART I**

### **Objectives, Background and Methodology**

This inspection of the 7(j) management and technical assistance program, located in the Small Business Administration's (SBA) Office of Minority Small Business and Capital Ownership Development (MSB&COD), was conducted between November 1991 and December 1992. The inspection focused on the efficiency and effectiveness of selected aspects of the 7(j) program and was designed to assess key program activities and offer recommendations for any improvements that may be indicated.

#### **7(j) Program Authority**

SBA's management and technical assistance program was transferred to Section 7(j) of the Small Business Act by P.L. 93-386 in 1974. In 1978, P.L. 95-507 substantially rewrote Section 7(j) to clarify eligibility and define more clearly how and from whom services were to be obtained. P.L. 95-507 also added Section 7(j)(10), mandating the provision of supplementary management and technical assistance exclusively to small and disadvantaged businesses participating in a special Government contracting program under Section 8(a) of the Small Business Act.

SBA is authorized to arrange for the provision of management and technical assistance to certified 8(a) firms, socially and economically disadvantaged individuals whose firms are not participants in the 8(a) program, low-income individuals, and small businesses located in areas with a high concentration of unemployed or low-income individuals. Eligible firms must also meet the small business size standards established for their respective industries.

The type of assistance to be provided is broadly defined by Section 7(j) of the Small Business Act as encompassing planning and research, identification and development of business opportunities, services regarding public services and Federal Government programs, strengthening of business service agencies, business counseling, management training, legal assistance, and other related services.

#### **7(j) Program Management**

Responsibility for the 7(j) program is assigned to the Associate Administrator for MSB&COD. MSB&COD is intended to assist socially and economically disadvantaged business owners in gaining access to the resources necessary to develop small businesses. The 7(j) program is administered by the Division of Management and Technical Assistance (DM&TA) in MSB&COD. DM&TA maintains a central staff of ten positions, three of which are currently vacant. Field staff in the ten regional and 68 district offices are responsible for day-to-day management of the program. As of October 29, 1990, SBA Standard Operating Procedures (SOP) 80 05 2, Chapter 15 governed the administration of the program.

## The Provision of 7(j) Services

The 7(j) program operates on a single-year funding basis. DM&TA officials allocate amounts to the SBA regions and districts that have requested funds for 7(j) cooperative agreements (awards). The Office of Procurement and Grants Management (OPGM) is responsible for negotiating and executing 7(j) awards. 7(j) assistance is provided through the use of public or private organizations.

At the district level, the primary method used to acquire management and technical assistance involves task order awards to providers who furnish services directly to clients. Task order services are provided by individual task orders that stipulate a time period during which the provider must supply a clearly specified service to an eligible client. The 16 categories of task order services as defined by SBA<sup>1</sup> are:

Accounting	Business plan
Production and engineering	Construction management
International trade	Management training
Loan packaging	Service contracts
Feasibility studies/ market analyses/advertising	Computer programming
Government contracts	Data processing
Specialized services	Seminars and workshops
Financial counseling	Surety bond

The last category of services, surety bond assistance, is available only to firms admitted to the 8(a) program.

MSB&COD's SOPs direct each region to send to DM&TA all district and/or regional office task day requests for the following fiscal year (FY) by November 30 of the current fiscal year.<sup>2</sup> In developing requests, field personnel take into consideration such factors as types and levels of task order consulting services delivered in the previous fiscal year, prevailing local economic conditions, and anticipated changes in community need.

Using field requests as a base, DM&TA compiles the task day requirements for defined geographic areas and formally solicits proposals for provision of these services. Providers of 7(j) task order services are identified by the program announcements as either small businesses that successfully compete by submitting proposals under a specific program announcement or certified 8(a) firms who are selected to provide assistance for a specific set of technical requirements.

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<sup>1</sup>The categories are defined in the Request for Proposal (RFP) that solicits proposals and in the final Notice of Award negotiated with the provider.

<sup>2</sup>SOP 80 05 2, Paragraph 179.b., effective 10/29/90.

For task order services, award amounts may be increased or decreased (deobligated) throughout the fiscal year, with a DM&TA recommendation and OPGM approval, until a final "net" award amount for each region/district is reached. If the regions or districts do not use all of the final award amount for 7(j) services and it is not deobligated and obligated elsewhere within the program, the unused portion becomes "lost" for 7(j) funding purposes.

At the regional and national levels, **non-task order services** are also used to meet client needs. Non-task order awards are open to for-profit businesses, state and local governments, and non-profit organizations including business development and trade associations, and colleges and universities. These services have broader time frames, are more likely to provide seminars and workshops, and permit the provider greater latitude in servicing the client. They encompass projects designed specifically to meet local requirements that cannot be satisfied under task order awards, i.e., a technical service not available through the task order provider. They may be the result of solicited or unsolicited proposals, but the latter are considered for funding only after the proposals made in response to announcements have been considered.

### Recent 7(j) Initiatives

Within the last few years, DM&TA has made substantial progress in collecting data on the 7(j) program, especially information on which to base funding allocations. In FY 1992, the Director of DM&TA also gained access to the Federal Financial System (FFS). While this automated system contains records of SBA expenditures, it does not include data on the type of service provided or the number of task days used. In FY 1993, the Associate Administrator of MSB&COD requested that SBA's Office of Information Resources Management (OIRM) initiate development of an automated system for the 7(j) program that will eventually link DM&TA with all regional and district offices.

On September 24, 1992, the MSB&COD Associate Administrator told the U.S. House of Representatives Committee on Small Business that SBA would restructure the 7(j) program. Although some aspects of the restructuring are still under development, last fall MSB&COD developed a legislative initiative to limit both the number of clients served by the program and the types of services to be provided. Management and technical assistance available under 7(j) will be targeted to 8(a) firms as high priority clients. The current 16 task order categories will be reduced to the four areas MSB&COD has identified as the most important for sustained business health but not adequately provided by other management and technical assistance programs: marketing assistance, proposal preparation, accounting systems, and industry-specific expertise.

### Objectives and Methodology

The objective of this inspection was to assess the efficiency and effectiveness of selected aspects of the 7(j) program, including program objectives, program administration, small business access, service coverage, service delivery, utilization of program resources, and related matters. We gathered data through: questionnaires distributed to all SBA regional and district offices, on-site

reviews of four regional and 12 district offices, and a limited random sample client survey in the selected offices to determine the level of satisfaction and service usage by firms receiving 7(j) assistance.

The four regions and 12 districts selected for field work were:

<u>Region III</u>	<u>Region IV</u>	<u>Region VII</u>	<u>Region IX</u>
Clarksburg, WV	Atlanta, GA	Kansas City, MO	Los Angeles, CA
Pittsburgh, PA	Charlotte, NC	Omaha, NE	Santa Ana, CA
Washington, DC	Columbia, SC	Wichita, KS	San Francisco, CA

Although the regions and districts selected for detailed analysis do not represent a random sample of SBA field offices, we believe the results are useful as indicators of the program's potential strengths and weaknesses program-wide and, in many cases, they provide support for national survey results. The review focused primarily on FY 1990-91, as the two most recent years for which data were complete. (See Appendix A for a detailed discussion of the methodology used for this inspection.)

This inspection complies with the generally accepted auditing standards established by the Comptroller General for performance audits of federal organizations, programs, activities, and functions, and with the Quality Standards for Inspections issued in March 1993 by the President's Council on Integrity and Efficiency.

## PART II

### Legislative Objectives: Clients and Outreach

- |                   |   |
|-------------------|---|
| <b>FINDING 1.</b> | <b>At current funding levels, 7(j) assistance is targeted at too broad a population to have a significant impact. Limiting it to 8(a) firms would reduce the need for outreach and provide a more focused role for the program.</b>   |
| <b>FINDING 2.</b> | <b>Failure to require either client self-certification of eligibility or some form of eligibility-verification of non-8(a) clients increases the risk that scarce resources will be misdirected to ineligible firms. The Standard Operating Procedure (SOP) is not clear, however, on whether the 7(j) technical representative is responsible for determining eligibility for non-task order services.</b> |

#### Background

Under Section 7(j)(1-9) of the Small Business Act, SBA is authorized to contract for technical and management services to assist certified 8(a) firms and small businesses that are eligible for the 8(a) program.<sup>1</sup> 8(a) and 8(a)-eligible businesses must be socially and economically disadvantaged. The legislation also requires "special attention" to other small businesses owned by low-income individuals and small businesses located in areas with a high concentration of unemployed or low-income individuals. (For a discussion of 7(j) eligibility criteria, see Appendix B.)

Under SBA's SOP, the field officer administering a 7(j) task order agreement (the technical representative) is responsible for determining whether the client meets 7(j) eligibility requirements.<sup>2</sup> For non-task order services, determination of 7(j) eligibility is not explicitly assigned, although logically this responsibility should be understood also to be vested in the technical representative.

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<sup>1</sup>The 8(a) program is a special Government contracting program authorized by section 8(a) of the Small Business Act.

<sup>2</sup>SOP 80 05 2, Paragraph 182.c.(2)(b).



Documentation of a non-8(a) firm's eligibility was not required in either FY 1990 or FY 1991. In an October 22, 1991, memorandum, the Assistant Deputy Administrator for Finance, Investment and Procurement provided a temporary self-certification form for use in all regions.<sup>3</sup> This form instructed the client to certify, by signature, which of the listed qualification criteria had been met. As of the close of this review, the Division of Management and Technical Assistance (DM&TA) had drafted a permanent form. Verification of self-certification is still not required.

While the legislation defines potential 7(j) recipients broadly, the SOP does not provide guidance on the marketing of 7(j) assistance to prospective clients.

### Discussion and Conclusions

**Client Profile.** In FY 1991, nationwide the 7(j) program provided task order management and technical assistance service (the only 7(j) service for which client data is collected) to one-third of existing 8(a) firms and to a much smaller fraction of minority small businesses. According to DM&TA records, in FY 1990-91, 7(j)(10) cooperative agreements (for use by 8(a) firms only) represented between 36 and 38 percent of funding obligated for all 7(j) awards. 8(a) firms, however, also received significant assistance from 7(j) awards open to all eligible firms. According to DM&TA records, approximately 60 percent of the recipients of 7(j) task order services<sup>4</sup> during FY 1990-91 were 8(a) firms. (See Appendix C.)

In our national survey, 70 percent of the regions and 52 percent of the districts responded that they spent all or almost all 7(j) funds on 8(a) firms. The Director of DM&TA told us that a quota has never been established for the amount of 7(j) aid to be used for 8(a) firms. Two-thirds of the clients of four DM&TA-administered non-task order awards providing services over the two year period were 8(a) firms.

8(a) firms receiving 7(j) assistance, represented about 33 percent of the total universe of 8(a) firms. Moreover, 7(j) clients composed only a fraction of the minority small businesses in the United States. According to an SBA Office of Advocacy assessment of census data, from 1982 to 1987 total minority-owned businesses increased by 65 percent, from 729,666 to over 1.2 million. An official of the Office of Advocacy estimated that approximately 80 percent of these (almost one million firms) are small businesses. The percentage of minority small businesses served nationwide by 7(j) task order assistance in FY 1991 (2,137 firms) was well under one percent.

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<sup>3</sup>The temporary self-certification form responded to a March 1, 1991, recommendation by the SBA General Counsel. The form expired on April 1, 1992.

<sup>4</sup>Task order services are furnished through individual task orders that stipulate a time period in which the provider must supply clear specified services to a client. Non-task order services have broader time limits, are more likely to include seminars and workshops, and permit the provider greater freedom in servicing the client.

We found that at least 96 percent of the 724 sampled task order clients in the four regions visited were minority-owned. (See Appendix D.)<sup>5</sup> The percentage of 8(a) firms in our task order client field sample of 8(a) firms ranged from approximately 30 percent of the total sample in Region VII to 80 percent in Region IX. (See Appendix A, Table 3, page 47.) We estimated that in our samples in the four selected regions, 8(a) clients represented almost 80 percent of the recipients of non-task order services. They ranged from approximately 60 percent in Region VII to 100 percent in Region IX.

DM&TA officials do not request from the field a record of 8(a) status of firms provided non-task order assistance. While the number of additional clients serviced by non-task order awards will not make a significant impact on the total number of small business firms using 7(j), SBA information on numbers of 8(a) clients served by 7(j) is somewhat misleading. We believe that DM&TA could, with the projected computerization of 7(j) data, maintain records that estimate the number of 8(a) and non-8(a) clients reached each year by non-task order services.

**Client Knowledgeability of Needs.** In the SBA survey instrument, we asked district and regional officials approximately how many 8(a) firms and non-8(a) firms request 7(j) assistance in time to avoid serious financial or management problems. The results suggest that 8(a) firms are generally more knowledgeable of their needs and that they are more likely than non-8(a) firms to request assistance in time to avoid serious financial or management problems.

Sixty percent of the districts reported that most local 8(a) firms requested 7(j) assistance in time to avoid serious financial or management problems. In comparison, only 35 percent indicated that most non-8(a) firms did so. Twenty percent of the districts responded that few of the 8(a) firms requested assistance in a timely manner; 45 percent gave the same responses for non-8(a) companies. Regional and field sample responses mirrored those provided by the districts.

**Eligibility Controls.** In the SBA questionnaire, we asked what means—aside from the client's self-certification—were used to verify a non-8(a) client's eligibility for 7(j) services. Fewer than half the offices routinely verified social and economic disadvantage, and one in five relied solely on the client's self-certification.

Perhaps because not all districts have high unemployment or low-income areas, only about 60 percent of the district officials in the national survey indicated they verified high unemployment area status, while a little over half checked on low-income area status. Only 12 districts verified an owner's low-income. According to the SOP, self-certification of low-income is to be accepted in the absence of conflicting information. For the two fiscal years covered by our review, a statement of self-certification for non-8(a) firms was not a requirement.

Results of the national survey indicate that verification of 7(j) eligibility has been sporadic. The SOP clearly requires that the technical representative for task order awards determine whether a

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<sup>5</sup>About 74 percent were owned entirely by males, 15 percent entirely by females, and 11 percent by at least one male and one female.

client meets eligibility requirements. The SOP does not, however, stipulate this duty for technical representatives of non-task order agreements; we found one instance in which 40 percent of the recipients of a seminar provided under a non-task order agreement for 8(a) firms only were not 8(a) firms.<sup>6</sup> DM&TA's temporary self-certification form expired in April 1992, and, because MSB&COD was contemplating changes in eligibility criteria, the process of finalizing a self-certification form has been suspended. **Failure to use a self-certification form increases the risk that resources may be used on ineligible clients. The SOP should clarify the responsibility of the technical representative to determine eligibility for non-task order services.**

**Reasons for Not Requesting Assistance.** We also asked field officials to assess why firms may not request management and technical assistance. For 8(a) firms, the most frequent response was that 8(a) companies are often unwilling to admit business problems to SBA officials. In contrast, over 60 percent of the districts cited lack of awareness of 7(j) services as the primary reason that non-8(a) firms may not request assistance. The second most common response, however, was that non-8(a) firms may also be unwilling to discuss business matters with an outsider or a Government representative.

If, as suggested by the survey and the field sample, a significant number of non-8(a) firms are unwilling to discuss business matters with an outsider or Government representative, an attempt to verify low-income status--beyond self-certification--could be a strong deterrent to potential non-8(a) clients. If the 7(j) target population were limited to 8(a) firms or minority firms, the task of verification would be simplified. **In view of our findings on eligibility controls, unless 8(a) firms become the sole targets for 7(j) assistance, we believe it would be prudent either to issue another temporary self-certification form or to finalize the draft document.** The draft self-certification will help ensure that non-8(a) firms qualify for 7(j).

**Outreach.** Our field review and national survey of SBA regional and district offices found that 7(j) outreach is more extensive and more systematic for 8(a) firms than for non-8(a) firms. Efforts to inform eligible firms of the availability of 7(j) services differ for 8(a) and non-8(a) firms. For 8(a) firms, frequently used methods include referrals by SBA Business Opportunity Specialists (BOS), regular 8(a) orientation programs, and individual needs assessments of the firms. Outreach to non-8(a) firms is more limited. National data suggests that some districts may perform substantial outreach to non-8(a) firms, as shown by large numbers of non-8(a) clients each year. As one district official noted, however, increased 7(j) outreach without a concomitant increase in funding could prove embarrassing to SBA.

In part because of 7(j)(10) set-aside assistance to 8(a) firms, nationwide the 7(j) program in FY 1990 and FY 1991 appears to have already been directed primarily to minorities at least 60 percent of the time. Responses to the national SBA questionnaire also suggest that 8(a) firms are more likely to request assistance in sufficient time to avoid serious financial and management problems. They are, therefore, more likely to benefit from 7(j) assistance. Given current funding levels, the

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<sup>6</sup>The responsible official stated that additional firms added no cost to the seminar, it was a useful 8(a) recruitment tool, and the seminar was only a small part of the agreement's services.

7(j) program is targeted at too broad a population. Limiting the target population would make extensive outreach efforts unnecessary. Moreover, it makes sense to limit an assistance program located in the Minority Small Business Office at least to minority-owned firms. We concur in MSB&COD's decision last fall to propose legislation to limit the target population for 7(j) assistance to 8(a) firms.

### Recommendations

The OIG recommends that the Associate Administrator for MSB&COD:

- 1. Ensure that the 7(j) target population is limited to 8(a) firms, either through administrative procedures or through legislative initiative.**
- 2. Provide a form for self-certification of 7(j) eligibility to the field as soon as possible and direct the field to use the form for all non-8(a) firms requesting 7(j) assistance, until the 7(j) program is restricted to 8(a) firms.**

## PART III

### Legislative Objectives: Types of Services and Referrals

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|-------------------|---|
| <b>FINDING 3.</b> | <b>The Central Office does not maintain adequate information on 7(j) clients and services in part because task order providers often fail to submit annual reports required by the Notice of Award.</b>   |
| <b>FINDING 4.</b> | <b>Because field officials use 7(j) assistance categories in widely divergent ways, a recent expansion of reporting to Washington may fail to achieve its goal of more accurate and informative data.</b> |
| <b>FINDING 5.</b> | <b>Past and current 7(j) funding levels have been insufficient to support the wide array of services specified in the legislation.</b>  |
| <b>FINDING 6.</b> | <b>Despite alternative sources of assistance available in many districts, limiting the target population of 7(j) could deprive worthy small businesses of services.</b>                                   |

#### Background

At the district level, the primary method used to acquire counseling and training services is task order awards to providers who furnish services directly to clients. The categories of services that can be provided by task order awards are listed in Part I and described in Appendix E. District officials choose the categories of assistance to be provided in their districts and DM&TA allocates a specific number of task days to each.

The first fifteen services are commonly referred to as 7(j)(1-9) services. Services defined as 7(j)(10) target only 8(a) firms and include the fifteen 7(j)(1-9) services plus surety bond assistance. Division of Management and Technical Assistance (DM&TA) officials told us that 7(j)(10) services are typically used to correct problems identified during the annual reviews of 8(a) firms and their business plans, whereas 7(j)(1-9) services are provided on an as needed basis. Specialized assistance is, according to the Notice of Award, an all-inclusive category designed to provide assistance specific to the needs of eligible firms with the ultimate objective of long-term managerial self-sufficiency. The category of seminars and workshops was added to the list in FY 1992.

Task order services are furnished by means of individual task orders that stipulate a time period in which the provider must furnish clearly specified services to an eligible client. These are managed primarily out of district offices, although a few are managed from regional offices.

Non-task order services have broader time limits, are more likely to provide seminars and workshops, and permit the provider greater freedom in servicing the client. They are managed by regional offices or by the DM&TA in Washington.

The SOP treats 7(j) as a form of "last-recourse" assistance, i.e., to be used if less expensive alternatives are not available. The technical representative should, after concluding a client qualifies for 7(j) assistance, "determine whether or not lower cost sources of assistance capable of addressing the subject firm's requirements are available."<sup>1</sup> The procedures identify alternative management and technical assistance sources, including Small Business Development Centers (SBDCs) and Small Business Institutes (SBIs), the Service Corps of Retired Executives (SCORE/ACE), and other public and private sector activities.

### Discussion and Conclusions

**Services.** For our field sample, we should have been able to determine all task order services (excluding the number of task days) provided and clients in all districts by reviewing yearly provider reports in Office of Procurement and Grants Management (OPGM) or DM&TA files. For the majority of the task order awards reviewed, however, we did not find reports for FY 1990-91. According to the Notice of Award, task order service providers are to submit a final report "to the Government with[in] thirty (30) calendar days of the completion of the budget period." The report is to include the names and addresses of clients, a description of the assistance provided, and comments. We were told by OPGM officials that, although this provision means that reports are to be submitted at the end of each fiscal year, providers often interpret it to mean the end of the award period, including all option years. We were also told that OPGM notifies the responsible SBA technical representative if it notices that a report has not been submitted.

In the field sample, we found that task order services were concentrated in five categories: accounting; feasibility studies, market analyses and advertising; specialized services; financial counseling; and business plans. Although loan packaging and government contract assistance were important for a few offices, the other categories of assistance were seldom, if ever, used. While there were variations by district, we found that approximately 75 percent of the task order days provided in FY 1990-91 were written under the three categories of accounting, specialized, and feasibility studies/market analyses/advertising.

We also found, however, that these categories were often used to deliver a much wider variety of services. In short, the designation of a service category can be highly subjective. One Assistant District Director (ADD) for Minority Small Business and Capital Ownership Development

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<sup>1</sup>SOP 80 05 2, Paragraph 182.c.(2)(b)ii.(A).

(MSB&COD) commented that the single category of feasibility studies/market analyses/advertising could be used for virtually anything. In all four regions, specialized assistance was used for almost all types of assistance.

Most of the regional non-task order awards reviewed provided a combination of seminars, workshops and one-on-one services, covering strategic planning, government contracting, marketing and business management. Three of the DM&TA-administered awards provided mixed seminar and one-one-one assistance covering a variety of assistance, including export promotion.

The national survey requested of each office a breakout, by category, of task order days used in FY 1991. While there were variations among the regions in the national survey, task order days actually used in FY 1991 reflected usage similar to that in the field sample. **Almost 70 percent of all task days were written under the three categories of accounting, specialized services and feasibility studies/ market analyses/advertising.** (See Appendix F.) Specialized assistance, the most broadly interpreted category in the field sample, accounted for 34 percent of the task days used in FY 1991. One ADD we contacted suggested that the categories are meaningless. He stated that if he needed to provide certain services but had no task order days left in that category, he would simply take them from another category.

In response to GAO requests for information on the types of 7(j) assistance provided, in FY 1993 DM&TA began collecting data on numbers of task days furnished by category of assistance. **Our national survey and field review demonstrate a grouping of services in a few categories and substantiate the view of DM&TA officials that, throughout the 7(j) program, the category of "specialized assistance" is used for virtually any type of service.** While some ADDs exercise maximum flexibility in utilizing 7(j), others feel constrained by the categories. Therefore, DM&TA collection of additional data on categories of assistance will not necessarily result in accurate and informative data.

Although there may be variations in the quality and use of 7(j) services by the districts, the program has focused on providing a wide variety of assistance to eligible small businesses. In a literal sense, therefore, the program meets the legislative requirements. As senior SBA officials acknowledge, however, the 7(j) program often attempts to be "all things to all people."

Nevertheless, the highest level of 7(j) appropriations from FY 1980 to FY 1993 was \$12 million in FY 1981. Since then, 7(j) funding has decreased to a low of \$8.1 million in FY 1993. Adjusting for inflation, the purchasing power of FY 1993 funding is less than 50 percent of the FY 1980 amount. (See Table III.1 below.) **Given past and current funding levels, we believe that the objectives of the 7(j) program attempt to target too many people with too broad an array of assistance.**

The MSB&COD restructuring of the 7(j) program limits assistance to four basic categories: marketing, accounting systems, contract proposal preparation and "industry-specific technical assistance." The district survey indicated that 7(j) was the most commonly used program for accounting assistance and for developing marketing plans. Thus, MSB&COD targeted at least two types of assistance commonly performed under 7(j).

The four categories of assistance that will be used for the 7(j) program beginning in FY 1994 were defined by DM&TA in a December 1992 memo to the field. (See Appendix G.) Examples of each category are provided but all include the phrase "but is not limited to." Based on past usage of "specialized assistance", we believe that the new category of "industry-specific services" appears broad enough to cover a wide variety of services, making it difficult for DM&TA to provide truly informative data to the Administrator and Congress.

Table III.1

HISTORY OF 7(J) APPROPRIATIONS (including constant dollars, using 1980 as a base)			
Year	Appropriation	CPI*	Appropriation in Constant Dollars
1980	\$10,000,000	100.0%	\$10,000,000
1981	\$12,000,000	110.3%	\$10,877,888
1982	\$10,000,000	117.1%	\$8,538,860
1983	\$10,000,000	120.9%	\$8,273,092
1984	\$10,000,000	126.1%	\$7,930,703
1985	\$10,000,000	130.6%	\$7,657,993
1986	\$9,600,000	133.0%	\$7,217,518
1987	\$9,600,000	137.9%	\$6,963,380
1988	\$9,100,000	143.6%	\$6,338,462
1989	\$9,100,000	150.5%	\$6,047,097
1990	\$8,700,000	158.6%	\$5,484,927
1991	\$8,700,000	165.3%	\$5,263,436
1992	\$8,600,000	169.7% **	\$5,068,956
1993	\$8,073,000	169.7% **	\$4,758,335

\* Consumer Price Index for Urban Consumers

\*\* This figure is the average 1992 CPI through September 30, 1992. For this analysis, we assume that the 1993 CPI is the same as the 1992 CPI.

One of the most frequent suggestions for improvement in the 7(j) program made by 8(a) task order firms in our client survey was to hire consultants with industry-specific experience. In addition, we were told by DM&TA officials—and it was confirmed by our field work—that 7(j) providers tend to be accounting firms or generalists. Because the Notice of Award permits the use of no more than 45 percent of total funding by subcontractors<sup>2</sup>, it may prove difficult to provide significant amounts of "industry-specific services." Although we believe MSB&COD officials

<sup>2</sup>Beginning in FY 1994, OPGM will raise the subcontracting limit to 50 percent of the award.



should provide truly industry-specific 7(j) assistance--especially to 8(a) firms--given current 7(j) program resource constraints, we are not prepared at this time to make a recommendation to assure its availability. Nevertheless, we have held discussions with DM&TA officials on this subject and they are now planning to address this issue for FY 1994.

**Alternative Sources of Assistance.** The SBA district survey revealed that SBA officials frequently refer small businesses to management and technical assistance sources other than the 7(j) program. In the questionnaire, we listed seven areas of assistance and asked respondents to select the program to which they referred clients for each. The choices included 7(j), SCORE, SBDCs, SBIs, in-house specialists, and "other."

For each of the seven assistance types, SBDCs were the first or second most common referrals by district officials. They were cited by at least half the districts for each type of assistance. The SCORE program was a top referral for starting a small business, and in-house specialists were the primary source of assistance for entering international markets.

The 7(j) program was most frequently cited for accounting, marketing, and financial plan assistance. Almost 30 percent of the districts, however, said they used 7(j) exclusively for at least one of three types of aid: business plans, loan packaging, and financial plans. **When asked for primary reasons why clients are referred to 7(j) over the other assistance options, district officials' three most frequent responses were: (1) 7(j) provides a more intensive level of assistance; (2) SBA has more direct participation in determining the services provided to the client; and (3) 7(j) services can be provided more quickly than the other services.**

Department of Commerce Minority Business Development Centers (MBDCs) were reported to be in all 10 regions and in over 75 percent of the districts. Forty-seven percent of the districts indicated they use Department of Commerce MBDCs as referrals for each of the seven areas of assistance. Loan packaging was the most frequent type of service referred to MBDCs, while assistance in starting a business was the least frequent.

In the field questionnaire, over 90 percent of SBA district offices cited SCORE, SBDCs and SBIs as sources used for free management and technical assistance in their districts.<sup>3</sup> Other free management assistance sources include state and local development agencies (by more than half the districts); non-SBDC colleges/universities and other non-profit organizations (by 21 districts); and private corporations.

From the questionnaire results, it appears that while other assistance sources are available in most districts for many types of 7(j) assistance, they may not be as intensive or as timely as 7(j). Based on the national survey and field review, we believe that there are some districts in which limiting the 7(j) target population will eliminate certain types of assistance to large numbers of firms that are currently 7(j) recipients. For example, according to DM&TA records, in FY 1992, 74 percent of 7(j) clients in Region VII were non-8(a) firms. Unless there is an organized

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<sup>3</sup>Department of Commerce MBDCs charge a nominal fee.

effort to identify alternative and affordable sources for former 7(j) clients, many worthy small businesses in those districts could be deprived of services and the small business community may not be served.

**Recommendations**

The OIG recommends that the Associate Administrator for MSB&COD:

- 3. Direct DM&TA to work with SBA's OPGM to revise the MSB&COD SOP and the Notice of Award to clarify the requirement for annual task order award reports, and include penalties for providers who fail to submit them in a timely manner.**
  
- 4. Instruct DM&TA to develop a reporting system that will provide accurate and informative data on the types of assistance being provided within the prescribed categories.**
  
- 5. Advise the districts in which limiting the 7(j)'s target population and services will have a significant impact on current 7(j) clients and request that MSB&COD officials identify alternative sources of assistance to smooth the transition.**

## PART IV

### Allocation and Use of Resources: Lost Task Days and Funding

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|-------------------|---|
| <b>FINDING 7.</b> | Although the Division of Management and Technical Assistance (DM&TA) has made substantial progress in data collection, allocations of FY 1991 7(j) funding to some districts were based in part on inaccurate reporting from the field and incomplete record keeping in DM&TA on FY 1990 award modifications. |
| <b>FINDING 8.</b> | Despite improvement in recent years, delays in the finalization of awards and award modifications result in the loss of task order days and funding to the 7(j) program, impairing the efficiency of task order services.   |
| <b>FINDING 9.</b> | In spite of scarce 7(j) resources in FY 1991, five of the 13 offices reviewed failed to comply with SOP requirements limiting per client spending for task order services, without higher level approval.   |

#### Background

Through FY 1993, once a task order award is executed, the agreement remains in effect for one year, with two one-year option periods that are normally exercised if the need for the service continues and the 7(j) provider has performed adequately. Therefore, every three years SBA's Office of Procurement and Grants Management (OPGM) negotiates a new award. Under the SOP new task order awards are staggered, so that new 7(j) awards are required in no more than one-third of the regions and districts each fiscal year.<sup>1</sup> Nevertheless, the volume of new awards that have to be negotiated each fiscal year creates processing delays. To comply with recent 7(j) program revisions, no options will be exercised and all awards will be new starting in FY 1994.

When a new award is executed, OPGM notifies the field and a field technical representative (often the Assistant District Director (ADD) for Minority Small Business and Capital Ownership

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<sup>1</sup>SOP 80 05 2, Paragraph 179.d.

Development (MSB&COD)) is assigned to administer and monitor the agreement.<sup>2</sup> Task order award modifications are initiated by the technical representative and may involve increases or decreases in the number of task days to be provided, with a consequent increase or decrease in funding. Some modifications merely reallocate days among task order categories without altering funding levels. Under the Notice of Award, Washington Headquarters approval is not required for field office budget revisions when the funds to be transferred are less than five percent of the total amount of the award. All other modifications require approval by DM&TA and OPGM, which can result in lengthy delays.

Once a 7(j) cooperative agreement is in place, each office managing an award must track funds and task days issued in a detailed "Call Contract Log Sheet," which also forms the basis for the submission to regional offices of a summary "7(j) Management and Technical Assistance Program Monthly Activity Report."<sup>3</sup> Each month Assistant Regional Administrators (ARAs) provide to DM&TA a consolidated monthly report on all task orders issued within their regions. The September report is supposed to provide a fiscal year summary. Because some task orders are canceled after the end of the fiscal year, in FY 1991 DM&TA requested that regions provide a subsequent update.

Using year-end monthly activity reports and DM&TA records of award modifications, DM&TA officials produce an annual summary of task order days and funds awarded, used, and unused for each task order agreement. All task order agreement changes proposed by a technical representative must have the concurrence of the responsible ARA and the Director of DM&TA, and be approved by OPGM. Therefore, under current procedures, DM&TA should have knowledge of award modifications from two sources--the request for concurrence and approval of the action and the regional activity reports. For FY 1990-91, all information from the regions and districts on 7(j) assistance was recorded by DM&TA with the caveat "as reported."

The SOP further provides that, "Should the cumulative cost of task order service provided to a given client exceed \$5,000 per fiscal year, no further service shall be provided without documentation of necessity by the Technical Representative, and concurrence of the ARA/MSB&COD."<sup>4</sup>

### Discussion and Conclusions

**Task Days Lost.** According to DM&TA records, approximately 11 percent of all task order days available in FY 1990-91, were unused (lost). Our SBA survey requested the number of task days actually provided in each 7(j) assistance category in FY 1990 and FY 1991. Because not all

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<sup>2</sup>SOP 80 05 2, Paragraph 182.c.

<sup>3</sup>SOP 80 05 2, Chapter 15, Paragraph 182.c.(1)(c)xii. and a.(4).

<sup>4</sup>SOP 80 05 2, Paragraph 182.c.(2)(b)ii.(A).

regions had updated their year-end data, we assumed that there would be some variation between the DM&TA information on total task days used and unused and the results of the survey. DM&TA numbers and field survey numbers indeed failed to match for more than two-thirds of the districts and four of the regional offices that provided task order services during the two year period. Some of the offices claimed to have used more task order days than DM&TA indicated they had available.

After calling field offices to resolve significant discrepancies, we were able to reduce the variance between DM&TA and field numbers to one percent for FY 1991. This may reflect the greater accuracy of FY 1991 numbers due to the end-of-fiscal year update reports mentioned above. The variance for FY 1990 was, however, five percent. The reasons for the differences were errors in field submissions to either DM&TA or us, and errors in the DM&TA record of task days deobligated or available. Because we did not contact every office for which there was a discrepancy, the figures in Table IV.1 are estimates. DM&TA records and the survey, however, show that between 11 and 13 percent of the total task days available after award modifications in FY 1990-91 were lost by the 7(j) program.

Table IV.1

FY 1990-91 7(j) TASK ORDER DAYS USED/LOST BY REGION (as reported)*								
Region	DM&TA Estimate					National Survey Estimate		
	Task Order Days Awarded	Net Task Order Days	Task Order Days Used	Task Order Days Lost	% Task Order Days Lost	Task Order Days Used*	Task Order Days Lost*	% Task Order Days Lost*
Region I	3,410	1,859	1,432	427	23.0%	1,360	499	26.8%
Region II	3,143	3,047	2,869	180	5.9%	2,709	338	11.1%
Region III	3,591	3,063	2,438	625	20.4%	2,044	1,019	33.3%
Region IV	3,474	2,838	1,904	982	34.6%	2,118	720	25.4%
Region V	3,944	3,946	3,845	102	2.6%	3,636	310	7.9%
Region VI	3,782	3,431	2,879	552	16.1%	3,134	297	8.7%
Region VII	3,275	3,318	3,017	301	9.1%	3,101	217	6.5%
Region VIII	4,744	4,826	4,751	77	1.6%	4,676	150	3.1%
Region IX	6,026	5,440	5,360	80	1.5%	5,031	409	7.5%
Region X	3,387	2,008	1,696	313	15.6%	1,743	265	13.2%
<b>TOTAL</b>	<b>38,776</b>	<b>33,776</b>	<b>30,191</b>	<b>3,639</b>	<b>10.8%</b>	<b>29,552</b>	<b>4,224</b>	<b>12.5%</b>

\* The SBA national survey requested only the numbers of days used. Because we relied on DM&TA records for the net amount of task order days available, the number and percentage of task days lost may not be accurate.

**Funding Lost.** Unused task order days translate into lost funding to the 7(j) program if the deobligations either are not made or are made too late in the year to reobligate them to non-task order awards or transfer them to another region or district. Based on DM&TA and national survey estimates, the 7(j) program lost up to \$1.7 million in FY 1990-91,<sup>5</sup> indicating that limited 7(j) resources were not utilized efficiently. (See Table IV.2.)

Table IV.2

FY 1990-91 ESTIMATE OF 7(j) FUNDS LOST (based on information reported by regions)						
Region	DM & TA Estimate			National Survey Estimate		
	Estimated Total Amount Available	Estimate of Amount Unused	% of Funds Lost	Estimated Total Amount Available	Estimate of Amount Unused	% of Funds Lost
Region I	\$657,770.30	\$189,426.29	28.8%	\$657,770.30	\$214,071.00	32.5%
Region II	\$1,018,335.41	\$78,275.20	7.7%	\$1,018,335.41	\$137,532.00	13.5%
Region III	\$915,228.96	\$187,731.98	20.5%	\$915,228.96	\$313,710.00	34.3%
Region IV	\$947,311.82	\$322,567.71	34.1%	\$947,311.82	\$261,760.00	27.6%
Region V	\$1,417,103.00	\$72,967.60	5.1%	\$1,417,103.00	\$149,754.00	10.6%
Region VI	\$1,176,201.13	\$241,803.05	20.6%	\$1,176,201.13	\$213,456.00	18.1%
Region VII	\$1,060,578.48	\$119,966.76	11.3%	\$1,060,578.48	\$88,447.00	8.3%
Region VIII	\$1,464,021.10	\$31,610.74	2.2%	\$1,464,021.10	\$58,746.00	4.0%
Region IX	\$1,780,757.86	\$50,540.57	2.8%	\$1,780,757.86	\$155,401.00	8.7%
Region X	\$771,873.63	\$128,294.02	16.6%	\$771,873.63	\$153,848.00	19.9%
<b>TOTAL</b>	<b>\$11,209,181.69</b>	<b>\$1,423,183.92</b>	<b>12.7%</b>	<b>\$11,209,181.69</b>	<b>\$1,746,725.00</b>	<b>15.6%</b>

\* The SBA national survey requested only the numbers of days used. Because we relied on DM&TA records for the net amount of funds available, the estimated amount of funds lost may not be accurate.

<sup>5</sup>The national survey estimate of funding loss was derived by estimating the task order cost per day based on DM&TA data on the funding and task order days provided by the original award. Because we were unable to exclude travel, the task order cost per day was also an estimate. We then multiplied the cost per task order day estimate by the number of task days as adjusted by the national survey.

Moreover, because one of the factors on which DM&TA bases the allocation of funds to districts is the amount of funds used the previous year, the allocation of FY 1991 funds was predicated in part on faulty information.<sup>6</sup> According to DM&TA records, only four percent of the available FY 1992 task days were unused, indicating increased efficiency in program delivery.

The national survey confirmed that there are difficulties in transmitting accurate 7(j) information from the field to Washington. Through the Federal Financial System, DM&TA now has access to information on final payments to providers. Payments, however, lag behind completion of the services and can lag far behind the issuance of task orders. DM&TA will continue to obtain information through the regional monthly reports until computerization of the program is completed.

Program monitoring requires continuous, accurate, and up-to-date information. The "Call Contract Log Sheets" and the "Monthly Activity Reports" used to track task orders in the district can be confusing. The computerization of the 7(j) program with complete access by DM&TA to both region and district computer records, as well as access to district records by regional offices, will greatly assist in program oversight. These technological improvements should provide the accurate task-order data essential to ensure that obligations do not exceed appropriations. They should also provide a reliable base for allocating task days for future fiscal years. Even with the full computerization of 7(j), which is dependent on availability of funds, the system will only be as accurate as the information entered.

**Reasons For Unused Task Days and Funding.** The national survey and our sample review revealed that 7(j) awards and award modifications are not always made in a timely manner, impairing the efficiency of the 7(j) program and resulting in unused task order days. DM&TA and most district officials in the field sample believe, however, that OPGM award execution and modification have become more timely in the past two years. Nevertheless, five of the 12 sampled districts indicated that timeliness was still a significant problem.

The national survey supported the results of our district office field visits on the issue of award timeliness. Delays in either finalizing or modifying cooperative agreements were cited by a third of the SBA district offices as reasons for the loss of 7(j) task days in FY 1991. Three-quarters of the ARAs who stated that their regions had unused task days responded that late finalization of the awards was one of the primary reasons. In addition, 25 percent of the districts checked as the primary reason that not enough 7(j) client demand existed to use all task days. Another 20 percent contended that "the 7(j) provider did not have enough time available to complete all task orders written."

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<sup>6</sup>In our review, we found that, because of faulty field reporting and DM&TA monitoring, SBA failed to deobligate almost \$90,000 in unused FY 1990 funds for one district. Because FY 1991 funding was based on FY 1990 use, the district in question was unable to use over 50 percent of the FY 1991 allotment. It was, however, deobligated and not lost to the 7(j) program.

Recommendations by the field for the improvement of the 7(j) program also focused on reducing delays in awards and modifications. (See Appendix H.) **Twelve districts, in seven regions, recommended that districts be given authority to switch task days between task categories without DM&TA and OPGM approval.**

With task order services, timeliness is essential to effective service. The National Academy of Public Administration (NAPA), in its 1991 study of the 8(a) program, recommended implementation of multiple-year 7(j) funding as a measure to help reduce task days lost at the end of the year.<sup>7</sup> Prior to resorting to a legislative solution, however, we believe administrative action should be taken to reduce lost task days and funding. DM&TA is considering revising the awards to provide lump sums of task days to use within the categories as needed.

Because OPGM executes many new awards at the beginning of each fiscal year, delays in award processing may be inevitable. DM&TA officials believe that limiting the target population will result in fewer awards. For FY 1994, however, all new awards must be negotiated. DM&TA is also considering asking OPGM to transfer authority to negotiate and execute cooperative agreements to the regional offices. According to DM&TA officials, this would provide three advantages in terms of timeliness: (1) new awards would be put in place more quickly, because regions would have fewer agreements to negotiate; (2) notification to the field would presumably be more timely, because regional offices are in closer communication with their districts; and (3) problems associated with delayed award modifications could be alleviated. While regional officials have contract warrants, however, 7(j) awards are cooperative agreements subject to some differing regulations. Moreover, ARAs for MSB&COD are responsible to their Regional Administrators rather than to MSB&COD or OPGM. DM&TA must maintain the ability to reprogram funds among regions, or the number of lost days and funding will increase.<sup>8</sup>

We did not analyze the award process in sufficient depth to determine whether a transfer of award authority would be advisable. We believe, however, that additional 7(j) award authority in the regions may require staffing increases in a time of fiscal constraint. Current 7(j) budget reductions and efforts to limit the target population and scope of 7(j) services should result in a decrease in the number of awards to be negotiated and executed. We have documented several lapses in field-to-Washington communication during this review. **Until those communication problems can be resolved--perhaps through the planned computerization--such a sweeping change as moving 7(j) award authority to regional offices may not be prudent.**

Because some districts have unused task days resulting from lack of client demand, they should be required to justify their requests for task days. According to MSB&COD, FY 1994 regional

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<sup>7</sup>National Academy of Public Administration, Organization and Operation of the Minority Small Business and Capital Ownership Development Program, March 1991.

<sup>8</sup>According to OPGM, providing sufficient award modification authority to the field to permit re-obligation of deobligated funds and task days would be difficult and necessitate the provision of complete award execution authority.



allocations will be based on the projected 7(j) budget and the size and needs of the 8(a) portfolio, making extensive outreach efforts unnecessary.

**\$5,000 Limit on Task Order Services.** In the field we reviewed regional and district files of 477 firms that were 7(j) clients in FY 1991. Information in the files indicated that 15 clients spanning five district offices in three regions received over \$5,000 in task order services without the required Assistant Regional Administrator approval. Several district officials in the sample told us that, given rising consulting costs, the \$5,000 limit should be raised.

The national survey revealed that some officials regard the \$5,000 limit per client as an obstacle. Five districts recommended that the limit be raised or abolished completely. **Given limited 7(j) funding, we believe that a per client limit is appropriate.** It could, however, be stated in terms of task days, in lieu of a dollar amount, to allow for inflation and provide greater flexibility in covering travel costs. This approach would also promote consistency among districts, whose contract costs can vary considerably.

During FY 1992, DM&TA officials used the Federal Financial System (FFS) to review 7(j) disbursements by client and followed up with regional officials in cases in which the \$5,000 limit was exceeded. With future access to the FFS, ARAs will be able to monitor district adherence to spending or task day limits. Inserting a provision on the limits in the Notice of Award would be a further safeguard, providing an additional incentive for both the provider and the ADDs to monitor spending per client.

### Recommendations

The OIG recommends that the Associate Administrator for MSB&COD:

6. Direct DM&TA to create simpler formats for the "Call Contract Log Sheet" and "Monthly Activity Report" for use in the computerized information system to be developed in FY 1993.
7. Direct DM&TA to work with OPGM to revise 7(j) cooperative agreement procedures to provide task order days in a lump sum to be used under any of the categories specified in the award.
8. Require districts that lose a significant number of task days at the end of a fiscal year to justify to DM&TA their allocation for the following year.<sup>9</sup>
9. Replace the current annual limit of \$5,000 per client with a reasonable limit on the number of task days to be provided to a client in a single fiscal year.

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<sup>9</sup>Because of the time needed to finalize records at the end of the fiscal year, allocations of task days for a new fiscal year are made prior to final verification of the last fiscal year.

**(Exceptions could continue to be made with the approval of the responsible Assistant Regional Administrator for MSB&COD.)**

## PART V

### Allocation and Use of Resources: Task Order Day Length and Usage

- FINDING 10.** Inadequate monitoring of task orders has resulted in significant variations in numbers of task order days used for similar services.
- FINDING 11.** Insufficient guidance and training on 7(j) assistance have resulted in confusion in the field regarding acceptable uses of 7(j) funding and limited the effective use of resources.
- FINDING 12.** The "specialized services" category in the Notice of Award is in conflict with Minority Small Business and Capital Ownership Development's (MSB&COD) SOP on the provision of legal services.
- FINDING 13.** Given the broad legislative objectives of the 7(j) program, the absence of more specific objectives limits the ability of program managers to measure the achievements of 7(j) assistance.

#### Background

Paragraphs 175 and 177 of the SOP, reflecting 7(j) legislation, list a broad array of 7(j) services. The only restrictive provision is Section 181, which specifically permits, or prohibits, certain types of legal services. Over the last several years, the Division of Management and Technical Assistance (DM&TA) has occasionally sent to the field legal memoranda on certain types of services or service delivery. (See Appendix I.) Management responsibility for 7(j) activities is delegated to the field, but there is no comprehensive guidance on appropriate or inappropriate services or on the maximum or minimum length of task days required per category of service. When this review began, the Director of DM&TA requested that we address the issue of whether a standard number of days for each category of 7(j) assistance could be defined.

#### Discussion and Conclusions

**Number and Length of Task Order Services.** We reviewed over a thousand task orders and reports and found that the average number of task days per client or task days per similar task

order varied considerably from one district to the next. Some sampled districts used both a higher average number of task days per client and a higher number of task days per similar task order, especially in FY 1990. One district official indicated that his office tried to do as much as possible for the planned development of their 8(a) firms. In our file review, we found no explanation or special circumstances to account for the variations in numbers of task days used per client or per similar task order.

In one instance, however, a district that used large amounts of task days for one to two day seminars included many items that a task order for a single client typically does not cover, such as rental of conference room space, the cost of using more than one consultant, hand-outs and refreshments. We were told that no guidance on the pricing of seminars or workshops had been disseminated to the field, even when the seminars/workshops category was added in FY 1992.

As indicated in Part III, our review of task order reports revealed that the assistance provided often appears to range well beyond that suggested in the categories used, and the relationship between the task order category and the actual service rendered is sometimes tenuous and misleading. One indeterminate category, "specialized assistance," was used for almost any type of service. As a result, it would be extremely difficult to develop a nationwide standard for the number of task days to be used under each of the existing assistance categories. Nevertheless, because we found wide variations in the numbers of days used for what appear to be similar services, we believe that regional officials should establish guidelines on the range of task days to be used by type of service, as opposed to category of assistance. This information should be shared with districts and other regions.

**Service Content.** Task order service providers are required to submit timely individual reports on each task order completed. Time and resource limitations precluded development of criteria to evaluate independently the quality of the reports and services performed. Instead, we utilized a client survey. (See Part VII.)

Several officials in our field sample noted their concern that some forms of assistance seemed either too standardized or too generic, requiring little new effort on the part of the task order provider. Several firms in the client satisfaction survey also commented negatively on the use of "boiler plate" assistance. An Assistant District Director (ADD) for MSB&COD with considerable 7(j) experience in two regions expressed the view that some providers furnish such similar products for different clients that providers should be tasked to develop some standard items (especially brochures, capability statements, accounting manuals) that could be tailored by that provider to fit the individual clients on short notice. Our report review supported this position. With the provision of more industry-specific assistance, however, the need for standard items should decrease.

In one region we found a lengthy management manual designed for 8(a) contractors and funded by a regional 7(j) non-task order award. Although it probably had application elsewhere, the manual had not been disseminated outside of the region. Moreover, DM&TA officials indicated they were not aware of any 7(j)-related products, such as manuals, being shared among the regions. We did not evaluate the quality of the management manual. If SBA program managers

find such reports of sufficiently high quality, however, it would increase the cost-effectiveness of 7(j) assistance to insert in the Notice of Award a provision for SBA control of these reports for wider dissemination by MSB&COD.

There is no comprehensive guidance from DM&TA on the appropriateness of certain types of services. Because we were aware of formal or informal restrictions on certain services, we specifically took note of task orders providing financial statements, tax returns, and legal services.

DM&TA officials have indicated to us their belief that a service providing financial statements or tax returns to a 7(j) client should always include training in how to perform those tasks. The SOP and the Notice of Award provide only broad statements on the type of accounting services to be provided. Every office visited had provided either financial statement or tax return task order assistance at some point during FY 1990-91, and, in the majority of cases, the reports indicated that either training or some other related service had been included. There were, however, sufficient instances of financial statement preparation with no training indicated in the report to make guidance to the field advisable.

We found some confusion in the field regarding the provision of certain types of assistance. According to both the old and the new SOP, legal services are to be acquired from attorneys and law firms by contract, and not "from or through 7(j) grantees."<sup>1</sup> Proposals to provide legal services are to be evaluated by the responsible Assistant Regional Administrators (ARA) and ADDs for MSB&COD and must be approved by the Associate Administrator for MSB&COD, with the concurrence of the Agency's General Counsel. The DM&TA officials interviewed were unable to explain the origins of the prohibitions on legal assistance.

In one district legal services were subcontracted in four 7(j) task order awards over two years. Office of Procurement and Grants Management (OPGM) officials stated that legal services are authorized by the "specialized assistance" section of the Notice of Award, which permits "selected legal assistance". (See Appendix E.) The Notice of Award used for 7(j) task order providers is not in consonance with the MSB&COD's SOP 80 05, which makes the provision of legal services dependent on an agreement entirely separate from that of a regular 7(j) service provider.

In the field we also found uncertainty over whether 7(j) could appropriately be used for group-type projects such as updates of all 8(a) company profiles or preparation of a marketing presentation for all 8(a) trade and construction firms. Some of the confusion on uses of 7(j) assistance may result from lack of employee training. According to DM&TA officials, in recent years only one SBA training seminar--in August 1991--had a separate session on 7(j) assistance. While written material on procedural and administrative issues, including the SOP, was distributed and a variety of issues was covered in a question and answer session, no comprehensive written guidance on uses of 7(j) assistance was distributed. A number of ADDs in the national survey asked for more training and/or staff. With 7(j) automation, it will be necessary to expand functional training to include computer skills.

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<sup>1</sup>SOP 80 05 2, Paragraph 181.(b) and SOP 80 05 1, Paragraph 101.(5).

**Program Direction.** Task order services are often provided piecemeal or in response to individual problems. In our national survey, several SBA officials indicated interest in a more focused 7(j) program targeting business development. Suggestions for improvement of the 7(j) program included more assistance for 8(a) firms in the transition stage, more specialized than general assistance, provision of several specific services for firms entering the 8(a) program, and more in-depth management assistance. Although two sampled districts had general plans for providing certain services to firms upon entry into the 8(a) program or at certain milestones in the firms' progress in the program, DM&TA has not developed a set of 7(j) program objectives.

Decentralized management of the 7(j) program is desirable because field personnel work daily with these firms—especially in the 8(a) program. Both the field work sample and the national survey suggest, however, that there is a lack of uniformity in the implementation of the 7(j) program that may derive less from variations in regional or district needs than from a lack of sufficient program guidance from Headquarters and training of field personnel.<sup>2</sup>

### Recommendations

The OIG recommends that the Associate Administrator for MSB&COD:

10. Request regional offices to develop guidelines for (and subsequently monitor) the range of task days to be used for similar services.
11. Direct DM&TA to provide to 7(j) field managers more training in the uses of 7(j) assistance, subject to the availability of resources.
12. Require DM&TA to develop additional instructions or guidance on the use of 7(j) to be inserted in either the SOP or a "user's manual," as appropriate.
13. Instruct DM&TA to work with OPGM to insert in the Notice of Award a provision permitting SBA use, with all 7(j) clients, of any 7(j) products, and to encourage 7(j) field personnel to send items with broad applicability to small business—especially to 8(a) firms—to DM&TA for wider distribution.
14. Direct DM&TA to work with regional and OPGM officials to develop for the Request for Proposal and Notice of Award a requirement that, where appropriate, providers develop standard formats for such items as brochures, capability statements, and accounting manuals. These could then be tailored by the provider to meet individual client needs on relatively short notice.

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<sup>2</sup>It should be noted that any guidance provided by Headquarters is sent to the regional officials who are responsible for passing it to district officials.

**15. Ask OPGM to discontinue the execution of 7(j) task order awards providing legal assistance and delete "selected legal services" from the Notice of Award.**

**16. Require DM&TA to develop a concise program delivery plan, complete with specific goals and supporting objectives as guidance for 7(j) providers and SBA field personnel.**

## PART VI

### Allocation and Use of Resources: Task Order Versus Non-Task Order Service

**FINDING 14. Current SOPs do not provide for effective monitoring of non-task order services.**

#### Background

A task-order service is defined in the SOP as "a request for specific management, technical, or other service to be provided by a 7(j) service provider (grantee) to an eligible individual or firm in full or partial day increments."<sup>1</sup> Most task order services involve short-term one-on-one assistance provided by a consultant to a 7(j) client. All task order services for a given fiscal year must be completed by October 30, one month after fiscal year-end.<sup>2</sup> With task order services, a technical representative matches a client with a 7(j) provider, establishes a specified number of task days for performing the service, and approves the final status report prior to the payment of the provider.

The SOP defines non-task order assistance as on-going services that "address the pervasive needs, problems, or opportunities of a particular industry or community of eligible firms and/or individuals."<sup>3</sup> Non-task order services can provide one-on-one assistance, seminars and workshops, and they can cut across fiscal years. Assistant Regional Administrators (ARA) for Minority Small Business and Capital Ownership Development (MSB&COD) have authority to administer non-task order services within their regions. In addition, the SOP provides the director of DM&TA with authority to administer non-task order awards that are national in scope or provide assistance to more than one SBA region.<sup>4</sup>

The terms of a non-task order agreement may give the 7(j) provider considerable latitude in choosing clients and determining the service method, e.g., a seminar or one-on-one counseling. The provider is, however, required to submit periodic monitoring reports to the technical

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<sup>1</sup>SOP 80 05 2, Paragraph 173.r.

<sup>2</sup>Notice of Award, "Section II - Special Provisions."

<sup>3</sup>SOP 80 05 2, Paragraph 178.b.

<sup>4</sup>SOP 80 05 2, Paragraph 185.a.



representative--within regions usually the ARA for MSB&COD--who uses the report as a guide in assessing performance and requesting payment.<sup>5</sup>

Some in Congress have questioned whether the task order procedure is adequate. According to the legislative history of P. L. 100-656:

. . . [SBA] should consider whether the present 'task order process' used by District Offices is suitable for responding to the wide-ranging needs of portfolio firms. This approach to one-on-one counseling, which is structured to respond only to specific or individual problems, appears to be too limited to meet the range of problems of 8(a) companies. . . . The Committee recommends that SBA explore alternative approaches including the use of particular consultants to provide comprehensive services to firms on an on-going basis.<sup>6</sup>

### Discussion and Conclusions

In the national survey, we asked district and regional officials to compare the usefulness and cost effectiveness of task-order services with those of non-task order services. Over 70 percent of the districts that expressed an opinion consider task-order services more useful than non-task order services. Over 60 percent also viewed task orders as more cost-effective than non-task order assistance. Regional officials were evenly divided on the matter.<sup>7</sup>

In FY 1991, DM&TA obligated over 70 percent of 7(j) funding for task order services. According to the Associate Administrator for MSB&COD, the restructuring of 7(j) will seek to increase the level of non-task order funding to bring it more into balance with the level of task-order funding. This proposal would appear to be responsive to the recommendations of the Senate report on P.L. 100-656.

We reviewed eight agreements administered by the four sampled regions and eight administered directly by DM&TA during FY 1990-91.<sup>8</sup> Five of the eight regional cooperative agreements provided a combination of seminars and intensive one-on-one assistance to 7(j) clients. The

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<sup>5</sup>Although the SOP 80 05 2, Paragraph 185.(b)(4) requires periodic reports, the Notice of Award requests quarterly reports.

<sup>6</sup>"Minority Business Development Program Reform Act of 1988," Senate Report No. 100-394, June 22, 1988, page 60.

<sup>7</sup>Thirty percent of the districts selected "do not have enough experience with non-task order services to offer an opinion" in the usefulness comparison. Forty-two percent of the districts and 30 percent of the regions gave it for the cost-effectiveness comparison.

<sup>8</sup>The non-task order agreements were implemented in FY 1990 or FY 1991, but were not necessarily funded in those years.

seminars were held, in part, for the purpose of selecting candidate firms that would benefit from more in-depth, individual assistance.

According to the SOP, the ARAs are to forward to DM&TA the periodic monitoring reports specified in the Notice of Award, along with commentaries by the ARA and technical representative on the provider's performance.<sup>9</sup> In Office of Procurement and Grants Management (OPGM) and DM&TA files, we found few of the required non-task order award monitoring statements for the agreements reviewed. A final project report for one agreement was dated over eight months after the end of the award period. An OPGM official told us that technical representatives often fail to provide these reports and that, with the press of other duties, OPGM officers fail to perform timely and adequate follow-up.

In reviewing the 16 non-task order agreements, we found that the files contained no evaluations by clients—either the Form 1538 or some other client evaluation documentation—for about 55 percent of the non-task order clients. Available client evaluations, however, were primarily favorable.

As indicated in Part V, the SOP attempts to limit spending on task order services by stipulating that if the cumulative cost of task order services provided to a single client exceeds \$5,000 per fiscal year, documentation by the technical representative and concurrence by the responsible ARA are necessary. There is no such limitation on spending per client for non-task order services. We computed the cost per client for the eight sampled regional non-task order agreements and for the four DM&TA-administered agreements that provided benefits to specific clients by dividing award amounts by the total numbers of clients assisted. We found that one regional award and three of the DM&TA-administered agreements had a cost per client exceeding \$5,000. With limited 7(j) resources, one criterion for evaluating proposals for non-task order services should be cost-effectiveness.

Because our analysis of regional non-task order service agreements was limited to sampled file reviews and DM&TA-administered agreements, our efforts to compare cost effectiveness were inconclusive. It is clear, however, that non-task order services are more loosely administered than task order services. A non-task order service provider has substantial leeway in award implementation, and there is less oversight and paperwork by SBA officials. There are only periodic monitoring reports that, according to SBA officials, are often not submitted by the provider. Client evaluations of non-task order services usually come only when the term of the award is completed and all funds have been disbursed.

In comparison, each step in the task order process is defined by the SOP: an entrance conference; a task order containing the service category and requirements, numbers of task days to be used, and starting and completion dates; a report on the service to be delivered within the specified time period; an evaluation form; and an exit conference. The provider is kept under fairly close SBA scrutiny, and the concomitant cost is considerably more paperwork for SBA officials.

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<sup>9</sup>SOP 80 05 2, Paragraph 185.(b)(4).

Review of individual task order reports allows technical representatives to determine provider performance at various points in the implementation of the agreement. In contrast, even if periodic reports on non-task order services were submitted, a substantial amount of time may pass, and a large expenditure of funds may be made, before inadequate performance is discovered. If the 7(j) program moves in the proposed direction of more non-task order agreements, we believe that closer monitoring of those agreements will be necessary.

As indicated in Part V, because field personnel work especially closely with 8(a) firms, decentralized management of the 7(j) program is both practical and desirable. We are therefore concerned that the program managers of some DM&TA-administered projects may be too far removed from the provision of the services, and we believe that regional and/or district officials should share in monitoring DM&TA-administered awards that provide services directly to eligible local firms.

### Recommendation

The OIG recommends that the Associate Administrator for MSB&COD:

**17. Direct DM&TA to work with OPGM to revise the MSB&COD SOP and the Notice of Award to define reporting requirements for non-task order providers, including penalties for those who fail to submit the reports in a timely manner.**

**18. Require DM&TA to revise the SOP to include provisions for effective monitoring of non-task order services and develop a report format for field use to enable regular monitoring by DM&TA.**

## PART VII

### Service Delivery: Client Satisfaction, Impact and Timeliness

- FINDING 16.** Most 8(a) task order clients in the 13 offices reviewed were pleased with 7(j) assistance.
- FINDING 17.** About one-fifth of the 8(a) task order clients expressed dissatisfaction with the last 7(j) assistance they received, even though SBA field records for most of them indicated no dissatisfaction.
- FINDING 18.** Files sampled in the field and in the Division of Management and Technical Assistance (DM&TA) contained no evaluations by clients of the service provided for almost 40 percent of all task-order clients and over 55 percent of non-task order clients reviewed.
- FINDING 19.** No method for systematically measuring the performance of 7(j) providers or the program's long-term impact on client firms has been established.
- FINDING 20.** Penalties required by the Notice of Award for late task order reports are not consistently enforced and do not allow for extenuating circumstances.

#### Background

**Client Satisfaction and Impact.** The primary means currently used to measure the effect of a 7(j) service is a client evaluation provided to the responsible SBA office. For task order services, the SOP instructs technical representatives to obtain from the client a completed "Client's Report of 7(j) Task Order Services Received" and participate in an exit interview--preferably in person--with the client, provider and the SBA official requesting the assistance.<sup>1</sup> For non-task orders, the SOP requires the responsible official to obtain from the clients "7(j) Client Service Report and

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<sup>1</sup>SOP 80 05 2, Paragraph 182.c.(2)(b)iii.(L) and (K).

Verification Form (Non-Task Order Services).<sup>2</sup> Neither the old nor the new SOP contain provisions for later follow-up to obtain information on the long-term effect of the assistance on a business.

**Timeliness.** Because one objective of task order services is to provide assistance in a timely manner, the Notice of Award provides for final payment reductions for providers submitting late reports. A report may be the product itself, e.g., a marketing plan provided to a client, or it may be a description of the service furnished, providing the technical representative with an opportunity to assess the service. According to the Notice of Award, the delivery of the report is indicative of its timeliness:

All task order reports should be submitted prior to the completion date indicated on SBA Form 1063, Task Order Request. . . . If a task order report is submitted more than 30 days after the completion date, then the task day rate will be reduced by 10 percent (LATE PENALTY). In the event a task order report is not submitted within 60 calendar days after the completion date, THEN THE TASK ORDER REQUEST (SBA Form 1063) IS CANCELED WITHOUT ANY FURTHER NOTICE AND ANY INCURRED COSTS WILL NOT BE REIMBURSED BY SBA.

The planned completion date is to be written on each task order. While there is nothing in the SOP or the Notice of Award precluding an amendment to the task order, there is also no provision for the consideration of extenuating circumstances in determining that a late report penalty must be levied. The current SOP does not refer to penalties for late task order reports, but the previous SOP, in effect for FY 1990, contains penalty provisions stricter than, and inconsistent with, the Notice of Award effective for FY 1990.<sup>3</sup> The current SOP does, however, require the technical representative to monitor and evaluate the performance of 7(j) providers to ensure compliance with the agreement.<sup>4</sup>

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### Discussion and Conclusions

**SOP-Required Client Evaluations.** Files sampled in DM&TA and in the field contained no client evaluation, i.e., a client report, a letter, or evidence of exit/follow-up interviews, for almost 40 percent of all task-order clients and over 55 percent of non-task order clients reviewed. This could be due either to client resistance to providing an evaluation or to an omission on the part of the 7(j) technical representative. The majority of the written task order evaluations submitted by 7(j) clients indicated satisfaction with the 7(j) service received.

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<sup>2</sup>SOP 80 05 2, Paragraph 185.b.(4)(c).

<sup>3</sup>SOP 80 05 1, Paragraph 104.f.(2).

<sup>4</sup>SOP 80 05 2, Paragraph 182.c.(1)(a)ii. and x.

While there was significant variation among the districts visited, we were told that in most cases exit interviews had been conducted, primarily by phone. Often, however, we did not find any record of the exit interviews in the files.

**Field Perceptions of 7(j) Usefulness.** In response to the national survey, over 90 percent of the districts and all the regions believed that the 7(j) program had improved the operations of assisted firms. When asked how they determined improvement, three-quarters of the districts indicated either follow-up interviews with clients or observed improvements in the clients' business performance.

**8(a) Task Order Client Survey.** We found that the majority of 8(a) task order clients in the offices reviewed were pleased with 7(j) assistance. For example, almost 70 percent of the firms in our sample indicated that the last 7(j) service received was at least moderately useful in meeting their business-related needs. Fifty-six percent found it extremely or very useful. Overall satisfaction with 7(j) assistance may also be indicated by the fact that more than 85 percent of the respondents stated that they would recommend that other small businesses use the 7(j) program.

Almost twenty percent of 8(a) task order clients indicated some measure of dissatisfaction with the 7(j) assistance last received and stated that little or none of the advice or assistance provided by the 7(j) consultant was currently being used. The 27 clients dissatisfied with their last 7(j) assistance were also largely negative in assessing both the utility of the assistance provided and the consultants' understanding of the clients' business needs. Two-thirds of the 27 dissatisfied clients believed that the advice was unrealistic or that the assistance would not solve the problem the consultant was supposed to address. One-third of the dissatisfied clients answered that the consultants' advice was not practical because it was too costly or would require more staff or skills than the firm planned.

More than three quarters of the surveyed 8(a) task order firms provided suggestions for improving the 7(j) program.<sup>5</sup> The four most frequently cited recommendations were that SBA should improve the overall quality of the consultants, provide access to consultants with industry-specific expertise, allow more time for the provision of the assistance, and perform periodic monitoring and follow-up on the firms assisted. Those 8(a) task order respondents who were dissatisfied with the last service received focused primarily on requesting better-qualified providers, especially in terms of more industry-specific experience.

The client survey was conducted for the selected offices in four regions. While we have aggregated the results, we found only minor differences when we compared survey results for 8(a) clients by region.

**Non-8(a) Task Order and Non-Task Order Clients.** An analysis of the limited survey responses of non-8(a) task order clients and non-task order clients suggests the applicability of the results

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<sup>5</sup>A list of the major areas in which surveyed 8(a) task order clients made recommendations for 7(j) program improvement are found in Appendix J.

pertaining to 8(a) task order clients in the offices reviewed. With relatively small variations, the responses of all three groups were approximately equivalent.<sup>6</sup>

**Comparison with Field Office Files.** We found that district and regional files for almost 25 percent of all 8(a) task order firms who responded to our client survey contained no client evaluation (Form 1540, or exit interview) of the service they indicated having received. We further reviewed district and regional file data for the 27 8(a) task order clients who expressed dissatisfaction with their last 7(j) assistance. We analyzed the data for only the 20 firms for which we could verify that the assistance we reviewed in the field was the same assistance referred to in the survey. Field office files contained no client evaluation information for six of the 20 clients. For the remaining 14 clients, 12 of the client files had evidence of client evaluations, but no indication of client dissatisfaction. While our review was limited, if a quarter of the total responding 8(a) task order clients failed to provide earlier documented evaluations of the 7(j) service, and if over half of the dissatisfied clients declined to indicate their dissatisfaction to SBA field offices, the Agency would appear to have a serious communication problem with its clientele that effectively precludes on-going assessment of 7(j) services.

**The Need for Retrospective Follow-up.** No method for systematically measuring the performance of 7(j) providers or the program's long-term impact on client firms has been established. Several field officials indicated to us that they believed that most 7(j) clients (especially 8(a) firms) were unwilling to express dissatisfaction to responsible SBA officials. The client survey suggests that evaluations solicited by the local office immediately after the completion of a 7(j) service should be supplemented by a later retrospective evaluation request by a more neutral third-party. For example, after the 7(j) program is computerized, random sample surveys could be administered periodically by an appropriate contractor or SBA's Office of Program Analysis and Quality Assurance (OPAQA).

**Timeliness.** In our national SBA survey, when asked for the most frequent reasons that 7(j) is used over other management and technical assistance services, over 40 percent of the districts cited the fact that 7(j) can be provided more quickly than other services.<sup>7</sup> To determine SBA compliance with penalty provisions as an indicator of timeliness, we sampled over 1,200 task orders with total expenditures in excess of \$2.16 million in 13 offices. Using a very conservative methodology<sup>8</sup>, we found that reports were submitted more than 30 days late for 106 task orders totalling more than \$240,000 in nine of the 13 offices during the two-year period. Almost 60 percent of this amount was for reports submitted more than 60 days late. Under Notice of Award penalty criteria, SBA should have assessed provider penalties totalling over

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<sup>6</sup>The response rate and confidence level for the survey is located in Appendix A, Tables 5 and 6, pages 47-48.

<sup>7</sup>The only reasons cited more frequently were that 7(j) provides a more intensive service and allows SBA more direct participation in determining the services provided.

<sup>8</sup>See Appendix K for an explanation of the methodology.

\$150,000. Our review of district files and "Call Contract Log Sheets," however, found no evidence that SBA officials were enforcing the required penalties on any of these task orders. Office of Procurement and Grants Management (OPGM) officials advised us that, to their knowledge, penalty provisions are rarely enforced.

Several field officials indicated that SBA occasionally overburdens a provider with task orders, particularly when awards or modifications are delayed or when the SBA office has been short-staffed. In comparing the task order issue dates of late reports with those of all reports by month for each district, we found that the providers may have been overly burdened in less than 57 percent of the cases. We were also told that some technical representatives may be lax because the providers are themselves small businesses that SBA is attempting to help. Some district officials did take action against providers with consistently late reports during FY 1990-91, including terminating task orders and not exercising option years.

In addition, we found some task order reports—representing all of the districts reviewed—in which it was specifically noted that the provider had experienced some type of client-related difficulty in providing the service. These included problems with coordination, access to necessary client information, and computers. Owners of busy small companies with few employees often find it difficult to keep scheduled appointments with providers or attend seminars. Office of Management and Budget (OMB) Circular A-110, which governs these cooperative agreements and which is sent to providers, permits, in general, the consideration of extenuating circumstances. But, neither the SOP nor the Notice of Award contain specific provisions that would permit consideration of extenuating circumstances in levying a penalty for a late task order report. We believe that the insertion of such provisions in the Notice of Award and in the SOP would serve as a reminder and encouragement to both the provider and the technical representative of the importance of a timely report submission.

While the districts reviewed did not levy penalties for at least 106 late reports during the two-year period, the client survey indicated that timeliness of service delivery was not seen as a significant problem by the 8(a) task order clients.<sup>9</sup> Only 10 percent believed that the 7(j) consultant was moderately or extremely slow in providing the requested assistance, while nearly 70 percent replied that the consultant was moderately or extremely fast. Likewise most firms did not believe that SBA officials had been slow in responding to their requests.<sup>10</sup>

An advantage of task order services is comparatively quick delivery. Timeliness may be crucial in situations involving the submission of a bid proposal or a loan package that has a due date. To

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<sup>9</sup>The significance of this survey result should not be overstated because the timely submission of the written report may not have been relevant to the timely completion of the service.

<sup>10</sup>Of the 12 clients in our 8(a) task order survey indicating dissatisfaction with the timeliness of the service, one was from a district that did not insert beginning and completion dates in the task orders, and only two fell within our conservative definition of a late report.



ensure timely delivery of task order services, penalty provisions are important and should be enforced. To preclude unnecessary rigidity, however, we believe that a provision for the consideration of extenuating circumstances should be included in the Notice of Award and SOP. Likewise task orders should always stipulate definite beginning and completion dates. Enforcement of realistic penalty provisions would serve as an incentive to providers to submit reports expediently, thereby preventing potential waste of 7(j) funds.

### Recommendations

The OIG recommends that the Associate Administrator for Minority Small Business and Capital Ownership Development (MSB&COD):

**19. Direct DM&TA to develop a system for periodic Central Office surveys of the long-term impact of the 7(j) program as a part of the planned computerization.**

**20. Request that SBA field offices, as they become more effectively computerized, maintain uniform records of all 7(j) assistance provided to facilitate surveys.**

**21. Direct DM&TA to work with OPGM to develop for the SOP and the Notice of Award specific provisions that would permit consideration of extenuating circumstances in levying a penalty for a late task order report.**

**22. Have DM&TA develop a monitoring system to ensure compliance with late report penalty requirements as a part of the planned 7(j) computerization.**

## APPENDICES

## Objectives and Methodology

### Inspection Objectives and Design

This inspection is intended to assess the efficiency and effectiveness of selected aspects of the 7(j) program, including program objectives, program administration, small business access, service coverage, service delivery, utilization of program resources, and related matters. There have been no recent evaluations or surveys of the effectiveness of the 7(j) program. The last assessment was performed by the General Accounting Office (GAO) in 1981<sup>1</sup>, and the program has experienced significant change since that time. An April 1991, report on the 8(a) program prepared for SBA by the National Academy of Public Administration (NAPA) provided only a limited survey of 7(j) client satisfaction.<sup>2</sup>

Based on preliminary data gathered at SBA headquarters and in several field offices, we selected a series of measures of effectiveness for reviewing the 7(j) program. These measures helped the Office of Inspector General (OIG) team to structure its inspection and test their validity for use by program managers in future monitoring of 7(j) program effectiveness.

The measures included the extent to which the program: (1) accomplished legislative objectives; (2) maintained appropriate outreach and referral systems; (3) made effective allocation and use of resources; (4) provided services in a timely manner; (5) provided assistance that satisfied, and was used by, clients; and (6) was supported by comprehensive goals, objectives, and program monitoring. For each measure, we established indicators for determining whether the 7(j) program met the measures. The measures and indicators are located in Figure 1.

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<sup>1</sup>GAO Report, "SBA's 7(j) Management Assistance Program: Changes Needed to Improve Efficiency and Effectiveness," CED-81-149. In a brief report on the 8(a) program in January 1992, "Small Business: Problems in Restructuring SBA's Minority Business Development Program," GAO/RCED-92-68, the GAO found that SBA lacked objective criteria for measuring the effectiveness of the 7(j) program and does not know the full extent of management and technical assistance provided to 8(a) firms. The GAO is reportedly engaged in another review of the 7(j) program as a part of an 8(a) program review.

<sup>2</sup>National Academy of Public Administration, "Organization and Operation of the Minority Small Business and Capital Ownership Development Program," April 1991, Volume 1, pp. 25-28, and Volume 2, pp. 13-18 and 29-34. The focus of the study was the 8(a) program and the overall response rate was 27 percent. Only forty-three percent of the respondents indicated that they had received 7(j) assistance.

7(j) PROGRAM EFFECTIVENESS	
MEASURES OF EFFECTIVENESS	INDICATORS REVIEWED
Accomplishes legislative objectives	Clients served Eligibility controls Types of services
Maintains appropriate outreach and referral systems	Outreach efforts Referrals Potential duplication of services
Makes effective use of resources	The award process Timeliness of awards and modifications Lost task days and funding Task order length Appropriateness of services SOP and Notice of Award compliance
Provides timely service	Client perceptions SOP and Notice of Award compliance
Satisfies, and is used by, clients	Short-term evaluation Perceptions of quality Long-term benefit
Provides clear goals and objectives and adequate program monitoring	Program goals and objectives Issuance of guidance Compliance with SOP Adequacy of SOP

Figure 1

### Scope and Methodology

While DM&TA was in the process of expanding its data collection efforts, most of the information on clients and services was available only in the field offices. The decentralized management of the program, as defined by the Standard Operating Procedure (SOP), necessitated a field-oriented approach by the OIG inspection team. Consequently, we gathered data by several means:

- On-site reviews of four regional and 13 district offices to identify program strengths and weaknesses. Field visits included file research and interviews with regional and district personnel.

- Questionnaires distributed to all regional and district offices to obtain information about the effectiveness and efficiency of the 7(j) program nationally.
- File research and interviews in SBA's headquarters office (including Minority Small Business and Capital Ownership Development (MSB&COD), the Office of Procurement and Grants Management (OPGM), and the Office of the Comptroller).
- A limited client survey to determine the level of satisfaction and service usage by firms receiving 7(j) assistance in the regional and district offices visited.

The review focused primarily on FY 1990 and FY 1991, as the two most recent years for which data were complete. While a new set of SOPs was placed in force at the beginning of FY 1991, we also utilized the earlier set in our analysis. All references to SOPs in this report pertain to the current set unless otherwise stated.

#### SBA Field Office Selection

The primary objective in selecting field offices for extended site visits was to cover activities that involved a large percentage of 7(j) program financial risk and exposure. A secondary objective was to include regions and districts which offered a wide variety of office sizes, locations and clientele. Because the regions and districts selected for detailed analysis do not represent a random sample of SBA field offices, results that are based on an analysis of 7(j) in these offices apply only to the program as it is implemented in these areas. We believe, however, that the results are useful as indicators of the program's potential strengths and weaknesses program-wide and, in many cases, provide support for national survey results.

The criteria used to choose field offices for review were based primarily on information in DM&TA records. One of the original 13 districts chosen was dropped from our sample during the final analysis, because we found that DM&TA data on which the district was selected was incorrect.<sup>3</sup> Also, district officials were unable to provide us with all the files necessary for analysis.

Regions and districts were selected based on both quantitative and qualitative factors. For the regions, the quantitative factors were:

- percentage of 8(a) population served,

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<sup>3</sup>As indicated in footnote 6 on page 20, the errors were made in both field reporting and DM&TA monitoring.

- total number of clients served,
- net dollars allocated,
- net dollars allocated to task order services,
- total dollars spent on task order services, and
- percentage of task days lost at fiscal year-end.

With the exception of the last criterion, a cross section of regions with high and medium ranking was chosen. In the case of percentages of task days lost, we looked for regions with the highest and lowest number of days lost. Within each region selected, we used similar quantitative factors to select appropriate districts. Qualitative factors considered for both regions and districts included: geographic distribution; distribution of rural and urban population; changes in quantitative factors over time; site accessibility; and time and resource constraints.

The analysis of this data is contained in the following two tables.

Table 1

Inspection of the 7(j) Management and Technical Assistance Program Quantitative Criteria for Selection of Regions and Districts for Review* FY 1990							
Region	Percent of SBA Total 8(a) Population in Region	Percent of Regional 8(a) Population Served by 7(j)	Percent of Total 7(j) Clients Served	Percent of Total 7(j) \$ Obligated**	Percent of Total Task Order \$ Available	Percent of Total Task Order \$ Spent	Percent of Total Task Days Unused/Lost
Region I	2.60%	23.91%	2.57%	9.02%	6.17%	4.19%	31.43%
Region II	8.99%	27.04%	8.52%	9.47%	9.94%	10.20%	7.00%
Region III	24.61%	14.47%	7.97%	5.80%	8.05%	7.88%	13.07%
Region IV	11.78%	13.19%	5.95%	10.26%	7.45%	5.56%	33.85%
Region V	10.54%	35.92%	9.78%	11.21%	11.73%	13.19%	0.38%
Region VI	13.85%	37.14%	19.57%	10.78%	10.06%	9.83%	11.72%
Region VII	3.98%	65.96%	11.85%	9.58%	8.86%	8.69%	11.04%
Region VIII	4.63%	67.07%	14.17%	11.08%	13.01%	14.32%	1.94%
Region IX	14.83%	44.76%	13.87%	13.10%	16.65%	18.30%	1.75%
Region X	4.18%	59.46%	5.75%	9.69%	8.08%	7.84%	12.42%
<b>TOTAL</b>	100.00%	31.96%	100.00%	100.00%	100.00%	100.00%	9.86%

\* Percentages relating to the 7(j) program are based on information provided by DM&TA. Percentages of SBA's total 8(a) population are derived from data provided by SBA's Office of Information Resources Management.

\*\* This column represents total funds obligated for task order and non-task order services as of the close of each fiscal year.

Table 2

Inspection of the 7(j) Management and Technical Assistance Program Quantitative Criteria for Selection of Regions and Districts for Review* FY 1991							
Region	Percent of SBA Total 8(a) Population in Region	Percent of Regional 8(a) Population Served by 7(j)	Percent of Total 7(j) Clients Served	Percent of Total 7(j) \$ Obligated**	Percent of Total Task Order \$ Available	Percent of Total Task Order \$ Spent	Percent of Total Task Days Unused/Lost
Region I	2.70%	29.25%	3.50%	7.05%	5.60%	5.39%	13.21%
Region II	8.69%	41.64%	13.99%	7.91%	8.31%	9.27%	4.49%
Region III	23.43%	15.45%	9.25%	9.34%	8.31%	7.02%	27.24%
Region IV	13.79%	24.03%	11.69%	9.13%	9.46%	7.22%	35.18%
Region V	10.40%	39.46%	1.40%	13.23%	13.58%	14.32%	4.44%
Region VI	14.94%	18.26%	8.75%	10.35%	10.47%	8.73%	20.59%
Region VII	3.77%	75.00%	15.54%	11.41%	10.09%	10.55%	7.42%
Region VIII	4.51%	64.41%	13.84%	12.64%	13.17%	15.00%	1.24%
Region IX	13.82%	49.45%	16.64%	11.33%	15.23%	17.14%	1.16%
Region X	3.93%	55.84%	5.40%	7.62%	5.76%	5.35%	20.87%
<b>TOTAL</b>	100.00%	32.94%	100.00%	100.00%	100.00%	100.00%	11.72%

\* Percentages relating to the 7(j) program are based on information provided by DM&TA. Percentages of SBA's total 8(a) population are derived from data provided by SBA's Office of Information Resources Management.

\*\* This column represents total funds obligated for task order and non-task order services as of the close of each fiscal year.

Based on these factors, Regions III, IV, VII, IX were chosen, along with the 12 districts listed in Figure 2.

SELECTED REGIONS/DISTRICTS	
<u>REGION III</u> Clarksburg, WV Pittsburgh, PA Washington, DC	<u>REGION IV</u> Atlanta, GA Charlotte, NC Columbia, SC
<u>REGION VII</u> Kansas City, MO Omaha, NE Wichita, KS	<u>REGION IX</u> Los Angeles, CA Santa Ana, CA San Francisco, CA

Figure 2

According to DM&TA records, these four regions represented approximately 40 percent of the total funding allocated to the 7(j) program in FY 1990-91.

In all four regional offices and in six of the 12 district offices, the files of all firms that received 7(j) task order assistance in FY 1990 or FY 1991 were reviewed by the OIG inspection team. In the remaining six district offices, the number of 7(j) task order clients was too large to permit review of every client file; therefore, we randomly sampled approximately 30 firms participating in the 8(a) program and 30 non-8(a) recipients for each fiscal year.<sup>4</sup> (See Table 3.)

Table 3

FY 1990-91 FIELD WORK SAMPLE OF SELECTED REGIONS/DISTRICTS TASK ORDER CLIENTS						
Region / District	Total 8(a) Sample for FY 1990 & 1991		Total Non-8(a) Sample for FY 1990 & 1991		Total Sample for FY 1990 & 1991	Total Clients* in Sample for FY 1990 & 1991
	#	%	#	%	#	#
<b>Region III</b>	79	56.8%	60	43.2%	139	118
Clarksburg, WV	27	37.0%	46	63.0%	73	61
Pittsburgh, PA	18	100.0%	0	0.0%	18	15
Washington, DC	34	70.8%	14	29.2%	48	42
<b>Region IV</b>	122	55.2%	99	44.8%	221	193
Atlanta, GA	46	60.5%	30	39.5%	76	66
Charlotte, NC	19	90.5%	2	9.5%	21	18
Columbia, SC	27	28.7%	67	71.3%	94	82
Regional Office	30	100.0%	0	0.0%	30	27
<b>Region VII</b>	82	32.2%	173	67.8%	255	228
Kansas City, MO	30	38.0%	49	62.0%	79	74
Omaha, NE	22	26.5%	61	73.5%	83	70
Wichita, KS	30	32.3%	63	67.7%	93	84
<b>Region IX</b>	172	80.0%	43	20.0%	215	185
Los Angeles, CA	54	96.4%	2	3.6%	56	49
Santa Ana, CA	61	61.6%	38	38.4%	99	82
San Francisco, CA	57	95.0%	3	5.0%	60	54
<b>TOTAL</b>	455	54.8%	375	45.2%	830	724

\* Some clients in the sample received 7(j) assistance in both fiscal years. This column provides the total number of non-duplicated clients in the sample.

<sup>4</sup>Because one of the four regional offices also managed a task order award, we actually sampled task order client files in 13 offices.



Table 4 shows the maximum sampling errors (i.e., the worst case scenario) from the samples of non-8(a) task order clients in selected Region IV and Region VII districts, and from samples of 8(a) task order clients in the selected Region IX districts.

Table 4

<b>MAXIMUM POSSIBLE SAMPLING ERRORS BY STRATA            AT THE 95 PERCENT CONFIDENCE LEVEL            FOR SELECTED REGIONS/DISTRICTS*</b> (for Fiscal Years 1990 and 1991 combined)			
Region	8(a) Task Order Clients	Non-8(a) Task Order Clients	Combined
Region III	0.000% **	0.000%	0.000%
Region IV	0.000%	4.250%	2.116%
Region VII	0.000%	4.790%	3.649%
Region IX	3.524%	0.000%	2.948%
<b>TOTAL</b>	1.517%	2.875%	1.626%

\* Each percentage represents the maximum possible sampling error for the 95 percent confidence level. A 95 percent confidence interval means that, if a sample -- e.g., Region IX 8(a) task order clients -- were replicated, in 95 percent of the resulting samples the maximum sampling error would be plus or minus 3.52 percent.

\*\* A sampling error of 0.0 percent indicates that we reviewed task order files for all clients in that stratum. Therefore no sampling error exists.

### Field Questionnaire Development

Following preliminary field visits, we conducted a survey of all ten Assistant Regional Administrators for MSB&COD (ARA/MSB&COD), the 62 Assistant District Directors for MSB&COD (ADD/MSB&COD) in nine regions, and the six district officials managing the 7(j) program in Region I. DM&TA reviewed the questionnaires, which were pretested in two regional and six district offices. The final response rate for all officials was 100 percent.

## Client Sample Selection

We conducted a client survey to measure the level of satisfaction of the clients served by the 7(j) program in FY 1990-91 and the degree to which the assistance provided was actually useful to the clients over time. Field research suggested that the impact on small businesses of non-task order services might differ significantly from the impact of task order services, so we addressed each type of service separately.<sup>5</sup>

In consultation with a statistician we designed the survey to sample approximately 135 clients within each of the four selected regions. Clients were chosen at random from three strata within each region:

- 45 8(a) clients who received 7(j) task order (consulting) assistance;
- 45 non-8(a) clients who received 7(j) task order assistance; and
- 45 clients who received non-task order services under the 7(j) program.

In addition, 45 clients who received DM&TA-administered non-task order services were surveyed. The survey sample comprised 576 (45 percent) of the 1,286 small business clients identified in file reviews conducted in the regions and districts. Senior officials in MSB&COD reviewed the client questionnaire and provided us with valuable feedback. The survey instrument was pretested with three small businesses that had received 7(j) assistance.

While we sought an 80 percent response rate, three mailings resulted in an overall response rate of 64 percent. Because of time limitations and the decision of MSB&COD last fall to target future 7(j) assistance to 8(a) firms, we decided to raise the response rate of only 8(a) task order clients by means of random phone calls. The final response rate for 8(a) task order firms was over 75 percent, which was deemed sufficient by the statistician. (See Table 5.)

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<sup>5</sup>Research also suggested that the impact of non-task order services does not differ significantly for 8(a) and non-8(a) firms, in part because non-task order services were similar for both 8(a) and non-8(a) firms. Thus, we did not separate clients who received these services into 8(a) and non-8(a) strata in the survey.

Table 5

7(j) CLIENT-SURVEY PROFILE FOR SELECTED REGIONS/DISTRICTS*								
(including results of random telephone calls)								
Region	Task Order Services				Non-Task Order Services		Totals	
	Number of 8(a) Clients	Response Rate	Number of Non-8(a) Clients	Response Rate	Number of Clients	Response Rate	Number of Clients	Response Rate
<b>Region III</b>								
7(j) Client Universe	61		57		91		209	
Client Files Reviewed	61		57		91		209	
Client Files Surveyed	45		45		45		135	
Responses	34	75.6%	25	55.6%	32	71.1%	91	67.4%
<b>Region IV</b>								
7(j) Client Universe	101		95		129		325	
Client Files Reviewed	101		92		129		322	
Client Files Surveyed	45		45		45		135	
Responses	38	84.4%	24	53.3%	25	55.6%	87	64.4%
<b>Region VII</b>								
7(j) Client Universe	65		264		128		457	
Client Files Reviewed	65		163		128		356	
Client Files Surveyed	45		45		45		135	
Responses	35	77.8%	20	44.4%	24	53.3%	79	58.5%
<b>Region IX</b>								
7(j) Client Universe	176		41		131		348	
Client Files Reviewed	144		41		131		316	
Client Files Surveyed**	45		36		45		126	
Responses	35	77.8%	21	58.3%	33	73.3%	89	70.6%
<b>Central Office</b>								
7(j) Client Universe	-		-		83		83	
Client Files Reviewed	-		-		83		83	
Client Files Surveyed	-		-		45		45	
Responses	-		-		25	55.6%	25	55.6%
<b>Inspection Totals</b>								
7(j) Client Universe	403		457		562		1422	
Client Files Reviewed	371		353		562		1286	
Client Files Surveyed	180		171		225		576	
Responses	142	78.9%	90	52.6%	139	61.8%	371	64.4%

\* Some clients received 7(j) task order assistance in both fiscal years. The task order columns of this table provide the total number of non-duplicated task order clients in the universe and in the field sample.

\*\* Surveys were mailed to 43 non-8(a) task order clients in Region IX. Seven were returned "address unknown," and we were unable to locate them through directory assistance.

Table 6 presents the maximum sampling errors, i.e., the worst case scenario, for the 7(j) client survey. Because we had a higher response rate for 8(a) task order clients, almost all of their respective sampling errors were smaller than those of the other strata.

Table 6

<b>MAXIMUM POSSIBLE SAMPLING ERRORS BY STRATA AT THE 95 PERCENT CONFIDENCE LEVEL FOR 7(j) CLIENT SURVEY*</b>				
<b>Region</b>	<b>8(a) Task Order Clients</b>	<b>Non-8(a) Task Order Clients</b>	<b>Non-Task Order Clients</b>	<b>Combined</b>
Region III	11.350%	14.977%	14.748%	8.250%
Region IV	12.724%	17.666%	18.898%	9.844%
Region VII	11.413%	21.614%	19.440%	14.270%
Region IX	15.037%	15.288%	15.565%	9.637%
Central Office	N/A	N/A	17.595%	17.595%
<b>TOTAL</b>	<b>7.722%</b>	<b>13.220%</b>	<b>7.713%</b>	<b>5.650%</b>

\* Each percentage represents the maximum possible sampling error for the stratum at the 95 percent confidence level. For example, the maximum sampling error for Region III 8(a) task order clients is plus or minus 11.35 percent.

We conducted this inspection from November 18, 1991, through December 31, 1992. The inspection complies with the generally accepted auditing standards established by the Comptroller General for performance audits of federal organizations, programs, activities, and functions, and with the Interim Standards for Inspections issued in August 1990 by the President's Council on Integrity and Efficiency.

### 7(j) Eligibility Criteria

Under 7(j) legislation, SBA is authorized to arrange for the provision of management and technical assistance to certified 8(a) firms, socially and economically disadvantaged individuals whose firms are not participants in the 8(a) program, low-income individuals, and small businesses located in areas with a high concentration of unemployed or low-income individuals.

8(a) and 8(a) eligible businesses must be socially and economically disadvantaged.<sup>1</sup> Socially disadvantaged groups include, among others, Black, Hispanic, Native and Asian Pacific Americans. According to the Code of Federal Regulations (CFR), an economically disadvantaged person is a socially disadvantaged individual whose personal net worth does not exceed \$250,000 (excluding interest in the 8(a) firm and equity in a primary personal residence).<sup>2</sup>

In 1978 P.L. 95-507 amended the Small Business Act to include Section 7(j)(10), which mandates the provision of supplementary management and technical assistance exclusively to small and disadvantaged businesses participating in the 8(a) program. Legislative history indicates that this provision was enacted because of Congressional concern over the "inadequate level of management and technical assistance" dedicated to 8(a) firms.<sup>3</sup> Non-8(a) firms who otherwise qualify for 7(j) program aid are not eligible to receive management and technical assistance under a 7(j)(10) cooperative agreement.

The SOP defines areas with a high concentration of low-income individuals as those in which the percentage of people with incomes below the poverty level exceeds the national percentage given in the Department of Commerce County and City Data Book.<sup>4</sup> Areas of high unemployment are classified as "labor surplus" areas by the Department of Labor annually in the Federal Register. Low-income individuals must have an annual income not exceeding 300 percent of the poverty income guidelines published annually by the Department of Health and Human Services. All participants must also meet the small business size standard of less than \$3.5 million average annual sales in the preceding three fiscal years (13 CFR Part 121).

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<sup>1</sup>SOP 80 05 2, Paragraph 174.

<sup>2</sup>13 CFR Section 124.106.(a)(1)(i) and (a)(2)(i).

<sup>3</sup> Amending the Small Business Act and the Small Business Investment Act of 1958, Report No. 95-1070 on P.L. 95-507, p.8.

<sup>4</sup>SOP 80 05 2, Paragraph 173.a.b. and j.

<b>TOTAL FY 1990 AND FY 1991 7(j) TASK ORDER CLIENTS BY REGION*</b>						
<b>Region</b>	<b>FY 1990</b>			<b>FY 1991</b>		
	<b>8(a)</b>	<b>Non-8(a)</b>	<b>Total Clients</b>	<b>8(a)</b>	<b>Non-8(a)</b>	<b>Total Clients</b>
Region I	43.1%	56.9%	51	44.3%	55.7%	70
Region II	50.8%	49.1%	169	67.6%	32.4%	210
Region III	79.7%	20.3%	158	76.8%	23.2%	185
Region IV	46.6%	53.4%	118	55.6%	44.4%	234
Region V	69.1%	30.9%	194	68.8%	31.2%	234
Region VI	46.9%	53.1%	388	61.1%	38.9%	175
Region VII	52.3%	47.7%	298	35.6%	64.3%	311
Region VIII	39.1%	60.9%	281	41.2%	58.8%	277
Region IX	85.5%	14.5%	275	80.5%	19.5%	333
Region X	77.2%	22.8%	114	79.6%	20.4%	108
<b>TOTAL</b>	<b>58.4%</b>	<b>41.6%</b>	<b>2046</b>	<b>60.5%</b>	<b>39.5%</b>	<b>2137</b>

\* This information is based on DM&TA records.

RACE/ETHNICITY OF 7(j) CLIENTS IN THE REGIONS/DISTRICTS TASK ORDER SAMPLE*									
Region / District	Am. Indian or Alaskan Native	Asian or Pacific Islander	Black	Hispanic	Total Minorities	Total White	Not Available**		
<b>Region III</b>	0.0%	9.6%	59.6%	10.6%	79.8%	20.2%	20.3%		
Clarksburg, WV	0.0%	7.5%	42.5%	2.5%	52.5%	47.5%	34.4%		
Pittsburgh, PA	0.0%	26.7%	53.3%	20.0%	100.0%	0.0%	0.0%		
Washington, DC	0.0%	5.1%	79.5%	15.4%	100.0%	0.0%	7.1%		
<b>Region IV</b>	2.7%	4.3%	88.8%	3.7%	99.5%	0.5%	3.1%		
Atlanta, GA	1.6%	3.2%	90.5%	4.8%	100.0%	0.0%	4.5%		
Charlotte, NC	16.7%	11.1%	66.7%	5.6%	100.0%	0.0%	0.0%		
Columbia, SC	1.3%	1.3%	96.3%	0.0%	98.8%	1.3%	2.4%		
Regional Office***	0.0%	11.5%	76.9%	11.5%	100.0%	0.0%	3.7%		
<b>Region VII</b>	9.3%	7.0%	70.1%	12.6%	99.1%	0.9%	6.1%		
Kansas City, MO	2.8%	11.1%	73.6%	12.5%	100.0%	0.0%	2.7%		
Omaha, NE	17.5%	4.8%	66.7%	11.1%	100.0%	0.0%	10.0%		
Wichita, KS	8.9%	5.1%	69.6%	13.9%	97.5%	2.5%	6.0%		
<b>Region IX</b>	5.7%	31.6%	32.8%	27.6%	97.7%	2.3%	5.9%		
Los Angeles, CA	4.2%	22.9%	41.7%	29.2%	97.9%	2.1%	2.0%		
Santa Ana, CA	4.1%	39.2%	23.0%	29.7%	95.9%	4.1%	9.8%		
San Francisco, CA	9.6%	28.8%	38.5%	23.1%	100.0%	0.0%	3.7%		
<b>TOTAL</b>	5.2%	13.0%	64.1%	13.8%	96.1%	3.9%	7.6%		

\* Only task order clients have been included in this table because we found few Form 641s for non-task order clients unless they were also task order clients. With the exception of the data in the last column, all percentages are based on the total number of clients for which race/ethnicity information was available.

\*\* Not available may mean that there was no Form 641 in the client's file or that the client did not provide this information on the Form 641. In some cases we obtained information on gender, race or ethnicity from SBA/Washington's computerized data on 8(a) firms. This column is based on the total number of clients in the sample.

\*\*\* Figures included for the Region IV regional task order award are for clients not otherwise duplicated in the three Region IV district samples.

Definitions of the 16 Task Order Assistance Categories

as copied from the

NOTICE OF AWARD

Part II - Description of Tasks --

The recipient shall:

[ ] Accounting Services:

Provide bookkeeping systems installation, accounting services and instruction services commensurate with the needs of specific clients. MSB&COD Technical Representative will determine and prescribe level of service to be provided under each task order, i.e. assignment of junior, senior, or certified public accountant. It is anticipated that ninety percent of task order requirements for accounting and bookkeeping services under this announcement will be functioned by juniors.

[ ] Production, Engineering, and Technical Assistance:

Perform on-site review of client facilities (i.e. assess existing equipment, production processes, and materials handling procedures to determine efficiency) and recommend modifications for operation improvement. Task order reports for this category of service shall detail existing situations and technical remedial actions.

[ ] Feasibility Studies, Market Analyses, and Advertising:

Provide services including, but not limited to: preparation of feasibility studies and market analyses reflecting size and characteristics of existing and potential markets; development of marketing plans and strategies; and provision of advertising assistance as required. Marketing plans and strategies will give effect to all relevant marketing variables, i.e. production, prices, distribution, promotion. Advertising Services will include assistance to clients in preparation of materials and selection of appropriate methods and media.

[ ] Government Contracts Assistance:

Assist clients in securing Federal, state, and local government contracts, grants and cooperative agreements. Such services will include, but not be limited to: orientation of clients in the fundamentals of government procurement; assistance in preparation of documents necessary for securing government contracts; advice and guidance in preparation of routine and special reports to procuring agencies; and assistance in implementation of appropriate compliance procedures.

[ ] Specialized Assistance:

Provide specialized training, advice and guidance to eligible firms and individuals relating to problems/opportunities specific to their industries, changing technologies, and/or resulting from relevant environmental change. Such services may include, but need not be limited to assistance in: purchasing procedures; inventory control; payment procedures, and maintenance of effective supplier relationships; determination of electronic, computerized, and mechanical equipment requirements, and planning for installation, and guidance in operation thereof; strategic planning; and selected legal assistance, as appropriate. The ultimate objective in rendering specialized assistance is establishment of long-term managerial self-sufficiency.

Assistance relating to long-term viability of 8(a) clients: strategic planning that will assure full competitiveness in non-8(a) government and commercial markets, including, but not limited to, training in preparation of effective bids and proposals responding to Federal, state, and municipal solicitations, and in marketing to the private and non-profit sectors.

Also, included in this assistance category are Transitional Management efforts (as described in PL 100-656), and Metrication efforts (i.e., providing technical assistance related to the use of the metric system).



NOTICE OF AWARD

--- Continued

The recipient shall:

Financial Counseling:

Provide services including, but not limited to: analysis of feasibility of contemplated debt and equity financing; review of terms, conditions, and amortization of proposed financing; analysis of client's cyclical and seasonality vis-a-vis debt service requirements; recommendation of optimal payroll and accounts payable procedures; and assistance in establishment and implementation of improved management reporting and monitoring practices.

Business Plan Assistance:

Prepare, revise and update as necessary, comprehensive business plans that will serve as basic business development tools in assessment of firms' market opportunities and capabilities and in specification of appropriate marketing, financial, and management strategies. Plans will explicitly deal with operations during relevant phases of firms's growth/development. The intent of Business Plan Assistance is to facilitate and inculcate strategic planning within eligible firms, and to promote long-term managerial self-sufficiency.

Construction Management Assistance:

Provide specialized technical assistance to facilitate resolution of specific construction problems, or to accomplish specific results, including, but not limited to: review of contract estimates, labor productivity as a measure of estimate feasibility; verification of availability, cost, and delivery schedules of materials and supplies; assistance in establishment and monitoring of schedules; review of recommendation of appropriate engineering and construction methods. In cases involving SBA 8(a) Construction contract negotiation, or otherwise affected by such negotiation, recipients shall confirm client's knowledge of the Davis-Bacon Act and/or other relevant wage rules; assist in provision of reasonable evidence in support of, or in clarification of 8(a) firms' contentions regarding questionable items; provide information or counseling to assist in preliminary planning for execution of such work prior to contract award; and recommend support systems for firms lacking in-house capability.

Loan Packaging:

Prepare formal loan packages for presentation to commercial lenders, and/or SBA. Such packages shall include: market analyses, business plans, price quotations, business financial statements, summaries of use of proceeds and collateral offered, and application forms. Note that in rendering such service, recipients shall consistently conduct client site visits, review existing statements and documents, and assess specific financial requirements.

Computer Programming Services:

Assistance including, but not limited to: programming of micro, mini and main frame applications; on-line, realtime systems design and analysis; and design of data base management systems.

NOTICE OF AWARD

--- Continued

The recipient shall:

[ ] Data Processing Services:

Provide services including but not limited to: guidance in scheduling, production, reporting and management of data processing operations.

[ ] International Trade Services:

Provide services relating to international trade opportunities, including, but not limited to: preparation of comprehensive international marketing plans encompassing assessment of overseas opportunities; evaluation of relevant firm capabilities; identification of appropriate distribution channels, sources of export financing, international marketing strategies and promotional techniques; and documentation and packaging.

[ ] Service Contracts Assistance:

Provide assistance to facilitate resolution of specific service contract problems or to achieve specific goals. Assistance will include but not be limited to: the review of contract estimates; determining the feasibility of estimates based upon labor productivity; verification of availability, cost and delivery schedules of supplies; assistance in the establishment and monitoring of schedules; and review of statement of work and bid documents.

[ ] Management Training:

Provide assistance including but not limited to: strategic and organizational planning; financial planning and budgeting; development of marketing objectives and policies; information systems planning; human resource planning; selection and evaluation; policy-making and practices; production scheduling and control. Service will be provided through one to one counseling and or seminars and workshops.

[ ] Seminars/Workshops:

Provide seminars or workshops on the aforementioned categories of service, as determined by the MSB&COD District Office staff.

[ ] Surety Bond Assistance:

Provide assistance to 8(a) firms seeking bid or performance bonds. Such assistance shall include, but, not be limited to: review of firm's estimates and documents; recommendation of appropriate legal advice; analysis of intended time plan for execution of work consistent with staffing requirements and preliminary schedules; and review of financial capabilities vis-a-vis projected payment procedures of procuring agencies or prime contractors.

FY 1991 -- CATEGORIES OF TASK ORDER ASSISTANCE USED IN THE REGIONS (as reported in national SBA survey)											
Category	Region I	Region II	Region III	Region IV	Region V	Region VI	Region VII	Region VIII	Region IX	Region X	All Regions
Accounting	59.0%	10.6%	17.7%	29.1%	17.0%	23.6%	22.5%	20.2%	21.0%	23.9%	22.3%
Production/Engineering	0.0%	0.8%	1.1%	1.2%	0.5%	2.1%	1.3%	0.6%	12.0%	0.0%	2.8%
Feasibility/Market/ Advertising	17.6%	22.5%	9.7%	16.0%	27.7%	24.9%	8.9%	5.5%	5.2%	11.1%	13.6%
Government Contracts	0.0%	2.1%	9.0%	4.6%	0.0%	13.5%	0.0%	4.3%	14.9%	7.7%	5.9%
Specialized	23.4%	42.9%	27.2%	12.7%	43.5%	22.0%	45.8%	44.5%	26.9%	31.1%	34.0%
Financial Counseling	0.0%	4.8%	11.7%	2.9%	3.7%	1.1%	4.3%	6.1%	8.7%	0.2%	5.1%
Business Plan	0.0%	15.4%	13.7%	18.2%	6.4%	5.4%	9.5%	8.4%	6.6%	15.2%	9.5%
Construction	0.0%	0.0%	6.5%	0.8%	1.2%	0.2%	1.3%	2.2%	2.4%	2.9%	1.8%
Loan Packaging	0.0%	0.0%	1.1%	6.2%	0.0%	3.9%	3.6%	3.6%	1.0%	1.7%	2.2%
Computer Programming	0.0%	0.8%	0.4%	5.7%	0.0%	3.4%	2.5%	3.7%	0.0%	6.2%	2.0%
Data Processing	0.0%	0.0%	0.0%	1.2%	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%	1.0%
Seminar/Workshop	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
International Trade	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Management	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Service Contracts	0.0%	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Surety Bond	0.0%	0.0%	2.0%	0.8%	0.0%	0.0%	0.0%	0.8%	1.2%	0.0%	0.6%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Although the national SBA survey requested category data for FY 1990, several districts were unable to provide complete information.

## FY 1994 7(j) ASSISTANCE CATEGORIES

1. ACCOUNTING SERVICES

Awardees shall provide bookkeeping, accounting, systems installation, and instruction services in compliance with Federal Government contracting criteria and commensurate with the needs of specific clients. MSB&COD's Technical Representative will determine and prescribe the level of service to be provided under each task order.

Awardees shall provide financial counseling services including, but not limited to, an analysis of the feasibility of contemplated debt and equity financing; a review of the terms, conditions, and amortization of proposed financing; an analysis of the clients' cyclicalities and seasonality vis-a-vis debt service requirements; the recommendation of optimal payroll and accounts payable procedures; and assistance with the establishment and implementation of improved management reporting and monitoring practices.

2. MARKETING SERVICES

Awardees' services will include, but not be limited to, the preparation of feasibility studies and market analyses reflecting the size and characteristics of existing and potential markets; the development of marketing plans and strategies to use with private and non-profit sectors as well as with federal, state, and local government entities; and the provision of advertising assistance as required. Marketing plans and strategies will cover all relevant marketing variables, i.e., product, price, distribution, and promotion. Advertising services will include assistance to clients in the preparation of materials and the selection of appropriate methods and media.

Awardees shall provide services relating to international trade opportunities, including, but not limited to, the preparation of comprehensive international marketing plans encompassing an assessment of overseas opportunities; an evaluation of relevant firm capabilities; the identification of appropriate distribution channels, sources of export financing, international marketing strategies and promotional techniques; and documentation and packaging.

3. PROPOSAL PREPARATION SERVICES

Awardees shall assist clients in securing public and private contracts, grants, and cooperative agreements. Such services will include, but not be limited to, the orientation of clients in the fundamentals of government and private sector procurement; training in the preparation of effective bids and proposals in response to requests for proposals by private and public sector entities; assistance in the preparation of documents necessary for securing contracts; advice and guidance in the preparation of routine and special reports to procuring entities; and assistance in establishing appropriate compliance procedures for implementing the contract.

Awardees shall not prepare a client's specific bid proposal package.

4. INDUSTRY-SPECIFIC SERVICES

Awardees shall assist clients with technical problems and/or provide training specific to the industry in which the client firm operates. As an example, if the client firm is in the computer software business, the technical problem might relate to the manufacturing, packaging, or delivery of software packages to customers.

Another example, in the construction management field, involves surety bond assistance. Awardees shall provide assistance to firms seeking bid or performance bonds. Such assistance shall include, but not be limited to, a review of the firms' estimates and documents; an analysis of the intended time plan for the execution of work consistent with staffing requirements and preliminary schedules; and a review of financial capabilities vis-a-vis projected payment procedures of the procuring agencies or prime contractors.

### **Recommendations of Regional and District Office**

The following are the major areas in which SBA field personnel participating in the national survey indicated the need for 7(j) program improvement. The inclusion of a number of significant field suggestions in each of the areas does not necessarily imply OIG support for the recommendation.

#### **Changes in the Award Process**

- Improve the timeliness of the award and award modification process.
- Provide regional offices with 7(j) award authority.
- Award task order days in a lump sum to be distributed as needed among the categories by each office.
- Delegate more authority to regional and district offices in the administration and modification of awards.
- Provide each region a budget for use in any desired mix of task order and non-task order services.
- Allow districts in which the capability exists to negotiate task day costs based on local market conditions.
- Allow more district office input into award selection.
- Reduce the reliance on cost proposals as a major factor in the award process.
- Improve communication with, and increase training of, OPGM grants specialists.

#### **Services and Providers**

- Choose more providers who are specialists rather than generalists and accountants.
- Permit the use of the technical capabilities of an award outside the district for 8(a) transitional and, especially, high-technology firms.

- Have providers develop off-the-shelf packages for quick turn-around in order that funding for specialized assistance will reach more clients.
- Develop analyses of the assistance needs of 8(a) firms at various stages of development.
- Provide specialized assistance to 8(a) firms in the transition stage.
- Make use of legal services.
- Increase the number of non-task order awards.
- Use task orders to develop subjects that can be taught to groups of clients with similar needs.
- Provide more Central Office-funded training on contract law and contract administration for 8(a) firms.
- Limit 7(j) services to businesses already in operation.
- Eliminate or raise the \$5,000 per client per year.
- Enforce submission of timely provider reports.

#### Training and Personnel

- Provide sufficient staff in order that each office may designate a full-time person to the 7(j) program.
- Provide training for 7(j) award technical representatives on the SOPs and 7(j) program implementation.
- Provide more guidance (not instructions) from the Central Office.

#### Program Monitoring

- Automate and standardize formats used for 7(j).
- Streamline 7(j) by reducing the number of SOPs.
- Modify the temporary 7(j) self-certification form so that it does not discourage clients.

- Simplify the "Call Contract Log Sheet" and eliminate the duplication of information on the various forms.
- Develop a system for 7(j) program evaluation.

### Funding Issues

- Provide multi-year awards or funding.
- Base the budget allocation on each region's share of the total small minority businesses in the U.S.
- Increase funding and task order days.



**DM&TA-Requested Legal Memoranda**

"Management and Technical Assistance Under the 7(j) Program for Trade Associations Assisting Disadvantaged Business Owners," June 2, 1987.

"Funding of Business Organizations Under the 7(j) Management and Technical Assistance Program," July 15, 1987.

"Section 7(j) Grant Assistance to the Opportunity Development Association," August 9, 1989.

"Use of 7(j) Assistance to Apply for SBA Program Benefits," December 28, 1989.

"Eligibility of Resident Aliens for 7(j) Assistance," January 5, 1990.

"Interpretation of 7(j) Regulations to Draft Business Plans Under Section 7(j)(10)," September 5, 1990.

"Determination of 7(j) Eligible Clients," November 27, 1990.

"Eligibility of Small Business Clients for 7(j)(1) Management and Technical Assistance," March 1, 1991.

### Recommendations of Surveyed 8(a) Task Order Clients

The following are major areas in which 8(a) task order clients responding to our client survey made recommendations for 7(j) program improvement. Inclusion on this list does not necessarily imply OIG support for a recommendation.

#### Services and Providers

- Improve the quality of 7(j) consultants.
- Hire consultants who have the necessary industry-specific knowledge.
  - Provide potential clients with a list of available 7(j) consultants and their areas of expertise, so client firms can select an appropriate consultant.
  - Permit 8(a) companies to interview and select the appropriate consultants.
  - Allow 8(a) companies to contract outside the 7(j) program at full reimbursement to acquire 7(j) consultants with industry-specific expertise.
  - Offer a higher level of technical assistance.
- Tailor the assistance to individual businesses, rather than provide "boiler-plate" advice.
- Task consultants to provide more "hands-on" assistance and less advice.
- Provide more business development assistance.
- Provide legal assistance.
- Establish a mentor program.

#### Program Monitoring

- Perform periodic follow-up monitoring of 7(j) client firms.

- Assure that SBA field officials have more "hands-on" involvement in the 7(j) program.
- Reduce the SBA response time to requests for assistance.
- Improve 7(j) program outreach.

#### Funding Issues

- Allow more time for 7(j) consultants to work with individual clients.
- Increase funding for the 7(j) program.

### Methodology For Identifying Late Task Order Reports

For each of the 1,200 task orders reviewed, we compared the completion date written on the task order<sup>1</sup> with the report date or actual completion day written on the "Call Contract Log Sheet" (whichever came earliest). For the purpose of this analysis, we gave the benefit of a doubt to all providers in the sample by:

- Extending the completion date to at least 30 days after the start date for those task orders that had less than a 30 day window for completion;
- Excluding task orders when the files indicated problems with the client in providing information or attending scheduled meetings with the provider; and
- Excluding task orders that did not specify a completion date and/or the report date.

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<sup>1</sup>Some districts in the sample issued task order amendments extending the completion date. We used the completion date of the last amendment.



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

Appendix L



## MEMORANDUM

DATE : April 15, 1993

TO : James F. Hoobler, Inspector General

THROUGH: Janice E. Wolfe, <sup>FOIA Ex. 6</sup> Acting Associate Deputy Administrator  
for Finance, Investment and Procurement

FROM : Judith A. <sup>FOIA Ex. 6</sup> Watts, Associate Administrator, Minority  
Small Business and Capital Ownership Development

SUBJECT: Draft Inspection Report of the 7(j) Management and  
Technical Assistance Program

We appreciate the efforts of the Office of the Inspector General (OIG) in preparing a detailed report of selected aspects of the 7(j) program. In spite of limited resources and staff turnover, the OIG inspection team collected and analyzed a lot of data and produced a document that not only reinforces the direction the 7(j) program is taking, but recognizes many of the positive accomplishments achieved over the past three years.

We are particularly encouraged by the results of two OIG surveys summarized in the report. In response to the national field office survey, over 90 percent of the districts and all the regions believed that the 7(j) program had improved the operations of the assisted firms. When asked for primary reasons why clients are referred to 7(j) over the other assistance options (e.g., SBDCs, SCORE, SBIs, in-house specialists, and "other") district officials' three most frequent responses were: 1) 7(j) provides a more intensive level of assistance; 2) SBA has more direct participation in determining the services provided to the client; and 3) 7(j) services can be provided more quickly than the other services.

Regarding the client survey, the majority of 8(a) task order clients in the offices reviewed were pleased with 7(j) assistance. Almost 70 percent of the firms in the 8(a) client sample indicated that the last 7(j) service received was at least moderately useful in meeting their business-related needs. Fifty-six percent found it extremely or very useful.

I am pleased to report that we had already initiated actions to remedy many of the concerns and issues raised in the twenty-two recommendations presented in the inspection report. For example, by targeting 8(a) certified firms in our Fiscal Year 1994 Program Announcement, we will optimize the use of our continually shrinking 7(j) resources (recommendation 1). With respect to

recommendation 2, we are redrafting SBA Notice 888-330, originally issued on October 22, 1991. This notice provided client self-certification forms and clarified 7(j) client eligibility definitions. In addition, the development of a method to systematically measure the 7(j) program's long-term impact on client firms has been assigned to a firm under contract with the SBA's Chief Financial Officer (CFO). We are currently finalizing the first work order for issuance to the CFO contractor for the development of an action plan and program review criteria (recommendation 19). Another important initiative is the development of a system to automate all aspects of the MSB&COD program including the 7(j) component. We are presently reviewing a draft of the functional requirements document provided to us by the Office of Information Resources Management. As we discussed with the inspection team, the development and implementation of the field-office based automated system will address several of the concerns presented in the report (recommendations 4, 6, 19, 20, and 22).

An in-depth analysis of the role of the Office of Procurement and Grants Management (OPGM) in the 7(j) award process was beyond the scope of the OIG inspection. As indicated in the national field office survey, however, OPGM's role in negotiating and processing 7(j) awards and modifications in a timely manner has a direct impact on the effectiveness of the 7(j) program. We will share the inspection report with the OPGM with special emphasis on the seven recommendations (3, 7, 13, 14, 15, 17, and 21) that relate to OPGM activities and responsibilities. Several of the recommendations have already been discussed with the Chief of the Grants Branch in a recent meeting with the OIG inspection team.

We thank the inspection team for their efforts and appreciate their willingness to listen to and comprehend the intricacies of administering the 7(j) program.

**Major Contributors to This Report**

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