

Highlights of [GAO-11-418](#), a report to the Chair, Committee on Small Business and Entrepreneurship, U.S. Senate

Why GAO Did This Study

Section 15(k) of the Small Business Act requires that all federal agencies with procurement powers establish an Office of Small and Disadvantaged Business Utilization (OSDBU) to advocate for small businesses.

Section 15(k)(3) requires that OSDBU directors be responsible only to and report directly to agency or deputy agency heads. GAO was asked to assess agencies' compliance with the reporting structure and identify the functions OSDBUs performed. GAO reviewed compliance with section 15(k)(3) at 16 agencies—the 7 agencies that each procured more than \$15 billion in goods and services in 2009 and 9 that it had previously reported were not complying with this requirement. GAO also surveyed the OSDBU directors at 25 agencies that represented more than 98 percent of civilian obligations and 90 percent of DOD obligations in 2009.

What GAO Recommends

GAO recommends that agencies not in compliance with section 15(k)(3) take steps to comply with this statutory requirement or report to Congress on why they have not complied, including any requests for statutory reporting flexibility as appropriate. SSA agreed with the recommendation, and Interior agreed to reevaluate its reporting structure. Commerce, Justice, State, and the Treasury disagreed, believing they were in compliance. GAO maintains its position on agencies' compliance status, as discussed further in the report. Agriculture did not comment.

View [GAO-11-418](#) or key components. To view survey results, click on [GAO-11-436SP](#). For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

SMALL BUSINESS CONTRACTING

Action Needed by Those Agencies Whose Advocates Do Not Report to Agency Heads as Required

What GAO Found

Nine of the 16 federal agencies that GAO reviewed were in compliance with section 15(k)(3) of the Small Business Act, which requires OSDBU directors to be responsible only to and report directly to the agency or deputy agency head (see table). The remaining seven agencies were not in compliance with the provision, and their OSDBU directors reported to lower-level officials or had delegated OSDBU responsibilities to officials who did not meet the reporting requirement. These agencies were not in compliance when GAO last examined them in 2003. During GAO's current review, directors who reported to agency heads cited benefits to the relationship, while those who did not had mixed views. GAO concluded that the views expressed by the directors at noncompliant agencies did not justify noncompliance and that these agencies should comply or provide support to Congress of their need, if any, for statutory flexibilities. Ongoing noncompliance with section 15(k)(3) undermines the intent of the act and may prevent some OSDBU directors from having direct access to top agency management.

Agency Compliance with Section 15(k)(3) of the Small Business Act

Agencies in compliance (9)	Agencies not in compliance (7)
Defense Logistics Agency ^a	Department of Agriculture
Department of Education	Department of Commerce
Department of Energy ^a	Department of Justice
Department of Health and Human Services ^a	Department of State
Department of the Air Force ^a	Department of the Interior
Department of the Army ^a	Department of the Treasury
Department of the Navy ^a	Social Security Administration (SSA)
Environmental Protection Agency	
National Aeronautics and Space Administration ^a	

Source: GAO analysis.

^aAgencies that procured more than \$15 billion in goods and services in fiscal year 2009; together they accounted for about 76 percent of all federal contracting.

Consistent with its 2004 report, GAO's current work found that the 25 OSDBU directors surveyed focused their procurement activities on certain functions listed in section 15(k). At least 19 directors listed the five functions related to contract bundling, maintaining supervisory authority over staff, and helping small businesses obtain payments from agencies as among their duties. Fewer directors viewed the remaining three functions, such as reviewing acquisitions for small business set-asides and assisting small businesses to obtain payments from prime contractors, as duties. Directors who did not view these functions as their responsibility generally noted that contracting or program staff performed them. Whether OSDBU directors who do not perform certain functions listed in 15(k) are complying with the statute is not clear.