

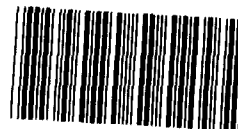
GAO

Report to the Chairman, Committee on
Armed Services, House of
Representatives

September 1991

DEFENSE
CONTRACTING

Improvements Needed
in Procurement
Technical Assistance
Program



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National Security and
International Affairs Division

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September 20, 1991

The Honorable Les Aspin
Chairman, Committee on
Armed Services
House of Representatives

Dear Mr. Chairman:

As you requested, we reviewed the Department of Defense's Procurement Technical Assistance (PTA) Cooperative Agreement Program to determine whether it is being managed in a manner that achieves its full objectives. Specifically, you asked us to determine:

- What type of services are the centers providing and are these the most beneficial services they could provide? Are there services that should be provided that are not?
- Are the PTA centers duplicating work done by other organizations?
- Are the PTA centers providing assistance to prospective Department of Defense contractors in an effective manner?

Background

Congress established the PTA Cooperative Agreement Program in October 1984 under Public Law 98-525. The Department of Defense administers the program through the Defense Logistics Agency (DLA). Through this program, Congress authorizes the Department of Defense to share the cost of supporting PTA centers sponsored by state and local governments, private nonprofit organizations, and tribal organizations. All prospective centers, including existing centers, compete annually for Defense funds.

PTA centers provide assistance to businesses seeking to market their products and services to the Department of Defense. The majority of the program's clients are small businesses, although large businesses are not denied assistance.

In fiscal year 1990, the PTA Cooperative Agreement Program consisted of 90 centers located throughout the United States. The PTA centers primarily help up-and-running businesses expand their customer base to include the Department of Defense.

Since the program's inception in 1984, Congress has appropriated \$49 million to fund the Department of Defense's share of the PTA centers' operating costs. During fiscal year 1990, the PTA program had an operating budget of \$24 million. The Department of Defense contributed \$9.9 million, or about 41 percent, and other PTA funding sources provided \$14.1 million, or about 59 percent.

Results in Brief

DLA does not require all PTA centers to perform the same services. The types of services provided by the centers vary according to the needs of the clients and the capabilities of the centers.

Established centers perform such services as helping to assess clients' capabilities, matching clients' skills and services with buyers' or prime contractors' needs, marketing, seeking new business opportunities, and assisting clients in contract award and administration.

PTA centers are duplicating some services currently offered by other organizations. For example, other government programs also provide general procurement technical assistance for businesses seeking government contracts. Since the 90 centers perform a variety of services, it is difficult to determine whether duplication of services is minimal or extensive. We, therefore, did not render an opinion on whether duplication is a serious problem.

We could not determine whether PTA centers are providing assistance to prospective Department of Defense contractors in an effective manner because DLA does not have:

- accurate performance data;
- client-provided data on center assistance; and
- sufficient training for its PTA center reviewers.

Services Provided by the Centers

The types of services provided by the PTA centers vary according to the needs of the clients and the capabilities of the centers. Each center is operated differently, depending on the services necessary to meet the needs of its community.

The centers' services can be broadly categorized. In response to a survey conducted by the Association of Government Marketing Assistance Specialists¹ at the 1990 post award conference of DLA managers, program administrators, and PTA award recipients, respondents stated that most of the centers provide services in the following major categories:

- **Marketing:** The centers identify a match between the goods and services a defense buyer needs and the products and services a client can provide.
- **Pre-award survey assistance:** The centers help clients prepare to demonstrate their financial and technical capability to perform the work.
- **Contract administration:** The centers assist clients in facilitating payment from government and/or helping clients overcome contract performance problems.
- **Special assistance:** The centers help clients on unique acquisition requirements, such as construction, research and development, and data processing, or what survey participants termed "specialty areas."

In addition to these major services, the centers also offer other related services, such as providing advocacy assistance (e.g., assisting small firms to compete for government contracts), organizing outreach conferences to publicize the existence and benefits of the PTA program, providing technical data and drawings to accompany contract specifications, and training PTA staff and clients on defense procurement issues.

Each center is designed to help businesses in the community it serves. For example, Warren, Michigan, center officials said their center was started to expand opportunities for local businesses that had previously relied on the auto industry. Specifically, the center facilitated discussion between the Army Tank Automotive Command and local businesses.

Even though established centers offer more services than new centers, the survey results indicated that established centers could expand their services consistent with the needs of the community being served by persuading more prime contractors to create additional subcontract opportunities for smaller businesses, expanding their search for listings of government contracts, and providing more help to clients in specialized areas such as construction and data processing.

¹The Association of Government Marketing Assistance Specialists is a professional organization whose members provide government contract procurement technical assistance.

Centers Provide Some Duplicate Services

The PTA centers duplicate general procurement assistance provided by other government entities. However, PTA centers provide specific guidance for Department of Defense procurement.

Those government entities that provide assistance to small businesses include the Small Business Administration's Small Business Development Centers, the Department of Commerce's Minority Business Development Agency, and the Department of Interior's Bureau of Indian Affairs, Division of Financial Assistance.

The PTA centers duplicate some services of the Small Business Administration, the Minority Business Development Agency, DLA's military buying commands, and the Naval Publication and Forms Center. Since 90 centers perform a variety of services, it is difficult to measure the extent of service duplication between the centers and other government entities. It is difficult to determine whether duplication of services is minimal or extensive. Also, the PTA program provides specific guidance for obtaining Department of Defense contracts and tailors this assistance to ongoing businesses that are usually not Defense suppliers at the time the assistance is provided.

Some centers provide clients with military contract specifications from the data repository at the Naval Publication and Forms Center, Philadelphia, Pennsylvania, which maintains data for the Department of Defense. However, survey participants stated that clients contact the PTA centers to obtain these contract specifications quicker.

Effectiveness of Centers Not Known

DLA does not have an adequate basis for evaluating program effectiveness because it does not have:

- accurate performance data;
- client-provided data on center assistance; and
- sufficient training for its PTA center reviewers.

Therefore, we could not assess the effectiveness of the PTA program.

Questionable Accuracy of Reported Performance Data

The centers are required to provide quarterly reports to DLA that list such information as the number of clients counseled, procurement conferences or seminars conducted, prime contract awards received by clients, subcontract awards received by clients, and the number of clients added to bidders' mailing lists. DLA's district associate directors have

responsibility for reviewing each of the centers' performance. Our review of PTA center performance data indicates questionable accuracy of the data.

For example, the most recent performance data available on all centers for a full year is DLA's report on the fiscal year 1988 PTA center performance. The report showed that North Dakota's PTA center helped clients obtain \$2.9 million in Department of Defense prime contract awards. DLA's review of the North Dakota center showed that the center repeatedly filed false performance reports. According to a DLA reviewer, the North Dakota center

- took credit for contract or subcontract awards for companies that did not request or receive the center's assistance,
- counted firms as clients that had no potential to sell to the Department of Defense, and
- counted the same clients as new clients year after year.

The North Dakota center is currently being re-evaluated, and if performance does not improve, Department of Defense funding will cease, according to a DLA official.

Data accuracy problems have resulted, in part, because definitions used in center performance reporting were not specific. Prior to 1988, DLA did not have a clear definition of what constituted a counseling session. In 1988, DLA clarified the criteria to be used for reporting initial and follow-up counseling sessions.

Before the criteria were clarified, some centers counted many different types of activities as counseling sessions, according to a DLA official. For example, the Oklahoma center reported that its staff conducted more than 28,000 counseling sessions in a year because the Oklahoma staff recorded all mailings and bid matches as counseling sessions.

According to a DLA reviewer, data accuracy problems also exist because the centers do not have a definition for what kind of client assistance they can take credit for when a client is awarded a contract. This results in inconsistent center performance reporting. According to the same DLA reviewer, some centers take credit for contract or subcontract awards for companies, even though the centers only provided minimal assistance, while others do not.

For example, the fiscal year 1988 DLA report stated that the Iowa center helped its clients win 108 prime contract awards worth \$5.7 million, while the Nebraska center reported that it helped its clients win 50 prime contract awards worth \$3.4 million.

According to the DLA reviewer, the Iowa center reported many contracts won based not on providing substantial assistance, but on sending military specifications or bid history to a client. The reviewer also said, in many cases, the companies that were receiving the computerized information had already obtained contracts on their own from the Department of Defense for several years. The reviewer stated that the Iowa center did not provide substantial assistance in these cases, but provided what amounted to a clerical function.

In contrast, the same reviewer said that the Nebraska center did not take credit for helping a client win a contract if the center did not provide substantial assistance. For example, the reviewer cited cases where the center did not take credit when it used its computerized system to perform the clerical function of mailing military specifications for a proposed contract or past bid history—the same activity for which the Iowa center took credit.

In addition, we found an instance where the DLA reviewer issued no reports to confirm the center's reported data. For example, two California centers reported that they were able to help their clients obtain \$4.9 million in Department of Defense prime contract awards, but there were no DLA reviewer reports to confirm this amount.

Lack of Client-Provided Data

According to the PTA program manager, not all DLA reviewers have client-provided data to verify the accuracy of the centers' performance reports. DLA requires the centers to report performance data such as number of clients counseled and number of contracts won by clients. However, reviewers have told us that it is difficult to verify these data without documentation on client assistance. Also, these officials stated that without proper documentation, no audit trail can be established and maintained.

A simple verification procedure would be to require all centers to obtain information from each client on assistance they receive from the centers. DLA district associate directors told us that obtaining information on client assistance would help improve the credibility of the centers' performance reports. Also, they believe requiring the centers to obtain

this information would make the centers more concerned about the accuracy of data in performance reports.

Need for More Training for DLA Reviewers

When we asked DLA officials to explain the lack of uniform reviews of the centers, they stated that there has not been adequate training for reviewers. The format for the reviews of centers covers a broad spectrum. For example, the reviewer for the California centers stated that the fiscal year 1988 performance reviews were not actual reports, but rather some notes that had not been summarized. In contrast, the reviewer for the North Dakota center prepared formal detailed reports. Furthermore, a district associate director said that the major vulnerability of the PTA program is the lack of uniform and thorough performance reviews.

The PTA program manager stated that DLA reviewers of the program need more training to ensure thorough, accurate, and uniform reviews. Several district associate directors confirmed that a training program for their reviewers would be beneficial.

Recommendations

We recommend that the Director, DLA:

- re-emphasize to the centers the need for submitting complete and accurate data;
- require all centers to obtain information from their clients on the assistance provided so that all DLA reviewers will have some way of verifying the accuracy of PTA center performance reports; and
- improve its training program for DLA reviewers responsible for evaluating PTA center performance which would re-emphasize the need for accurate PTA center reporting and facilitate thorough, uniform reviews.

Agency Comments

We obtained official Department of Defense oral comments on this report. Defense officials concurred with our recommendations and indicated that they had initiated the following actions to implement our recommendations:

- The Department of Defense agreed to re-emphasize to the centers the need for submitting complete and accurate data. Defense officials told us this requirement will be included as an agenda item beginning with the post award conference to be held in November 1991 for fiscal year 1991 cooperative agreement award recipients.

- DLA will continue to emphasize the requirement for submission of complete and accurate data during the preproposal and post award conferences held annually with potential applicants and cooperative agreement award recipients.
- DLA will write a letter to its Defense Contract Management District small business personnel to re-emphasize the need for accurate performance reporting.
- The Department of Defense has agreed to require all centers to obtain information from their clients on the assistance provided so that all reviewers can have a way of verifying the accuracy of the centers' performance reports. Defense officials stated that the DLA will re-emphasize to fiscal year 1991 award recipients the requirement to maintain an audit trail that would substantiate all data they report. These officials also stated that the requirement for recipients to obtain information from their clients to verify assistance provided will be included in the Fiscal Year 1992 Solicitation for Cooperative Agreement Proposals.
- The Department of Defense also agreed to improve its training program for reviewers responsible for evaluating the PTA Cooperative Agreement Program center performance, which would re-emphasize the need for accurate center reporting and facilitate thorough, uniform reviews. Defense officials told us that DLA has scheduled a 1-week training conference on January 1992 for Defense Contract Management District small business personnel. Defense officials stated the training conference will provide a forum for in-depth discussion of the PTA program administration. In addition, they said that DLA personnel will conduct a training workshop at each Defense Contract Management District to address the training needs of small business personnel at each district. Furthermore, Defense officials told us this training will commence the second quarter of fiscal year 1992 and will be completed by the second quarter of fiscal year 1993.

Scope and Methodology

We interviewed PTA officials representing six centers located in California, Florida, Pennsylvania, Michigan, and North Carolina. We selected these six centers to provide a range of program coverage in terms of federal funding level, geographical distribution, and type of operating organization. Furthermore, we interviewed DLA program officials and obtained funding and other program statistics and documents at headquarters. We also interviewed the president of the Association of Government Marketing Assistance Specialists on matters relating to the administration and operation of the program.

We interviewed clients of four PTA centers. We reviewed a 1989 Michigan Department of Commerce report on client satisfaction. We participated in the November 1990 DLA post-award conference and the Association's training seminar to study current PTA program and center operating procedures and identify areas for possible improvement.

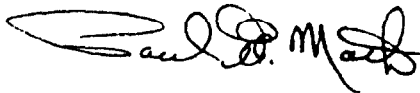
We also interviewed small business specialists representing military buying commands in California, New York, Pennsylvania, and Texas.

We performed our work from July 1990 to June 1991 in accordance with generally accepted government auditing standards.

Unless you announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to the Chairmen, Senate Committee on Armed Services, House and Senate Committees on Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations; the Secretary of Defense; the Director, Defense Logistics Agency, and the Director, Office of Management and Budget. We will make copies available to others upon request.

If you have any questions on this report, please call me on (202) 275-4587. Other major contributors are listed in appendix I.

Sincerely yours,



Paul F. Math
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