

GAO

Testimony

Before the Subcommittee on Contracting
and Workforce, Committee on Small
Business, House of Representatives

For Release on Delivery
Expected at 10:00 a.m. EDT
Thursday, September 15, 2011

SMALL BUSINESS CONTRACTING

Opportunities to Improve the Effectiveness of Agency and SBA Advocates and Mentor-Protégé Programs

Statement of William B. Shear, Director
Financial Markets and Community Investment

U.S. Government Accountability Office

GAO 90

YEARS

1921-2011

ACCOUNTABILITY ★ INTEGRITY ★ RELIABILITY

Chairman Mulvaney, Ranking Member Chu, and Members of the Subcommittee:

I am pleased to be here to discuss our recent work on the federal government's efforts to increase contracting opportunities for small businesses. This work covered (1) the Offices of Small and Disadvantaged Business Utilization (OSDBU) at federal agencies, (2) federal mentor-protégé programs, and (3) the Small Business Administration's (SBA) Procurement Center Representatives (PCR) and Commercial Market Representatives (CMR).

More specifically, to increase small businesses' visibility within federal agencies, in 1978 Congress amended the Small Business Act to require that all federal agencies with procurement powers establish an OSDBU, which would advocate for small businesses in a variety of ways.¹ The act further requires that OSDBU directors be responsible only to and report directly to agency heads or their deputies.² The purpose of this provision is to help ensure that OSDBU directors have direct access to their agencies' top decision makers in order to advocate effectively. The functions an OSDBU may perform include administering a mentor-protégé program. Under such programs, mentors—businesses, typically experienced prime contractors—provide technical, managerial, and other business development assistance to eligible small businesses, or protégés. In return, the programs provide incentives for mentor participation, such as credit toward subcontracting goals. Overall, mentor-protégé programs seek to enhance the ability of small businesses to compete more successfully for federal contracts. Thirteen agencies currently have mentor-protégé programs: the Department of Homeland Security (DHS), Department of Defense (DOD), Department of Energy (Energy), Environmental Protection Agency (EPA), Federal Aviation Administration (FAA), General Services Administration (GSA), Department of Health and Human Services (HHS), National Aeronautics and Space Administration (NASA), SBA, Department of State (State), Department of the Treasury (Treasury), United States Agency for International Development (USAID), and Department of Veterans Affairs

¹Pub. L. No. 95-507, § 221, 92 Stat. 1757, 1770 (1978).

²Codified at 15 U.S.C. § 644(k)(3). In 1988, Congress amended section 15(k)(3) and allowed the Secretary of Defense the discretion to designate the officials to whom the Defense OSDBU director should report.

(VA). In addition to OSDBUs, SBA's PCR's and CMR's play an important role in helping ensure that small businesses gain access to contracting and subcontracting opportunities. A PCR's key responsibilities include reviewing proposed agency contract actions—such as potential bundling or consolidation—and making set-aside recommendations to agency contracting officers, reviewing agency small business programs, and counseling small businesses.³ A CMR's key responsibilities include counseling small businesses on obtaining subcontracts and helping match large prime contractors with small businesses.

My testimony today discusses three reports we issued in June 2011.⁴ Specifically, I will discuss our work on (1) the reporting structure at and functions performed by OSDBUs in agencies with major contracting activity, (2) the mentor-protégé programs at 13 federal agencies, and (3) SBA's PCR's and CMR's.

In summary, we found the following and made recommendations for improvement:

- Nine of the 16 agencies we reviewed were in compliance with the Small Business Act's requirement that OSDBU directors be responsible only to and report directly to the agency or deputy agency head; however, seven were not. We recommended that the seven agencies act to comply with the requirement. The Social Security Administration (SSA) agreed with the recommendation, and the Department of the Interior agreed to reevaluate its reporting structure. The Departments of Commerce, Justice, State, and the Treasury disagreed, stating they were in compliance. We maintained our

³Section 412 of the Small Business Administration Reauthorization Act of 1997 defines the bundling of contract requirements as the consolidation of two or more procurement requirements for goods or services previously provided or performed under separate smaller contracts into a solicitation of offers for a single contract that is likely to be unsuitable for award to a small business concern for various reasons.

⁴See GAO, *Small Business Contracting: Action Needed by Those Agencies Whose Advocates Do Not Report to Agency Heads as Required*, [GAO-11-418](#) (Washington, D.C.: June 3, 2011); GAO, *Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do Not Require Postagreement Tracking*, [GAO-11-548R](#) (Washington, D.C.: June 15, 2011); and GAO, *Improvements Needed to Help Ensure Reliability of SBA's Performance Data on Procurement Center Representatives*, [GAO-11-549R](#) (Washington, D.C.: June 15, 2011).

position on these agencies' compliance status. The Department of Agriculture did not comment.

- While controls existed at all 13 federal agencies with mentor-protégé programs to help ensure that participants met eligibility criteria and benefited from the program, the agencies generally did not track protégé achievements after program completion. We recommended that 10 agencies consider doing so. Six of the 10 agencies—DHS, Energy, GSA, HHS, Treasury, and VA—generally agreed with our recommendation. We clarified the wording of the recommendation in response to SBA's comment that the wording in our draft report would lead to the conclusion that all mentor-protégé programs have the same objective. State partially agreed with our recommendation, citing concerns about the impact that postcompletion reporting could have on the department, mentor firms, and protégé firms. EPA and FAA did not comment.
- Although SBA had some measures to assess the effectiveness of PCRs and CMRs, select data these staff reported were not reliable and report controls and reviews had weaknesses. We recommended that SBA take measures to improve data reliability and internal controls. SBA agreed with our recommendations and has been updating guidance for the PCR and CMR programs to provide clear instructions for reporting. SBA also said it would implement a method to verify and review the PCR and CMR documentation.

For our report on OSDBUs, we focused on the seven agencies that procured more than \$15 billion in goods and services in fiscal year 2009: the Defense Logistics Agency (DLA); the Departments of the Air Force, Army, and Navy; Energy; HHS; and NASA.⁵ When assessing to whom OSDBU directors reported, we also included nine additional agencies that we reported in September 2003 were not compliant with reporting requirements.⁶ We determined that agencies were compliant if the OSDBU directors exercised OSDBU small business advocacy responsibilities and reported directly to and were responsible only to the agency head or the agency head's deputy. To determine which functions

⁵The goods and services these seven agencies procured in fiscal year 2009 accounted for about 76 percent of all federal contracting.

⁶GAO, *Small and Disadvantaged Businesses: Some Agencies' Advocates Do Not Report to the Required Management Level*, [GAO-03-863](#) (Washington, D.C.: Sept. 4, 2003).

OSDBUs conducted, we surveyed OSDBU directors at 25 agencies.⁷ For our report on mentor-protégé programs, we reviewed regulations, policies and procedures, prior GAO and SBA Inspector General reports, and agency guidance and documentation on administering and monitoring the programs. We also reviewed agency information on the extent to which protégés could compete for federal contracts without mentor assistance. In addition, we interviewed agency officials and select industry-group representatives. For our report on PCRs and CMRs, we reviewed SBA data on PCR and CMR performance as reported in the agency's monthly Government Contracting Area Report (GCAR). We also (1) reviewed and analyzed relevant laws and regulations and SBA guidance, position descriptions, and staffing directories and (2) interviewed agency officials and staff about data quality controls and reviewed relevant documentation. Finally, we interviewed SBA officials who manage PCRs and CMRs, a random sample of staff with PCR or CMR responsibilities, contracting staff at three agencies with assigned PCRs, and small business and contractor stakeholders.

The work on which this statement is based was performed from June 2010 to June 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁷We included all 20 civilian agencies that procured more than \$800 million in goods and services in fiscal year 2009, which represented more than 98 percent of civilian agency obligations in that year. The five military entities were DOD—Office of the Secretary; the Departments of the Air Force, Army, and Navy; and DLA. DOD does not have a single OSDBU director; rather, the services and other DOD command units have separate OSDBUs, each headed by a director. These organizational units carry out procurement for most of DOD. The DOD agencies, as well as some other agencies in our study, refer to their offices as the Office of Small Business Programs. For simplicity, we use OSDBU for all agencies in this testimony.

Although OSDBU
Director Reporting
Relationships Varied,
Survey Results
Indicated That
OSDBUs Performed
Similar Functions

More Than Half of OSDBU
Directors Reviewed
Reported Directly to Their
Agency or Deputy Agency
Head

In June, we reported that 9 of the 16 agencies we reviewed were in compliance with the Small Business Act's requirement that OSDBU directors be responsible only to and report directly to the agency or deputy agency head (see table 1). We determined that the remaining seven agencies were not in compliance. These same agencies also were not in compliance in 2003, when we last assessed the reporting structure.⁸

Table 1: Summary of Agency Compliance with Section 15(k)(3) of the Small Business Act, as of April 2011

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
Environmental Protection Agency	
National Aeronautics and Space Administration ^a	

Source: GAO analysis of agency information.

^aAgencies that procured more than \$15 billion in goods and services in fiscal year 2009.

⁸The Department of Education and EPA were noncompliant in 2003 but had become compliant by our recent review.

Documentation from nine agencies indicated that the OSDBU directors reported directly to and were responsible only to the agency head or the deputy head when carrying out OSDBU duties and functions. The organization charts for these nine agencies showed a direct link between the OSDBU directors and agency or deputy heads. The agency or deputy heads also rated the OSDBU directors' performance and received OSDBU reports and memorandums. At the seven agencies not in compliance with section 15(k)(3), the OSDBU directors either reported to lower-level officials or delegated their responsibilities to officials who did not report to the agency or deputy head.

At the Departments of Commerce, the Interior, and Justice and SSA, the OSDBU directors reported to officials at lower levels than the agency head or deputy head. For example, at Commerce, the OSDBU director reported to the Deputy Assistant Secretary for Administration and the Assistant Secretary for Administration. At Interior, the OSDBU director reported to the Deputy Assistant Secretary for Budget, Finance, Performance, and Acquisition and to the Assistant Secretary, Policy, Management and Budget. At Justice, OSDBU officials told us that the current reporting structure was the same as in 2003. The OSDBU was located within the Justice Management Division, with the director under the supervision of the Deputy Assistant Attorney General for Policy, Management and Planning. SSA also had the same reporting structure as in 2003, with the OSDBU director reporting to the Deputy Commissioner, Office of Budget, Finance and Management, one of nine deputy commissioners managing programs and operations.

The designated OSDBU directors at the Departments of Agriculture, State, and the Treasury delegated their responsibilities to officials who did not report directly to the Secretaries or Deputy Secretaries. These arrangements were the same as those we determined in 2003 to be noncompliant with the Small Business Act. At these agencies, Assistant Secretaries who managed the agencies' administrative functions were designated as the statutory OSDBU directors. The Assistant Secretaries then delegated nearly all their OSDBU responsibilities to lower-ranking officials who reported directly to the Assistant Secretaries. The lower-ranking officials thus became the de facto OSDBU directors. At Agriculture, for example, the designated OSDBU director was the Assistant Secretary for Administration, who reported to the Secretary and Deputy Secretary. However, the Assistant Secretary had delegated nearly all of his OSDBU responsibilities to a lower-level official who did not have direct access to the agency head or deputy head. At State, the Assistant Secretary for Administration was the designated OSDBU director. The

Assistant Secretary, who reported to one of the department's two Deputy Secretaries on small business matters, had delegated his OSDBU responsibilities to the Operations Director for the OSDBU, who reported directly to him. At Treasury, the Assistant Secretary of the Treasury for Management/Chief Financial Officer/Chief Performance Officer was the designated OSDBU director. However, the Director of the Office of Small Business Programs, an official who did not directly report to either the Secretary or the Deputy Secretary, was responsible for the day-to-day management of Treasury's small business programs.

The OSDBU directors at the compliant agencies cited benefits to the reporting relationship. For example, five stated that reporting to the agency head or deputy showed top-level support for small business efforts that sent a message to the rest of the agency. OSDBU directors at noncompliant agencies differed in their views of the importance of reporting to the agency or deputy head. For instance, one director noted that being too far down the reporting structure meant that she could not independently voice her opinion, especially when it differed from her supervisor's. Other directors stated that small business matters were not suffering as a result of the structure. Nonetheless, the Small Business Act requires that the OSDBU director have direct access to the agency head or deputy to help ensure that the OSDBU's responsibilities are effectively implemented. As a result, we recommended that the seven agencies act to comply or report to Congress on why they have not complied, including making any requests for statutory reporting flexibility they determine are appropriate. SSA agreed with the recommendation, and Interior agreed to reevaluate its reporting structure. Commerce, Justice, State, and the Treasury disagreed, stating they were in compliance. None of the agencies' comments caused us to revise our conclusions or recommendations. Although Commerce and Justice stated that the reporting structures we described were for administrative purposes and that the OSDBU directors reported to the deputy head on policy matters and matters of substance, our interviews with the OSDBU directors and the documentation we reviewed indicated that the OSDBU directors reported to lower-level officials on small business matters. Similarly, as discussed in our report, we continue to believe that State and Treasury were not compliant because the delegation of OSDBU responsibilities to

officials who do not report to the agency or deputy head is not consistent with the intent of the Small Business Act.⁹ Agriculture did not comment.

Most OSDBU Directors Reported Performing Five of the Eight Functions Identified in the Small Business Act

















Our survey asked 25 OSDBU directors which of the responsibilities listed in the Small Business Act they saw as responsibilities of their offices. As shown in figure 1, at least 19 of the 25 directors reported they viewed five of the eight functions identified in section 15(k) of the act as current duties of their office. These five functions included (1) having supervisory authority over OSDBU staff, (2) three functions involving contract bundling,¹⁰ and (3) assisting small businesses to obtain payments from agencies. Fewer OSDBU directors (10 to 18) viewed the remaining three functions—reviewing individual acquisitions for small business set-asides, assisting small businesses to obtain payments from prime contractors, and assigning a small business technical advisor to offices with PCRs—as their responsibilities. The data show little change from responses to our 2003 survey.¹¹



⁹[GAO-11-418](#). We stated in both our 2003 ([GAO-03-863](#)) and 2011 reports that the delegation of authority may be withheld by implication, and that we believe section 15(k)(3) does implicitly withhold such delegation of authority. To ensure that the OSDBU responsibilities are effectively implemented, the statute mandates that the OSDBU director (i.e., the person carrying out the responsibilities) have immediate access and be responsible only to the agency head or deputy. The legislative history reveals that the reason for this requirement is that Congress believed that agency officials responsible for promoting procurements for small and disadvantaged businesses were often too far down the chain of command to be effective. The reporting requirement of section 15(k)(3) was intended to remedy this situation.

¹⁰The three functions involving contract bundling are (1) attempting to identify solicitations that involve bundling of contract requirements, (2) working with agency acquisition officials to revise procurement strategies for bundled contract requirements to increase small business participation, and (3) facilitating small business participation as subcontractors to bundled contracts.

¹¹We published the results of our 2003 survey in March 2004. See GAO, *Small and Disadvantaged Businesses: Most Agency Advocates View Their Roles Similarly*, [GAO-04-451](#) (Washington, D.C.: Mar. 22, 2004).

Figure 1: Survey Results from OSDDBU Directors on Section 15(k) Functions

Section 15(k) functions	Yes, this function is a duty of the OSDDBU director	No, this function is not a duty of the OSDDBU director	No answer
Supervisory authority over personnel with the duties and functions of the OSDDBU	 24 22	 1 ^a 2	
Attempting to identify solicitations that involve bundling of contract requirements	 24 21	 1 ^b 3	
Working with agency acquisition officials to revise procurement strategies for bundled contract requirements to increase small business participation	 24 22	 1 ^c 2	
Facilitating small business participation as subcontractors to bundled contracts	 20 19	 5 ^d 4	0 1
Assisting small businesses to obtain payments from your agency	 19 20	 6 ^e 4	
Determining/reviewing individual acquisitions for small business set-asides	 18 17	 7 ^f 7	
Assisting small businesses to obtain payments from prime contractors	 14 17	 11 ^g 7	
Assigning a small business technical advisor	 10 13	 10 ^h 7	5 ⁱ 4

 2010 (Total respondents: 25)
 2003 (Total respondents: 24)

Source: GAO analysis of survey data from 2010 and 2003.

^aSSA reported that supervisory authority over personnel with the duties and functions of the OSDDBU was not a function of the OSDDBU.

^bThe Office of Personnel Management (OPM) reported that attempting to identify solicitations involving bundling of contract requirements was not a function of the OSDDBU.

^cSSA reported that working with agency acquisition officials to revise procurement strategies for bundled contract requirements to increase small business participation was not a function of the OSDDBU.

^dThe Departments of Agriculture and Commerce, the Office of the Secretary of Defense, OPM, and SSA reported that facilitating small business participation as subcontractors to bundled contracts was not a function of their offices.

^eThe Departments of the Air Force, Education, and the Interior; EPA; the Office of the Secretary of Defense; and SSA reported that assisting small businesses to obtain payments from their agencies was not a function of their offices.

^fThe Departments of the Army, Education, Energy, Housing and Urban Development (HUD), and Transportation; the Office of the Secretary of Defense; and OPM reported that determining/reviewing individual acquisitions for small business set-asides was not a function of their offices.

^gThe Departments of Agriculture, the Air Force, Education, the Interior, and Transportation; EPA; HUD; the Office of the Secretary of Defense; OPM; SSA; and USAID reported that assisting small businesses to obtain payments from prime contractors was not a function of their offices.

^hThe Departments of the Air Force, the Army, Commerce, Energy, the Interior, Justice, the Navy, and Transportation; DLA; and VA reported that assigning a small business technical advisor was not a function of their offices.

ⁱSection 15(k) of the Small Business Act requires the OSDBU director to designate a small business technical advisor when SBA has assigned a PCR to the agency. According to the OSDBU directors at HUD, the Office of the Secretary of Defense, OPM, SSA, and USAID, SBA had not assigned a PCR to their agencies at the time of our survey. As a result, these OSDBU directors did not have to designate a technical advisor.

The number of OSDBU directors who did not view a section 15(k) function as their current responsibility varied, depending on the function. The number ranged from 1 who did not view maintaining supervisory authority over OSDBU personnel as a function to 11 who did not view assisting small businesses to obtain payments from prime contractors as a responsibility. In their written comments and follow-up interviews, the directors who did not view a section 15(k) function as their responsibility generally stated that contracting, acquisition, or program staff performed it. Section 15(k) lists the functions of OSDBU directors but does not necessarily require them to personally carry out these activities themselves.

Mentor-Protégé Program Policies Aim to Benefit Participants but Do Not Require Postagreement Tracking

Controls Help Ensure Participants Are Eligible and Benefit from Program Participation

Our June report examined the controls that existed at all 13 federal agencies with mentor-protégé programs to help ensure that participants meet eligibility criteria and benefit from the program.¹² Generally, a mentor may be a large or small business, must be eligible for award of a

¹²We focused on policies and procedures the agencies have put in place to administer and monitor the mentor-protégé programs and controls to help ensure the programs are beneficial to participants. However, we did not conduct testing on how well the program controls were operating.

government contract, and must be able to provide developmental assistance to enhance the capabilities of protégés. Agencies verify that these criteria are met by checking whether the mentor is on the “suspended” or “debarred” list and by requiring that mentors demonstrate their ability to provide developmental assistance. Additionally, some agencies require their mentors to be current prime contractors or subcontractors with the agency. All agencies require that the protégé be a small business (based on its primary North American Industrial Classification System code) and eligible to receive federal contracts. While some agencies, such as SBA and VA, are specific about the types of small businesses eligible for their programs, most agencies accept various types of small businesses as protégés.¹³

The mentor-protégé programs have various reporting requirements for mentors and protégés that provide information on the protégé’s growth, costs and expenditures, and completion of developmental activities. Generally, the agencies require that reports be submitted annually or semiannually, either jointly by the mentor and protégé or by the mentor or protégé only. Some agencies also require that the mentor and protégé provide a formal briefing on any accomplishments or a “lessons-learned” evaluation.

To help ensure that protégés benefit from the program, most agencies conduct periodic annual reviews and compare progress reported by the mentor and protégé with the milestones in the mentor-protégé agreement. Agencies also may conduct site visits or receive informal protégé reporting on any dissatisfaction with the developmental assistance. If the protégé reports any such dissatisfaction, an agency generally can discontinue the mentor-protégé agreement if it finds that the mentor has not provided the agreed-upon assistance or if the assistance has not resulted in material benefits to the protégé. However, according to agency officials, this rarely occurs.

¹³For instance, SBA has the largest mentor-protégé program, which it offers under the 8(a) Business Development Program, one of the federal government’s primary vehicles for developing small businesses owned and controlled by socially and economically disadvantaged individuals. SBA’s mentor-protégé program serves as an additional developmental tool for 8(a) participants, which receive SBA technical assistance and management training and may be eligible for contracts that federal agencies set aside for 8(a) firms. Protégés in SBA’s mentor-protégé program must participate in its 8(a) program.

Moreover, as part of SBA's individual efforts to help ensure that its 8(a) program benefits participants and is not just a way for participants to receive contracts for which they otherwise would not qualify, SBA recently revised its 8(a) program regulations, including those for its mentor-protégé program and joint ventures. SBA published a final rule on February 11, 2011, that includes provisions that (1) add consequences (including stop-work orders and potential debarment) for a mentor that does not provide agreed-upon assistance to its protégé and (2) require SBA's 8(a) participants in a joint venture to perform at least 40 percent of the work done by the joint venture, including work awarded under a mentor-protégé agreement.

Most Programs Do Not Collect Postagreement Information on Protégé Success

Most federal mentor-protégé programs do not collect information on protégés after the conclusion of their mentor-protégé agreements; therefore, little information is available on the success of protégés after participating in the program.¹⁴ Of the 13 federal agencies we identified with mentor-protégé programs, only 3 agencies—DOD, NASA, and USAID—have policies in place to collect information on protégés after their mentor-protégé agreements have terminated.¹⁵ They each require protégés to submit a postcompletion report on their employment and revenue statistics annually for 2 years. However, because NASA's and USAID's mentor-protégé programs are relatively new, information on the protégés' progress following completion of the programs is not yet available. And, only DOD is required by statute to collect such information on protégés after they exit the program.

More specifically, under DOD's program, protégés must report their progress annually for two years, including any successes that could be attributed to participation in the program, such as in employment, annual

¹⁴As a result, our objective was to determine if information was available on whether protégés have become able to compete for federal contracts without the assistance of a mentor.

¹⁵According to SBA officials, as a result of protégé firms participating in the 8(a) program, the agency collects information on the firm for 3 years after completion of the 9-year 8(a) program term or early graduation from the program. However, the information is collected for purposes of the 8(a) program and is not suitably detailed to determine whether protégés have become able to compete for federal contracts.

revenue, and annual participation in DOD contracts.¹⁶ DOD must conduct annual performance reviews of the postcompletion information the protégés report. Additionally, Congress requires DOD to report annually on trends in the progress made in employment, revenues, and participation in DOD contracts of both protégés and former protégés.¹⁷ For example, in its report to Congress for fiscal year 2009, DOD noted that while the 61 former protégés providing postcompletion reports experienced a cumulative decrease in annual revenue and number of employees (which may have been the result of broader economic conditions), they experienced an average increase in number and dollar amount of DOD prime contract and subcontract awards. They also experienced an average increase in the dollar amount of total federal subcontract awards following completion of the program.¹⁸ Similarly, in its fiscal year 2008 annual report, DOD noted that 33 former protégées experienced a cumulative increase in annual revenue and number of employees and an average dollar increase in DOD prime contracts and subcontracts since program completion.¹⁹

The remaining 10 federal agencies—DHS, Energy, EPA, FAA, GSA, HHS, SBA, State, Treasury, and VA—do not have policies and procedures in place to collect postcompletion information from protégés. Most agency officials told us that while the information they currently collect on protégés during the course of a mentor-protégé agreement helps to determine the overall success of their program, postcompletion

¹⁶DOD's requirement for collecting and maintaining information on the protégé after conclusion of the mentor-protégé program derives from amendments to the program in the National Defense Authorization Act for Fiscal Year 2000, Pub. L. No. 106-65, § 811, 113 Stat. 706 (1999).

¹⁷DOD also must verify that mentors and protégés accurately reported progress and determine that all costs reimbursed to mentors during the agreement were reasonably incurred.

¹⁸DOD Office of Small Business Programs, *DOD Mentor-Protégé Program Annual Report to Congress*, Fiscal Year 2009, (Washington, D.C., August 2010).

¹⁹DOD Office of Small Business Programs, *DOD Mentor-Protégé Program Annual Report to Congress*, Fiscal Year 2007 and Fiscal Year 2008, (Washington, D.C., September 2009).

information also could be useful.²⁰ An official at one agency expressed concern that this information could be misleading because there is no assurance that a protégé's ability to compete and, ultimately, win federal contracts could be attributed to its participation in the mentor-protégé program. While changes in contracts awarded could reflect existing economic or industry conditions upon program completion, this is also true for data collected during the mentor-protégé agreement.

As noted previously, most agencies have policies and reporting requirements to help ensure that protégés benefit from participation in their mentor-protégé programs. To determine overall success, the agencies collect information during the term of the agreement. We concluded that without postcompletion information, the agencies might miss opportunities to obtain additional information that could help them further assess program success and help ensure that small businesses were benefiting from the programs as intended. Therefore, we recommended that the 10 agencies consider collecting and maintaining protégé postcompletion information. Six of the 10 agencies—DHS, Energy, GSA, HHS, Treasury, and VA—generally agreed with our recommendation. SBA agreed with a recommendation to collect and maintain information related to firms' activity following the completion of the mentor-protégé relationship but disagreed with the recommendation as worded in our draft report because it thought the recommendation would lead to the conclusion that all mentor-protégé programs have the same objective. We did not intend to imply that all mentor-protégé programs have the same objective and clarified the wording of our recommendation in response to SBA's comments. State partially agreed with our recommendation, citing concerns about the impact that postcompletion reporting could have on the department, mentor firms, and protégé firms. We understand State's concerns, as discussed further in the letter, but continue to believe that the agency should consider collecting postprogram data. EPA and FAA did not comment.

²⁰Most agency officials told us they only collected information on protégés during their program tenure, including data on the increase in number and dollar value of contracts and subcontracts the protégés were awarded. Some agencies also collect information on increases in protégé subcontracting opportunities in areas where the protégé traditionally had not performed—opportunities that would indicate an expansion of its field of expertise. Some agencies used the information gathered during program tenure as a measure of overall success for their mentor-protégé programs.

Improvements Needed to Help Ensure Reliability of SBA's Performance Data on Procurement Center Representatives

Our June report identified measures SBA uses to determine the effectiveness of PCRs and CMRs in carrying out their responsibilities. PCRs and CMRs play important roles in advocating for and advancing prime and subcontracting opportunities for small businesses. Thus, they are in key positions to help SBA achieve the goal of helping ensure such opportunities. We found that SBA has performance goals and measures related to key PCR and CMR activities. For example, for fiscal year 2010, PCRs and CMRs were expected to (1) influence \$6.7 billion of procurements for small business programs (by making formal and informal recommendations on specific contracts), (2) conduct 42 surveillance and follow-up reviews, (3) conduct 1,220 subcontracting reviews, and (4) conduct 40 training sessions for federal agencies (contracting staff). According to SBA, PCRs and CMRs generally exceeded these goals in fiscal year 2010. However, data reliability issues may limit the usefulness of these measures for monitoring PCR and CMR performance and accomplishments. Our comparison of selected GCAR data reported in July and August 2010 against documentation maintained by PCRs and CMRs showed that GCAR data often did not match the documentation or could not be verified based on the documentation.

For example, we reviewed \$32.1 million reported on the GCAR in July 2010 for four formal recommendations PCRs made. For one recommendation, the GCAR listed \$4.5 million, but the documentation appeared to support \$800,000. The GCAR listed \$10 million for another recommendation; the documentation appeared to support \$7 million. For the remaining two recommendations, we could not verify the GCAR amount because the supporting documentation lacked sufficient detail. We also reviewed \$68.5 million reported on the GCAR in July 2010 for 36 informal recommendations PCRs made. Seven informal recommendations lacked supporting documentation with sufficient detail to determine the base-year value or one-time or 1-year award value of the contracts. SBA guidance requires PCRs to report the base year value for multiyear contracts or the total value for a one-time or 1-year award. In other examples, we could not verify the total number of reviews reported in particular months because supporting documentation lacked sufficient detail or was missing. We also found incorrectly reported data. For the 133 federal agency training events reported on the GCAR for July 2010, SBA officials told us that one area office reported the number of attendees (123) rather than the number of events (8), overstating the number of events by 115.

We also found weaknesses in SBA controls for reviewing and reporting performance information. An agency must have relevant, reliable

information relating to internal events and record and communicate it to management and others in the agency who need it to carry out their responsibilities.²¹ SBA's standard operating procedures require PCRs and CMRs to submit a productivity report and other information to their area director each month and maintain backup documentation. Area directors must review the records that PCRs submit, conduct an on-site review of the PCRs' records every other year (if feasible) and report on their review to SBA headquarters. However, SBA has not communicated standards or consistently applied internal control procedures. More specifically, it has not provided clear and complete guidance for PCRs and CMRs for accurately recording and maintaining backup documentation. According to our interviews, managers either did not review the documentation supporting reported accomplishments or conduct on-site reviews of records or did so selectively. SBA's ability to monitor the performance of PCRs and CMRs and determine whether established goals have been achieved is compromised when GCAR data are inaccurate. SBA officials told us they planned to update the standard operating procedures for PCRs and CMRs by December 2011, including the requirements related to the documentation of data reported in the GCAR.

In addition to our examination of performance measures and reporting, we interviewed PCRs and CMRs about the key challenges they faced in carrying out their responsibilities. The following examples summarize some of the challenges they cited:

- PCRs and CMRs said that other tasks took priority over and reduced time for PCR and CMR duties.²² SBA officials told us staff reductions

²¹GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999); *Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C.: Aug. 2001).

²²Consistent with these challenges, in November 2008, we reported that years of SBA downsizing and budget reductions reduced staff resources and resulted in most PCRs covering multiple agencies and "buying activities" within agencies. See GAO, *Small Business Administration: Agency Should Assess Resources Devoted to Contracting and Improve Several Processes in the 8(a) Program*, [GAO-09-16](#) (Washington, D.C.: Nov. 21, 2008). We also reported that CMRs with whom we spoke had large portfolios (ranging from approximately 90 to 200 prime contractors), which diminished their ability to monitor prime contractors through compliance reviews. We recommended that SBA assess the resources allocated to PCRs and CMRs and develop a plan to better ensure that these staff could carry out their responsibilities.

required them to cross-train most PCR and CMR on size determinations and certificates of competency.²³

- CMRs told us that the CMR function increasingly has become part-time. According to SBA, more than half the staff with CMR functions spent 25 percent or less of their time on CMR duties as of November 1, 2010.
- PCRs and CMRs said the lack of in-person interaction with buying activities (agency divisions that purchase goods and services) and prime contractors limited their ability to influence procurements and subcontracting opportunities. PCRs working at buying activities said their access to procurement planning discussions helped influence procurements.
- Many PCRs told us that some agencies would not send procurements to them for review, although the Federal Acquisition Regulation requires agencies to provide certain procurements to SBA for review prior to award.²⁴ SBA officials told us they were meeting with officials from three agencies to resolve this issue.
- PCRs and CMRs cited a lack of authority to influence subcontracting opportunities. PCRs told us that they had no means to dispute agency procurements if contracting officers did not use their recommendations on subcontracting plans.

To help ensure that SBA reliably could use GCAR data and determine whether established goals had been achieved, we recommended that SBA provide guidance to PCRs and CMRs on GCAR reporting. We also recommended that SBA verify the report data and periodically review documentation for PCR and CMR records. SBA agreed with our recommendations. It has been updating guidance for the PCR and CMR

²³SBA conducts size determinations of businesses against which a protest has been filed (because they are believed to be other than small). SBA must complete these determinations within 15 business days of receiving a protest, if possible. Contracting officers may withhold award of a contract to a small business if they determine the firm is “nonresponsible.” They must refer such determinations to SBA. If the small business requests, SBA must complete a certificate of competency review within 15 business days to determine whether the small business is responsible. If SBA issues a certificate of competency, the agency generally must award the contract to the firm.

²⁴FAR 19.202-1(e)(1).

programs to provide clear instructions for GCAR reporting. SBA also said it would implement a method to verify and review the PCR and CMR documentation.

Chairman Mulvaney, Ranking Member Chu, this concludes my prepared statement. I would be happy to respond to any questions you or other Members of the Subcommittee may have at this time.

Contacts and Staff Acknowledgements

For further information on this testimony, please contact me at (202) 512-8678 or shearw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Key contributors to this testimony include Marshall Hamlett and Paige Smith, Assistant Directors; Michelle Bowsky; Tania Calhoun; Janet Fong; Colleen Moffatt; Barbara Roesmann, Rebecca Shea; and Kathryn Supinski.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

