



Highlights of [GAO-10-458](#), a report to congressional committees

Why GAO Did This Study

The Veterans Benefits, Health Care, and Information Technology Act of 2006 (the 2006 Act) requires the Department of Veterans Affairs (VA) to give priority to veteran-owned and service-disabled veteran-owned small businesses (VOSB and SDVOSB) when awarding contracts to small businesses. The 2006 Act also requires GAO to conduct a 3-year study of VA's implementation of the act. GAO evaluated (1) the extent to which VA met its prime contracting goals for VOSBs and SDVOSBs in fiscal years 2007-2009; (2) VA's progress in implementing procedures to verify the ownership, control, and status of VOSBs and SDVOSBs in its mandated database; and (3) VA's progress in establishing a review mechanism of prime contractors' subcontracts with VOSBs and SDVOSBs. GAO obtained and analyzed data on VA's prime and subcontracting accomplishments, and reviewed a sample of verified businesses to identify any deficiencies in VA's verification program.

What GAO Recommends

To help address requirements in the 2006 Act, GAO recommends that the Secretary of VA develop an effective process to ensure that interagency agreements comply with requirements; develop and implement a plan that ensures a more thorough and effective verification program; monitor contract awards made using veteran preference authorities; and develop guidance for staff to make determinations about businesses misrepresenting themselves. In commenting on a draft of this report, VA agreed with GAO's recommendations.

View [GAO-10-458](#) or [key components](#). For more information, contact William Shear at (202) 512-8678 or shearw@gao.gov.

DEPARTMENT OF VETERANS AFFAIRS

Agency Has Exceeded Contracting Goals for Veteran-Owned Small Businesses, but It Faces Challenges with Its Verification Program

What GAO Found

While VA exceeded its contracting goals with VOSBs and SDVOSBs for the past 3 years, it faces challenges in continuing to meet its other small business contracting goals and monitoring agreements with other agencies that conduct contract activity on VA's behalf. While VA was able to exceed its contracting goals for VOSBs and SDVOSBs, its contracting with women-owned small businesses and HUBZone firms fell short of its goals during this period. In addition, GAO's review of interagency agreements found that VA lacked an effective process to ensure that interagency agreements include required language that the other agency comply, to the maximum extent feasible, with VA's contracting goals and preferences for VOSBs and SDVOSBs and to monitor the extent to which agencies comply with the requirements.

VA has made limited progress in implementing an effective verification program. While the 2006 Act requires VA to use the veteran preferences authorities only to award contracts to verified businesses, VA's regulation does not require that this take place until January 1, 2012. In fiscal year 2009, 25 percent of the contracts awarded using veteran preferences authorities went to verified businesses. To date, VA has verified about 2,900 businesses—approximately 14 percent of businesses in its mandated database of VOSBs and SDVOSBs. Among the weaknesses GAO identified in VA's verification program were files missing required information and explanations of how staff determined that control and ownership requirements had been met. In addition, VA's procedures call for site visits to further investigate the ownership and control of higher-risk businesses, but the agency has a large and growing backlog of businesses awaiting site visits. Furthermore, VA contracting officers awarded contracts to businesses that had been denied verification. Finally, although site visit reports indicate a high rate of misrepresentation, VA has not developed guidance for referring cases of misrepresentation for investigation and enforcement action. Such businesses would be subject to debarment under the 2006 Act. To ensure a thorough and effective verification program, VA needs robust procedures for reviewing businesses, an effective system to ensure that contracting officers do not use veteran preferences authorities with denied businesses, and clear guidance for referring businesses potentially abusing the program.

VA has developed a mechanism to review prime contractors' subcontracts with VOSBs and SDVOSBs, but the agency has not yet implemented it. For the past 3 years, VA fell substantially short of achieving subcontracting goals for VOSBs and SDVOSBs. The agency acknowledged shortcomings in this area and intends to use a review mechanism to confirm all subcontracting activities by prime contractors with approved subcontracting plans for a sampling of contracts awarded in fiscal year 2010. VA expects increased performance for subcontracting goal attainment as a result. It is too soon to assess the effectiveness of VA's subcontracting efforts.