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STATEMENT OF
HENRY ESCHWEGE
DIRECTOR
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE
SELECT COMMITTEE ON SMALL BUSINESS
UNITED STATE SENATE



114222

ON

[THE SMALL BUSINESS ADMINISTRATION'S
8(a) PILOT PROGRAM]

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE WELCOME YOUR INVITATION TO DISCUSS THE RESULTS OF OUR RECENT REVIEW OF THE SMALL BUSINESS ADMINISTRATION'S (SBA) 8(a) PILOT CONTRACTING PROGRAM. OUR REVIEW WAS MADE UNDER SECTION 202(b) OF PUBLIC LAW 95-507, WHICH REQUIRES US TO EVALUATE SEA'S PERFORMANCE UNDER THE PILOT PROGRAM. OUR REPORT, WHICH IS BEING RELEASED TODAY TO THE CONGRESS, POINTS OUT THAT SBA HAS NOT SUCCESSFULLY USED THE PROGRAM.

BACKGROUND

SECTION 8(a) OF THE SMALL BUSINESS ACT, AS AMENDED, GIVES SBA THE AUTHORITY TO ENTER INTO PROCUREMENT CONTRACTS WITH FEDERAL AGENCIES FOR THE PURPOSE OF SUBCONTRACTING TO SMALL BUSINESS. THE AUTHORITY IS INTENDED TO HELP SOCIALLY AND ECONOMICALLY DISADVANTAGED SMALL BUSINESSES ACHIEVE A COMPETITIVE POSITION IN THE FINANCIAL MARKETPLACE.

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PUBLIC LAW 95-507, DATED OCTOBER 24, 1978, AMENDED SECTION 8(a) TO PROVIDE, AMONG OTHER THINGS, FOR CREATING A SPECIAL 2-YEAR PILOT CONTRACTING PROGRAM BETWEEN SBA AND A FEDERAL AGENCY THAT WAS TO BE DESIGNATED BY THE PRESIDENT. THE DEPARTMENT OF THE ARMY WAS SELECTED AS THE PILOT AGENCY ON JANUARY 30, 1979. PUBLIC LAW 96-481 ENACTED ON OCTOBER 21, 1980, EXTENDS THE PILOT PROGRAM AN ADDITIONAL YEAR.

THE 8(a) PROGRAM WAS INDEPENDENTLY ADMINISTERED BY SBA'S ASSOCIATE ADMINISTRATOR FOR MINORITY SMALL BUSINESS AND CAPITAL OWNERSHIP DEVELOPMENT. PUBLIC LAW 96-481 PLACES THE ASSOCIATE ADMINISTRATOR UNDER THE SUPERVISION OF AND MAKES HIM RESPONSIBLE TO THE ADMINISTRATOR, SBA.

THE DIFFERENCES BETWEEN THE PILOT
AND REGULAR 8(a) PROGRAMS

SBA USES SECTION 8(a) AUTHORITY TO OBTAIN CONTRACTS FROM FEDERAL AGENCIES AND TO SUBCONTRACT THEM ON A NONCOMPETITIVE BASIS TO 8(a) FIRMS. IN THE REGULAR 8(a) PROGRAM, AGENCIES STRICTLY VOLUNTEER THESE CONTRACTS. IN THE PILOT PROGRAM, HOWEVER, SBA HAS THE EXCLUSIVE AUTHORITY UNDER THE ACT TO DEMAND PROCUREMENT REQUIREMENTS FOR FIRMS.

IN THE EVENT THAT SBA AND ARMY DISAGREE OVER THE TERMS AND CONDITIONS OF A PILOT CONTRACT, THE SECRETARY OF THE ARMY MAY ESTABLISH THE TERMS AND CONDITIONS. SBA MUST THEN DECIDE WHETHER TO ACCEPT THEM OR WITHDRAW ITS PILOT CONTRACT REQUEST.

IT WAS NOT UNTIL MAY 16, 1979, THAT SBA AND ARMY ENTERED INTO AN INTERAGENCY AGREEMENT WHICH FORMALLY ESTABLISHED THE TERMS AND ARRANGEMENTS FOR IMPLEMENTING THE PILOT PROGRAM. EACH AGENCY APPOINTED PILOT PROGRAM MANAGERS WHO ACT AS THE FOCAL POINTS FOR PLANNING, COORDINATION, OPERATION, IMPLEMENTATION, AND RESOLUTION OF PROBLEMS WITHIN THE AGENCIES. THESE MANAGERS ARE LOCATED CENTRALLY IN THE ARMY'S OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION AND IN SBA'S OFFICE OF THE ASSOCIATE ADMINISTRATOR FOR MINORITY SMALL BUSINESS AND CAPITAL OWNERSHIP DEVELOPMENT.

OPERATING PROCEDURES FOR THE PILOT PROGRAM WERE ISSUED TO ALL SBA REGIONAL ADMINISTRATORS ON SEPTEMBER 4, 1979. SBA STATED THAT ITS OVERALL OBJECTIVE FOR THE PILOT PROGRAM IS TO SEEK FEDERAL PROCUREMENT OPPORTUNITIES WHICH ARE NOT CURRENTLY OFFERED BY THE ARMY UNDER THE REGULAR 8(a) PROGRAM.

ACTIVITIES OF THE PROGRAM

SINCE ENTERING INTO THE INTERAGENCY AGREEMENT, UNTIL NOVEMBER 1980, SBA HAS AWARDED NINE CONTRACTS TOTALING ABOUT \$34.3 MILLION UNDER THE PILOT PROGRAM. A TOTAL OF 19 OTHER CONTRACTS HAD BEEN RESERVED BY SBA, AND SOME HAD PROGRESSED TO VARIOUS STAGES IN THE CONTRACT NEGOTIATION PROCESS. SBA HAS WITHDRAWN OTHERS.

TWO OF THE AWARDED CONTRACTS WE REVIEWED RECEIVED BUSINESS DEVELOPMENT EXPENSE FUNDS. ONE CONTRACT RECEIVED THESE FUNDS TO PAY THE DIFFERENCE BETWEEN THE FAIR MARKET VALUE AND THE PRICE AT WHICH THE 8(a) CONTRACTOR WAS WILLING TO PERFORM

AND TO PURCHASE CAPITAL EQUIPMENT NEEDED TO PERFORM THE CONTRACT.
THE OTHER RECEIVED FUNDS FOR CAPITAL EQUIPMENT ONLY.

LET ME BRIEFLY DISCUSS OUR FINDINGS AND RECOMMENDATIONS.

THE PILOT PROGRAM HAS
NOT BEEN EFFECTIVE

SBA HAS NOT IMPROVED ITS ABILITY TO SECURE PROCUREMENTS FOR THE 8(a) PROGRAM. OUR REVIEW--WHICH WAS PERFORMED AFTER SBA SELECTED AND AWARDED THE THREE INITIAL PILOT CONTRACTS--DISCLOSED THAT SBA APPROVED THE 8(a) FIRMS THAT RECEIVED THESE THREE CONTRACTS WITHOUT ADEQUATELY ASSESSING THEIR FIRMS' CAPABILITY TO PERFORM. IN OUR OPINION, SBA MADE A POOR CHOICE OF FIRMS.

SBA MADE LITTLE USE OF ITS FIELD OFFICES TO SELECT AND AWARD CONTRACTS.

WE CONCLUDED THAT OPPORTUNITIES EXIST TO MORE FULLY TEST THE PILOT PROGRAM IN AN ADDITIONAL AGENCY THAT, UNLIKE THE ARMY, HAS NOT YET DEMONSTRATED ITS COMPLETE SUPPORT FOR THE 8(a) PROGRAM.

PILOT PROGRAM OBJECTIVE

AUTHORIZING LEGISLATION--AND ITS HISTORY--SUGGEST THAT THE PILOT PROGRAM IS MEANT TO HELP SBA SECURE 8(a) PROCUREMENTS FOR DISADVANTAGED BUSINESSES. SBA'S STATED OBJECTIVE FOR THE PILOT PROGRAM IS TO SEEK PROCUREMENT OPPORTUNITIES WHICH ARE NOT CURRENTLY OFFERED BY THE ARMY UNDER THE REGULAR 8(a) PROGRAM. IT HAS NOT YET MET THIS OBJECTIVE.

SBA IS ATTEMPTING TO MAKE THE PILOT PROGRAM LOOK MORE SUCCESSFUL THAN IT IS. THE FIRST THREE CONTRACTS SELECTED

UNDER THE PILOT PROGRAM, AS WELL AS SEVERAL OTHER CONTRACTS SUBSEQUENTLY SELECTED, COULD HAVE BEEN HANDLED UNDER THE REGULAR 8(a) PROGRAM. SBA BEGAN IN APRIL 1980 TO PLACE AS MANY PROCUREMENTS AS POSSIBLE IN THE PILOT PROGRAM. MANY OF THESE WERE REGULAR 8(a) PROGRAM-TYPE PROCUREMENTS, WHILE OTHERS WERE PROCUREMENTS THAT REPRESENTED WORK FAR BEYOND THE CAPABILITIES OF THE 8(a) FIRMS SELECTED FOR THE CONTRACTS. WE QUESTION THE CONTRIBUTION THESE CONTRACTS WILL MAKE TOWARD THE DEVELOPMENT OF THE 8(a) FIRMS THAT RECEIVED THEM.

IN APRIL 1980, SBA ISSUED CRITERIA THAT 8(a) FIRMS MUST MEET BEFORE THEY CAN BE SELECTED FOR THE PILOT PROGRAM. IT ALSO ISSUED CRITERIA FOR CONTRACTS SELECTED FOR THE PILOT PROGRAM. THIS WAS AN EFFORT TO USE THE PILOT PROGRAM TO UPGRADE THE QUALITY OF PROCUREMENTS AVAILABLE TO PARTICIPANTS IN THE 8(a) PROGRAM. SBA'S INTENT IS LAUDABLE.

BETTER PROGRAM CONTROLS NEEDED

BEFORE SBA USES THE PILOT PROGRAM, IT MUST CERTIFY THAT AN 8(a) FIRM CAN PERFORM. WE FOUND THAT SBA LACKS SUFFICIENT INFORMATION AT ITS CENTRAL OFFICE--WHERE THE PILOT IS ADMINISTERED--TO PROPERLY ASSESS AND MATCH 8(a) FIRMS' CAPABILITIES WITH PROCUREMENT OPPORTUNITIES. SBA APPROVED THE 8(a) FIRMS RECEIVING THE THREE INITIAL CONTRACTS WITHOUT ADEQUATELY ASSESSING THE FIRMS' CAPABILITIES.

SBA DID NOT CONSIDER WHETHER THE FIRMS SUCCESSFULLY DELIVERED ON PRIOR 8(a) CONTRACTS. ALSO, SBA'S CAPABILITY ASSESSMENT DID NOT USE ALL SOURCES OF INFORMATION ON THE FIRMS, SUCH AS REGIONAL AND DISTRICT OFFICIALS, WHO ARE

CLOSER TO THE FIRMS AND MONITOR THEIR PROGRESS THROUGH THE 8(a) PROGRAM.

THE FOLLOWING ARE THE TYPES OF PROBLEMS THAT WE NOTED IN OUR REVIEW OF SBA'S SELECTION AND NEGOTIATION OF THE THREE INITIAL PILOT CONTRACTS.

--AN 8(a) FIRM WAS AWARDED A \$5 MILLION CONTRACT BY SBA'S CENTRAL OFFICE AT THE SAME TIME IT WAS BEING RECOMMENDED FOR TERMINATION BY THE DISTRICT OFFICE FOR POOR MANAGEMENT AND UNSATISFACTORY PROGRESS IN THE 8(a) PROGRAM. DESPITE THE FACT THAT THIS FIRM HAD CONTINUOUSLY EXPERIENCED FINANCIAL DIFFICULTIES DUE TO QUESTIONABLE FINANCIAL PRACTICES, SBA AGREED TO PROVIDE \$1.2 MILLION IN BUSINESS DEVELOPMENT FUNDS TO SUPPORT THE FIRM'S PERFORMANCE.

--A SECOND FIRM WAS AWARDED A \$1.9 MILLION CONTRACT INCLUDING \$273,000 IN CAPITAL EQUIPMENT FUNDS, TO SUPPORT A CAPABILITY THAT WAS OUTSIDE ITS CURRENT LINE OF BUSINESS.

--THE THIRD FIRM WAS AWARDED A \$4 MILLION CONTRACT--IN A JOINT VENTURE WITH A NON-8(a) FIRM--EVEN THOUGH THE DISTRICT OFFICE DESCRIBED THE FIRM AS A "ONE-MAN FIRM" THAT HAD NOT STARTED WORK ON ITS INITIAL 8(a) PROCUREMENT, AWARDED A YEAR EARLIER. THE NON-8(a) FIRM AND A NON-8(a) SUBCONTRACTOR WILL DO MOST OF THE WORK ON THIS CONTRACT.

PROCUREMENT CENTER REPRESENTATIVES
HAVE NOT BEEN EFFECTIVE IN
IDENTIFYING PILOT PROJECTS

THE INTERAGENCY AGREEMENT PROVIDES THAT PROCUREMENT CENTER REPRESENTATIVES ARE TO BE SBA'S PRIMARY MEANS OF IDENTIFYING AND RECOMMENDING PROCUREMENTS FOR THE PILOT PROGRAM. SINCE THESE REPRESENTATIVES ARE STATIONED AT MAJOR PROCURMENT ACTIVITIES, THEY ARE PRESUMED TO BE CLOSELY ATTUNED TO THE DAY-TO-DAY ACTIVITIES OF ARMY PROCUREMENT CENTERS, AND SBA CONSIDERS THEM TO BE IN THE BEST POSITION TO REVIEW AND IDENTIFY PROCUREMENTS FOR THE PROGRAM.

CONTRARY TO THE POLICY GUIDELINES OF THE INTERAGENCY AGREEMENT, HOWEVER, THE REPRESENTATIVES HAVE NOT BEEN EFFECTIVELY USED IN IDENTIFYING PILOT PROJECTS. THE PRIMARY REASON IS THAT THEY DO NOT HAVE INFORMATION ON THE CAPABILITIES OF 8(a) FIRMS NEEDED TO MATCH QUALIFIED FIRMS TO PILOT PROCUREMENTS THEY IDENTIFY.

THE RESULTS OF OUR REVIEW WERE DISCUSSED WITH SBA PROGRAM OFFICIALS. THEY HAD NO COMMENTS REGARDING THESE DEFICIENCIES: HOWEVER, ONE OFFICIAL SAID THAT SBA WOULD CLOSELY MONITOR THE WORK PROGRESS OF THE FIRM THAT RECEIVED THE \$4 MILLION CONTRACT.

ADDITIONAL PILOT PROGRAM TESTING NEEDED

SBA AND ARMY HOLD DIFFERING OPINIONS ON THE PILOT PROGRAM'S PURPOSE AND THE MOST APPROPRIATE AGENCY IN WHICH TO TEST THE PROGRAM. THE LEGISLATIVE HISTORY SUGGESTS ONLY

THAT THE PILOT PROGRAM'S PURPOSE IS TO INCREASE SEA'S ABILITY TO DEVELOP DISADVANTAGED FIRMS. SBA HAS INTERPRETED THIS AS THE OPPORTUNITY TO IMPROVE THE QUALITY OF 8(a) PROCUREMENTS THROUGH CRITERIA CALLING FOR SOPHISTICATED, HIGH TECHNOLOGY, LARGE-DOLLAR, MULTIYEAR PROCUREMENTS. ARMY'S INTERPRETATION IS "MORE PROCUREMENTS" FROM AN AGENCY THAT HAS NOT YET SUPPORTED THE 8(a) PROGRAM.

THE MAJOR REASON FOR SELECTING THE ARMY SEEMED TO BE ITS HISTORY OF COOPERATION IN OFFERING PROCUREMENTS TO THE REGULAR 8(a) PROGRAM. THE QUESTION REMAINS--WAS THE ARMY THE BEST AGENCY?

IT APPEARS THAT THE ARMY CAN OFFER ENOUGH PROCUREMENTS OF A SOPHISTICATED, HIGH-TECHNOLOGY, LARGE-DOLLAR, MULTIYEAR NATURE TO TEST THIS ASPECT OF THE PILOT PROGRAM'S PURPOSE. IN ADDITION, THE ARMY'S OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION HAS EXPRESSED ITS INTEREST IN HELPING SBA TO IDENTIFY PROCUREMENTS THAT OFFER DEVELOPMENT OPPORTUNITIES TO 8(a) FIRMS.

HOWEVER, WE BELIEVE THAT ANOTHER ASPECT OF THE PILOT PROGRAM NEEDS TO BE TESTED FURTHER. THIS IS ITS ABILITY TO HELP SBA SECURE MORE PROCUREMENTS FROM AN AGENCY THAT HAS BEEN RELUCTANT TO VOLUNTEER PROCUREMENTS TO THE REGULAR 8(a) PROGRAM. THIS WOULD REQUIRE THAT THE AUTHORIZING LEGISLATION BE AMENDED TO ALLOW AN ADDITIONAL PILOT AGENCY TO BE SELECTED.

JUST PRIOR TO ISSUANCE OF THIS REPORT, WE LEARNED THAT ON DECEMBER 19, 1980, THE PRESIDENT DESIGNATED, UNDER THE PROVISIONS OF PUBLIC LAW 96-481, THREE ADDITIONAL FEDERAL AGENCIES TO PARTICIPATE IN THE SMALL BUSINESS ADMINISTRATIONS'S PILOT PROGRAM--THE DEPARTMENTS OF ENERGY AND TRANSPORTATION AND THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION. WHILE WE HAVE NO FURTHER INFORMATION ABOUT THE PRESIDENT'S ACTION, WE SEE NO BASIS IN THE LAW FOR DESIGNATING MORE THAN ONE AGENCY TO PARTICIPATE IN THE PILOT PROGRAM.

CONCLUSIONS

THE CONGRESS AUTHORIZED THE PILOT PROGRAM TO INCREASE SBA'S ABILITY TO DEVELOP VIABLE FIRMS IN THE 8(a) PROGRAM.

THE SUCCESSFUL USE OF THE PILOT PROGRAM DEPENDS, IN PART, ON SBA'S ABILITY TO HAVE INFORMATION AVAILABLE ON THE QUALIFICATIONS OF 8(a) FIRMS. IT ALSO NEEDS TO KNOW ENOUGH ABOUT PROCUREMENT OPPORTUNITIES TO JUDGE WHETHER THE FIRM CAN DO THE JOB. NEVERTHELESS, THESE REQUIREMENTS CAN ONLY BE FULFILLED IF SBA HAS A WORKABLE SYSTEM ENSURING THAT ITS FIELD PERSONNEL ARE USED IN CRITICAL DECISIONS REGARDING THE SELECTION AND CERTIFICATION OF FIRMS, AND PROCUREMENT CENTER REPRESENTATIVES ARE USED TO LOCATE PROCUREMENT OPPORTUNITIES.

BECAUSE THE ARMY, THE LEADING AGENCY IN OFFERING CONTRACTS TO THE 8(a) PROGRAM, WAS SELECTED FOR PILOT PROGRAM

PARTICIPATION, THE LEGISLATIVE OBJECTIVE OF USING THE PILOT PROGRAM TO HELP SBA SECURE 8(a) PROCUREMENTS HAS NOT BEEN FULLY TESTED.

THE SELECTION AND AWARD OF THE THREE INITIAL CONTRACTS ARE ASSOCIATED WITH SEVERAL PROBLEMS WHICH COULD ADVERSELY AFFECT THE 8(a) FIRMS' ABILITY TO DISCHARGE THEIR RESPONSIBILITIES. THEREFORE, AN INDEPENDENT EVALUATION NEEDS TO BE MADE TO DETERMINE THE EFFECTIVENESS OF THE FIRMS' PERFORMANCE.

RECOMMENDATIONS TO
THE ADMINISTRATOR

BEFORE ANY FURTHER CONTRACTS ARE SELECTED AND AWARDED UNDER THE PILOT PROGRAM, THE ADMINISTRATOR, SBA, SHOULD:

--DIRECT PROGRAM OFFICIALS TO DILIGENTLY ENFORCE THE PILOT PROGRAM'S OBJECTIVE BY DEMANDING CONTRACTS ONLY WHEN ARMY IS RELUCTANT TO OFFER THEM UNDER THE REGULAR 8(a) PROGRAM. ALSO, THESE OFFICIALS SHOULD USE THE PILOT PROGRAM ONLY WHEN A QUALIFIED FIRM IS AVAILABLE.

--DIRECT PROGRAM OFFICIALS TO MAKE SURE THAT 8(a) FIRMS SELECTED FOR THE PILOT PROGRAM HAVE THE CAPABILITIES TO DO THE JOB SUCCESSFULLY. SBA SHOULD USE INFORMATION ON THE FIRM'S PAST PERFORMANCE IN DELIVERING ON 8(a) CONTRACTS.

--DIRECT PROGRAM OFFICIALS TO MAKE SURE THAT
PROCUREMENT CENTER REPRESENTATIVES HAVE ENOUGH
INFORMATION ON 8(a) FIRMS' CAPABILITIES SO THAT
THIS DATA CAN BE USED TO MATCH QUALIFIED FIRMS
TO PROCUREMENTS.

--REQUEST THE OFFICE OF THE INSPECTOR GENERAL TO
CONDUCT REVIEWS OF THE THREE INITIAL PILOT
CONTRACTS TO FIND OUT HOW EFFECTIVELY CONTRACTORS
PERFORMED.

RECOMMENDATION TO THE CONGRESS

WE ARE RECOMMENDING THAT THE CONGRESS AMEND THE AUTHOR-
IZING LEGISLATION TO ALLOW FOR FURTHER TESTING OF THE PILOT
PROGRAM IN AN ADDITIONAL AGENCY THAT HAS YET TO DEMONSTRATE
ITS COMPLETE SUPPORT FOR THE 8(a) PROGRAM.

SBA, ARMY, AND 8(a) FIRMS'
RESPONSES TO OUR REPORT

ALTHOUGH SBA SAID THE REPORT UNDULY CRITICIZES THE
PILOT PROGRAM, IT DID NOT OFFER ANY ADDITIONAL DATA TO
CAUSE US TO REVISE OR MODIFY THE REPORT. SBA SAID IT IS
SEEKING METHODS, WHICH IT DID NOT IDENTIFY, TO IMPROVE
THE PROGRAM.

SBA'S COMMENTS DID NOT ADEQUATELY RESPOND TO ALL THE
RECOMMENDATIONS IN OUR REPORT. FOR EXAMPLE, ALTHOUGH SBA
APPARENTLY DISAGREED WITH OUR RECOMMENDATION THAT THE PILOT
PROGRAM SHOULD BE USED ONLY WHEN THE ARMY IS RELUCTANT TO
OFFER A CONTRACT UNDER THE REGULAR 8(a) PROGRAM, IT DID NOT

CLEARLY STATE HOW THE PILOT PROGRAM SHOULD BE USED WITH THE REGULAR 8(a) PROGRAM. THE COMMENTS DID NOT ADDRESS THE NEED FOR SBA TO KNOW MORE ABOUT THE 8(a) FIRMS TO WHICH IT INTENDS TO AWARD PILOT CONTRACTS. SBA BELIEVES ITS RECORD IN SELECTING PILOT CONTRACTS IS SATISFACTORY. IT SAID IT WOULD WELCOME OTHER AGENCIES' PARTICIPATION IN THE PILOT PROGRAM.

ARMY SAID THE REPORT REFLECTS A KEEN UNDERSTANDING OF THE WAY SBA ADMINISTERED THE PILOT PROGRAM. IT ALSO SAID THAT THE REPORT'S CENTRAL THEME REALISTICALLY PRESENTS SBA'S INABILITY TO PROPERLY ASSESS AND MATCH AN 8(a) FIRM'S CAPABILITIES WITH PROCUREMENT OPPORTUNITIES.

THE THREE FIRMS DISCUSSED IN OUR REPORT WERE GIVEN THE OPPORTUNITY TO REVIEW AND COMMENT ON THE FACTUAL MATERIAL THAT BEARS DIRECTLY ON THEIR FIRMS. TWO OF THE THREE FIRMS RESPONDED. WE SCRUTINIZED THESE COMMENTS AND REEVALUATED ALL EVIDENCE OBTAINED FROM SBA AND THE ARMY, BUT WE DID NOT HAVE TO MAKE ANY SUBSTANTIVE CHANGES IN DEVELOPING THE FINAL REPORT.

MR. CHAIRMAN, THIS CONCLUDES MY PREPARED STATEMENT.
WE WILL BE PLEASED TO RESPOND TO ANY QUESTIONS.