



Highlights of [GAO-05-459](#), a report to congressional committees

DEPARTMENT OF ENERGY

Improved Oversight Could Better Ensure Opportunities for Small Business Subcontracting

Why GAO Did This Study

Federal policy requires that small businesses receive the maximum practicable subcontracting opportunity for providing goods and services to large businesses that contract directly with federal agencies. The Department of Energy (DOE) annually directs almost \$20 billion to the 34 “facility management contractors” of which \$3.3 billion was redirected to small business subcontractors in fiscal year 2004. DOE negotiates annual small business subcontracting goals with individual contractors and monitors their achievements. GAO was asked to (1) determine the usefulness of the data that DOE uses to monitor subcontracting performance and (2) discuss the actions that DOE has taken to address any problems with the contractors’ subcontracting efforts.

What GAO Recommends

GAO recommends that DOE (1) ensure that facility management contractors are following federal guidelines for reporting subcontracting achievements; (2) for internal management purposes, calculate contractors’ achievements as a percent of the annual contract funding; and (3) issue guidance to clarify oversight responsibilities. In commenting on the report, DOE agreed with ensuring that reporting guidelines are being followed and clarifying oversight responsibilities. DOE disagreed with calculating the achievement data as a percent of contract funding, but we believe doing so would improve oversight.

www.gao.gov/cgi-bin/getrpt?GAO-05-459.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gene Aloise at (202) 512-3841 or aloisee@gao.gov.

What GAO Found

DOE’s facility management contractors’ small business subcontracting achievements—reported as a percentage of their total subcontracted dollars—are not useful for monitoring purposes because the reported data overstates subcontracting achievements in two ways: (1) All of the contractor-reported data incorrectly excluded some large-business subcontracts, beyond what federal reporting guidelines allow. Excluding these subcontracts made the percentage of subcontracted dollars going to small businesses appear larger than it would have, if such subcontracts were not incorrectly excluded. If these subcontracts had been included, some contractors said it was likely they would have requested lower goals. (2) Even when all relevant subcontracts are included, the contractor-reported data can still overstate contractors’ subcontracting achievements. Because a contractor could decide to subcontract only a small amount of its total federal contract, the portion of subcontracted dollars going to small businesses could, by comparison, appear misleadingly large. As a result, contractor-reported data is not useful to DOE in determining its contractors’ actual small business subcontracting achievements or adequately assessing whether small businesses are receiving maximum practicable subcontracting opportunities.

DOE has not taken adequate steps to address known problems with the contractor-reported data. Because the data showed that the department was meeting its subcontracting goals, DOE officials were not inclined to closely monitor contractors’ practices for calculating their subcontracting goals and achievements. DOE officials were aware in 2002 that the contractors were not following federal guidelines on which subcontracts to include when developing goals. DOE’s Small Business Office did provide clarifying information on the requirements, but DOE officials failed to ensure that the guidelines were being followed, and problems continued. In March 2005, DOE issued additional guidance, but it is uncertain whether DOE will ensure that the guidance is followed. These oversight problems occurred, in part, because DOE has not clearly defined the roles, responsibilities, and needed interaction of the various headquarters and field organizations that collectively oversee the contractors’ small business subcontracting efforts.

Data on 13 facility management contractors’ reported fiscal year 2004 small business subcontracting achievements, which incorrectly excluded certain subcontracts

Number of contractors	Number of contractors that reported achieving their subcontracting goals	Number of contractors achieving their goals if all appropriate subcontracts were included
13 (100%)	12 (92%)	4 (31%)

Source: GAO analysis of facility management contractor data.

Note: Details on selection of these 13 facility management contractors can be found in appendix II of the report.