



Highlights of [GAO-07-1255T](#), a testimony before the Subcommittee on Government Management, Organization, and Procurement; Committee on Oversight and Government Reform; House of Representatives

## Why GAO Did This Study

The federal government's long-standing policy has been to use its buying power to maximize procurement opportunities for various types of small businesses.

GAO initiated work and completed a report in March 2007 under the Comptroller General's authority describing the extent to which small businesses participated in contracting opportunities related to Hurricane Katrina. This testimony discusses (1) results from the March 2007 GAO report, including the amounts that small and local businesses received directly from federal agencies from contracts related to Hurricane Katrina and the lack of required information in official procurement data systems on subcontracting plans, (2) information from two previous GAO reports regarding the small business advocacy responsibilities of SBA and federal agencies that award contracts, and (3) GAO work on SBA's efforts to advocate for small disadvantaged businesses, and similar efforts by entities within selected agencies.

In conducting the studies discussed in this testimony, GAO analyzed agency contract data, reviewed federal acquisition regulations, and interviewed agency procurement officials; we also sent a questionnaire to agency officials regarding OSDBU reporting relationships; reviewed organizational charts and other pertinent information; analyzed relevant laws, legislative history, and court cases; and, updated information on agency actions on our recommendations.

To view the full product, including the scope and methodology, click on [GAO-07-1255T](#). For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

## SMALL BUSINESS CONTRACTING

### Observations from Reviews of Contracting and Advocacy Activities of Federal Agencies

#### What GAO Found

Small businesses received 28 percent of the \$11 billion in contracts that DHS, GSA, DOD, and the Corps awarded directly for Katrina-related projects. Information on whether DHS and GSA required subcontracting plans was generally not available in the federal government's official procurement database for 70 percent or more of the contracting dollars each agency awarded for activities related to Hurricane Katrina. This database should have contained information on whether or not the agencies required subcontracting plans in these instances. The lack of transparency surrounding much of the agencies' subcontracting data may lead to unwarranted perceptions about how the federal procurement system is working, particularly in terms of the government's stated preference for contracting with small businesses. GAO recommended in its March 2007 report that DHS, GSA, and DOD take steps designed to ensure compliance with federal contracting regulations and more transparently disclose the extent to which subcontracting opportunities are available to small businesses. These agencies generally agreed with GAO's recommendations. GSA has implemented them while DOD and DHS indicate they are in the process of doing so.

SBA has governmentwide responsibilities for advocating that federal agencies use small businesses as prime contractors for federal contracts and set goals for and encourage the use of small businesses as subcontractors to large businesses receiving federal contracts. Similarly, within each federal agency there is an Office of Small and Disadvantaged Business Utilization (OSDBU) that plays an advocacy role by overseeing the agency's duties related to contracts and subcontracts with small and disadvantaged businesses. The Small Business Act requires that the OSDBU director be responsible to and report only to agency heads or their deputies. In 2003, GAO reported that 11 of 24 agencies reviewed did not comply with this provision. While most of the agencies disagreed with our conclusion, none of the legal arguments that they raised changed GAO's recommendations. Because the OSDBU directors at these agencies do not have a direct reporting relationship with their agencies' heads or deputies, the reporting relationships potentially limit their role as effective advocates for small and disadvantaged businesses.

GAO is presently evaluating SBA's and agency OSDBUs' advocacy efforts. This evaluation includes an assessment of the actions SBA takes to advocate that small disadvantaged businesses receive opportunities to participate as subcontractors under federal prime contracts and encourage that prime contracting goals for these businesses are met. Also, the evaluation addresses selected OSDBUs' actions to advocate for certain small business firms.