United States General Accounting Office

GAO

Report to Congressional Committees

February 2001

FEDERAL PROCUREMENT

Trends and Challenges in Contracting With Women-Owned Small Businesses

GAO

Accountability * Integrity * Reliability

GAO-01-346

Contents

Letter 3

Appendixes

Appendix I: Objectives, Scope, and Methodology 48

Appendix II: Federal Agencies' Goals and Percentages of Contracts Annually Awarded to Women-Owned Small Businesses 50

Appendix III: Comments From the Small Business Administration 52

Appendix IV: Comments From the Department of Defense 54

Appendix V: Comments From the National Aeronautics and Space Administration 55

Appendix VI: Comments From the National Women's Business Council 56

Appendix VII: GAO Contacts and Staff Acknowledgments 61

Tables

Table 1: Governmentwide Expenditures for All Prime and Subcontracts and Prime and Subcontracts Awarded to WOSBs, Fiscal Years 1996-99 15

Table 2: Agencies' Share of Government Expenditures for Prime Contracts and WOSB Prime Contracts, Fiscal Year 1999 21

Table 3: Expenditures for New Contracts With WOSBs Qualifying as SDBs or 8(a) Firms, Fiscal Years 1996-99 23

Table 4: Small Business Categories With Statutory Governmentwide Contracting Goals 24

Table 5: Goals and Actual Percentage of Prime Contracts Awarded to WOSBs by Major Federal Agencies, Fiscal Years 1996-99 50

Table 6: Goals and Actual Percentage of Subcontracts Awarded to WOSBs by Major Federal Agencies, Fiscal Years 1996-99 51

Figures

Figure 1: Governmentwide WOSB Goal and Actual Shares for Prime and Subcontracts, Fiscal Years 1996-99 17

Figure 2: Number of 20 Top Procurement Agencies Meeting WOSB Goals, Fiscal Years 1996-99 19

Abbreviations

AID	U.S. Agency of International Development
DOD	Department of Defense
DOE	Department of Energy
EPA	Environmental Protection Agency
FASA	Federal Acquisition Streamlining Act of 1994
FPDC	Federal Procurement Data Center
FPDS	Federal Procurement Data System
FY	fiscal year
GAO	General Accounting Office
GSA	General Services Administration
HUBZone	Historically Underutilized Business Zone
NASA	National Aeronautics and Space Administration
NAWBO	National Association of Women Business Owners
NWBC	National Women's Business Council
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
OSDBU	Office of Small Disadvantaged Business Utilization
PEC	Procurement Executive Council
SBA	Small Business Administration
SDB	Small Disadvantaged Business
VA	Department of Veterans Affairs
WBC	Women's Business Center
WBENC	Women's Business Enterprise National Council
WOSB	women-owned small business

GAO
Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

February 16, 2001

The Honorable Christopher S. Bond
Chairman
The Honorable John Kerry
Ranking Member
Committee on Small Business
United States Senate

The Honorable Donald A. Manzullo
Chairman
The Honorable Nydia M. Velazquez
Ranking Minority Member
Committee on Small Business
House of Representatives

Concerned that women-owned small businesses (WOSB) were receiving contracts for only 2.2 percent—less than one-half of the 5-percent governmentwide goal—of the almost $200 billion in goods and services the federal government purchases each year, the Congress mandated that we review the progress the federal government has made to increase its contracting with WOSBs and identify any measures that could improve the government's performance in contracting with WOSBs.[1] This report responds to the mandate by providing information on

- trends in federal contracting with WOSBs since fiscal year 1996,
- obstacles that federal contracting officials perceive to contracting with WOSBs,
- suggestions from these officials to help increase federal contracting with WOSBs, and
- concerns of these officials about the WOSB contracting goals established for individual agencies.

The mandate also required that, after taking into consideration the suggestions we received from federal contracting officials, we include in our report any recommendations for action that we believe could improve procurement opportunities for WOSBs. To provide perspective, we also obtained views from representatives of four national women business-

[1]Section 5(b) of the Women's Business Centers Sustainability Act of 1999 (P.L. 106-165, Dec. 9, 1999).

owner organizations on issues pertaining to government contracting with WOSBs.

For information on trends in federal contracting with WOSBs, we analyzed data collected since fiscal year 1996 from the Small Business Administration (SBA) and the General Services Administration's (GSA) Federal Procurement Data System (FPDS), which contains information reported by federal agencies about their contracting activities. For information on obstacles to contracting with WOSBs and suggestions on how to increase contracting with them, we obtained the views of numerous officials involved in federal contracting policies and practices. We conducted group discussions and individual interviews with officials from the Procurement Executive Council (PEC), representatives from the Office of Small and Disadvantaged Business Utilization (OSDBU) within numerous agencies, 30 contracting officers (from four federal agencies that account for over 80 percent of the government's contract purchases each year), and officials from the Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP) and SBA. While we analyzed the information gathered and applied insights from a body of related work we previously performed, we did not validate the obstacles identified by the individuals we interviewed, nor did we evaluate the potential effectiveness or feasibility of the suggestions they provided. Further details about the scope and methodology of our review can be found in appendix I.

After we completed our analysis, the Small Business Reauthorization Act of 2000 was enacted in December 2000.[2] The act authorized a limited procurement program of restricted competition for WOSBs. This program will become effective after SBA completes a study identifying industries in which WOSBs have been underrepresented and guidance is developed for agencies' implementation of the program, including the certification and waiver provisions.

[2]The Small Business Reauthorization Act of 2000 (H.R. 5667) was enacted in P.L. 106-554, December 21, 2000, the Consolidated Appropriations Act for Fiscal Year 2001. Section 811 of the act authorizes federal agencies to restrict competition for certain federal contracts to certified WOSBs that are economically disadvantaged. The contracts will be limited to industries in which SBA, as a result of a study, has determined that WOSBs are underrepresented with respect to federal procurement. This program is described in more detail in the background section of this report.

Results in Brief

Since fiscal year 1996, when the 5-percent governmentwide contracting goal for WOSBs became effective,[3] federal contracting with WOSBs has increased more than 4 times as fast as federal contracting with all private businesses. However, the governmentwide goals of awarding 5 percent of the value of all prime contracts and 5 percent of the value of all subcontracts to WOSBs have not been met. In fact, the share of government prime contracts awarded to WOSBs showed no upward trend from fiscal year 1996 through fiscal year 1999, and the share of subcontracts awarded to WOSBs showed only a modest upward trend. Looking back over a 20-year period, WOSBs' share of total federal procurement grew from 0.2 percent in 1979 to 2.5 percent in 1999.

More agencies had greater success meeting their WOSB subcontracting goal than their prime contracting goal over this period—at least one-half of the agencies met their subcontracting goal each year, whereas only about one-third met their prime contracting goal. No agency met its annual goals for both prime contracts and subcontracts in each of the 4 years. Three agencies met or exceeded both goals in 3 of the 4 years—the Department of Veterans Affairs (VA), the Department of State (State), and the National Aeronautics and Space Administration (NASA). Individual agency trends toward meeting their annual goals for prime contract or subcontract awards did not always correlate with individual agency trends of increasing or decreasing their annual share of prime or subcontract awards. For example, the Environmental Protection Agency (EPA) increased its share of expenditures for prime contracts with WOSBs by about 50 percent between 1996 and 1999 yet never met its goal (which doubled over the period). The performance of one agency—the Department of Defense (DOD), which accounted for 64 percent of federal procurement in fiscal year 1999—is central to the success or failure of efforts to meet the governmentwide goal. Because DOD achieved less than half of its 5-percent goal for prime contracts with WOSBs in fiscal year 1999, the

[3]The governmentwide goal for participation by small businesses owned and controlled by women was established by statute in 1994 at "not less than 5 percent of the total value of all prime and subcontract awards for each fiscal year." The goal was implemented by amendments to procurement regulations effective in fiscal year 1996. The OFPP subsequently issued goaling guidelines, effective Nov. 8, 1999, which require separate 5-percent governmentwide WOSB goals for prime contract and subcontract awards. SBA has negotiated separate WOSB prime contract and subcontract goals with individual federal agencies since fiscal year 1996 that are intended to achieve the governmentwide goal. The individual agency contracting goals for WOSBs may be greater than or less than the governmentwide goals.

governmentwide goal for prime contracting with WOSBs could not have been met even if every other federal agency had reached its WOSB prime contracting goal. Only by substantially exceeding their cummulative WOSB goals for prime contracts could other federal agencies have compensated for DOD's shortfall.

The government contracting officials we contacted cited numerous obstacles to increasing federal contracting with WOSBs. The officials widely agreed on two major obstacles. First, they said that the numerous and complex contracting programs for small businesses reduce the number of contracts available for WOSBs and the time available for contracting officers to "reach out" to WOSBs. The key impediment they cited is the resource intensiveness of the administrative requirements associated with these other small business programs that must be implemented despite reductions in the acquisition workforce. Second, they said that the absence—at the time of our interviews—of a targeted government program for contracting with WOSBs places WOSBs at a disadvantage when competing with other small business groups that have such programs. Other obstacles cited by these officials, but with less consensus, included the practice of contract consolidation by federal agencies (a practice that they believe can limit opportunities for all small businesses to compete for some procurements), a lack of commitment or accountability of agencies' managers and contracting officers for increasing WOSB contracts, limited WOSB access to working capital, not enough qualified WOSBs competing in some fields, and resource constraints that affect the ability of agencies to monitor and oversee prime contractors' subcontracting plans that include WOSBs.

These same contracting officials suggested ways to increase federal contracting with WOSBs. Most of the officials we interviewed indicated that the most effective way to increase federal contracting with WOSBs would be to create a program targeting WOSBs similar to those available to other types of small businesses. However, many of these same officials believed that creating another small business contracting program that targets WOSBs could exacerbate the existing burden on contracting officers and might adversely affect their ability to meet the other existing small business program goals.[4] Other suggestions for increasing

[4]As noted, the Congress recently amended the Small Business Act to authorize a program of restricted competition for WOSBs for contracts in industries in which they are underrepresented.

contracting with WOSBs that we heard with some frequency included encouraging agencies to (1) improve the focus and delivery of agency outreach to identify and encourage qualified WOSBs to participate in federal procurement, (2) promote contracting with WOSBs through incentive and recognition programs for their contracting personnel, (3) implement mentor-protégé programs that include WOSBs, (4) inform WOSBs of the possible use of teaming arrangements in certain procurements to enhance their competitiveness, and (5) expand access to contract financing such as through higher progress payment rates.

While many of the suggestions made by contracting officials merit further review, an analysis of the benefits and effects of implementing the specific measures was beyond the scope of our review. As a result, while the mandate for this study called for us to make recommendations we consider appropriate for actions to increase federal contract awards to WOSBs, we believe further analysis is required before any particular strategies can be categorically endorsed. This report contains a recommendation that the Administrator of SBA assess the benefits and effects of these proposals to identify specific measures to increase federal contracting with WOSBs. SBA officials indicated that the agency generally agrees with the recommendation but expressed concern that more resources might be necessary to implement it.

In addition to providing views on obstacles to and suggestions for increasing federal contracts with WOSBs, many contracting officials commented on the individual agency goals and how they are established. They said that the annual WOSB contracting goals established by SBA for individual agencies might not be attainable by some agencies. According to these officials, the goals are not based on an analysis of the representation of WOSBs in the locations and industries where those agencies procure their goods and services. Contracting officials from DOD and other agencies expressed doubt that the 5-percent governmentwide goal could be met regardless of other initiatives that might be implemented for WOSBs, given the current lack of an informed basis for establishing agency-specific goals. Many of these officials suggested revising the method used to establish these goals so that the goals become more realistic. This report contains a recommendation to the Administrator of SBA designed to enhance the value of the SBA study of the representation of WOSBs in federal procurement required by the Small Business Reauthorization Act of 2000 to provide a basis for establishing more realistic agency goals. SBA officials agreed with this recommendation.

Background

According to information contained in the mandate for this report, the number of WOSBs in the United States increased by 78 percent between 1987 and 1996, almost twice the rate of growth of all U.S. businesses. Also, approximately 8 million WOSBs in the United States provide jobs for over 15 million individuals and generate almost $1.4 trillion in sales each year. The administration and the Congress have long been concerned about the disparity between WOSBs' prevalence in the economy and the level of government procurements of their products and services. In 1979, when an executive order first made SBA responsible for negotiating WOSB contracting goals with federal agencies, WOSBs received only 0.2 percent of all federal procurements. By 1988, this percentage had grown to only 1 percent, and although legislation was enacted to provide a program of assistance and support to WOSBs,[5] no statutory goal for their participation in federal procurements was established until 1994. Section 7106 of the Federal Acquisition Streamlining Act of 1994 (FASA)[6] amended the Small Business Act to require establishment of a governmentwide goal for participation by WOSBs in procurement contracts of not less than 5 percent of the total value of all prime contract and subcontract awards for each fiscal year. [7] The goal was implemented by procurement regulations effective in fiscal year 1996. The FASA conference report indicated that the 5-percent goal was not intended to create a new set-aside or program of restricted competition for WOSBs, but rather to establish a target that would result in greater opportunity for WOSBs to compete for federal contracts. The report recognized that, given the slow progress toward increasing contracting with WOSBs, it could take some time before the goal would be reached.

[5]The Women's Business Ownership Act of 1988 (P.L. 100-533, Oct. 25, 1988).

[6]P.L. 103-355, Oct. 13, 1994.

[7]FASA defined a WOSB as a small business that is at least 51 percent owned by one or more women (or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women) and whose management and daily business operations are controlled by one or more women.

Through FASA, the governmentwide goal of 5 percent for WOSBs joined the existing governmentwide contracting goals in the Small Business Act for small business concerns (then no less than 20 percent of the total value of all prime contract awards for each fiscal year) [8] and small disadvantaged businesses (SDB) (no less than 5 percent of the total value of all prime contract and subcontract awards each year).[9] Under the Small Business Act, all small business goals are to represent for each procuring agency, the "maximum practicable opportunity" for small businesses' participation in that agency's contracts.[10] In addition, an agency's goals are to "realistically reflect the potential of small business concerns" to perform such contracts and subcontracts. At the same time, the cumulative annual goals for all agencies are to meet or exceed the annual governmentwide goal.[11] Also, agencies are to make a consistent effort to annually expand participation by small business concerns in their contracts. Agencies are to report each year to SBA on the extent of participation by small businesses, including WOSBs, as well as any justifications for failure to meet the goals. SBA, in turn, is required to report this information to the President.

[8]Since the 5-percent WOSB goal was enacted in 1994, the governmentwide goal for small business has been raised from 20 to 23 percent, and programs and goals have been added for small businesses owned and controlled by service-disabled veterans (not less than 3 percent) as well as for Historically Underutilized Business Zone (HUBZone) small businesses (increasing to not less than 3 percent by fiscal year 2003). Agencies may count prime contract awards to small businesses toward more than one goal. For example, prime contract awards to small businesses, WOSBs, SDBs, 8(a) firms, and HUBZone small businesses all count toward the governmentwide small business goal. In addition, a WOSB qualified as an SDB would count toward both the WOSB and SDB goals.

[9]The SDB goal includes awards under SBA's 8(a) business development program for small businesses owned and controlled by socially and economically disadvantaged individuals. Under the 8(a) program, agencies contract with SBA for goods or services under a subcontract by an SBD (in some cases, SBA has delegated direct contracting authority to agencies). Depending on circumstances, 8(a) procurements may be conducted on a sole-source or a competitive basis. The 8(a) and the other small business programs are not mutually exclusive. For example, an eligible WOSB could also be an SDB and participate in the 8(a) program, although there is no statutory goal for 8(a).

[10]According to SBA, the small business contracting goals established for federal agencies exclude contracts involving foreign military sales and nonappropriated funds, contracts awarded and performed entirely outside the United States, and contracts with mandatory sources of supplies and services, such as Federal Prison Industries, Inc., and wholesale supply sources, such as stock programs of the Defense Logistics Agency.

[11]As we recently reported, as of fiscal year 1999, the federal government was meeting the governmentwide small business goal (*Small Business: Trends in Federal Procurement in the 1990s* (GAO-01-119, Jan. 18, 2001).

FASA added WOSBs to the existing policy that small businesses and small disadvantaged businesses have the maximum practicable opportunity to become subcontractors for federal contracts exceeding $100,000 and to receive timely payment from prime contractors. FASA also included WOSBs in the requirement that for contracts exceeding $500,000 (or $1 million for construction contracts) prime contractors prepare subcontracting plans that provide the maximum practicable opportunity for small businesses to participate in the performance of the prime contract.

FASA also required agencies to report contracts over a certain dollar threshold with WOSBs to the Federal Procurement Data Center (FPDC).[12] Quarterly, approximately 70 executive branch agencies[13] report contracting data either by individual contract for acquisitions above $25,000 or as summary data for acquisitions at or below $25,000 to FPDC. Twenty of these agencies account for over 99 percent of federal contract expenditures, 4 account for over 85 percent, and 1—the Department of Defense—accounts for over 64 percent.

[12]At FPDC, the data are entered into FPDS, compiled, and annually published in the Federal Procurement Report that contains summarized data by agency, industry, and geographical location.

[13]The U.S. Postal Service and legislative and judicial branch agencies, among other agencies, are not required to report their procurement activities to FPDC. Also, FPDS does not contain data on certain kinds of procurements, such as those from credit card purchases.

If a business submitting an offer for a federal procurement represents that it is a small business concern, and meets the definition of a WOSB, it can "self-certify" as a WOSB when it completes the small business program representations required in solicitations for procurements above $2,500. In doing so, the business represents (by checking the appropriate box) that it is, or is not, a WOSB. Generally, a contracting agency will accept the self-representation to be accurate. The federal government does not currently require that WOSBs submitting offers as prime contractors on federal procurements receive certification (from SBA or an outside entity) of their status as WOSBs.[14] However, if a WOSB submits an offer for a federal subcontract, the prime contractor may, according to SBA, require certification that the business is in fact woman-owned. Furthermore, a WOSB submitting an offer as an SDB, 8(a) firm, or HUBZone small business will be required to meet the certification requirements for those programs.[15]

Both the Congress and the Administration have recently reiterated concern about the continued disparity between the number of WOSBs in the economy and the extent of the government's contracting with them. As of fiscal year 1999, when women-owned businesses made up 38 percent of all businesses in the United States, WOSBs received 2.5 percent of the approximately $189 billion in federal prime contracts awarded that year. This discrepancy led the Senate to adopt Resolution 311 on May 23, 2000, which urged the President to adopt a policy supporting the 5-percent WOSB contracting goal, encouraged agencies to make concerted efforts to meet the goal before the end of fiscal year 2000, and holds agencies accountable for achieving the goal.

[14]According to SBA, there is currently no formal WOSB certification requirement because no specific contracting programs such as those for SDBs, 8(a) firms, and HUBZone small businesses exist to award prime contracts to WOSBs. As will be described elsewhere in this report, such a program for WOSBs was recently authorized and requires formal certification of participating WOSBs.

[15]Some agencies do have statutory programs that consider WOSBs as SDBs. The Department of Transportation considers WOSBs as disadvantaged for the purposes of its Disadvantaged Business Enterprise Program. Both NASA and EPA have statutory goals for contracting with SDBs that include women within their programs' definition of socially and economically disadvantaged individuals.

Also on May 23, President Clinton, in culmination of work by the Interagency Committee on Women's Business Enterprise,[16] issued Executive Order 13157 to reaffirm the government's commitment to increasing opportunities for WOSBs in the federal procurement market. The order reiterated executive branch policy to take the steps necessary to meet or exceed the 5-percent governmentwide WOSB contracting goal and to implement this policy by establishing separate 5-percent governmentwide goals for both prime contract awards and subcontract awards each fiscal year. The order requires each agency with procurement authority to develop a long-term comprehensive strategy to expand opportunities for WOSBs. The order lists methods and programs these agency strategies should include, such as

- designating a senior acquisition official who will work with SBA to identify and promote contracting with WOSBs;
- requiring contracting officers, to the maximum extent practicable, to include WOSBs in competitive acquisitions;
- implementing procedures for acquisition planners to structure acquisitions (including multiple award contracts) and provide guidance to facilitate competition among small businesses, HUBZone small businesses, SDBs, and WOSBs;
- implementing mentor-protégé programs that include WOSBs; and
- offering outreach, training and technical assistance programs to assist WOSBs in developing their products, skills, business planning practices, and marketing techniques.

The order further directs agencies, when feasible and consistent with the effective and efficient performance of their missions, to establish 5-percent WOSB goals for both prime and subcontract awards each fiscal year. SBA informs us that as a result of this executive order, it is moving from a negotiated agency goal process to an assigned process whereby SBA will set goals with possible input from the agencies. SBA may start setting all agencies' goals at 5 percent, although officials believe the 5-percent goal is unattainable for some agencies, which means that other agencies will have goals set at a higher point for the federal government to meet the 5- percent governmentwide goal.

[16]The Interagency Committee on Woman's Business Enterprise was established to lead a coordinated effort to ensure that women's economic issues are being addressed. The Interagency Committee comprises high-level policy officials from federal agencies and departments and is chaired by the Deputy Director of Management at OMB.

The executive order further establishes certain responsibilities for SBA and instructs SBA to establish an Assistant Administrator for Women's Procurement (within SBA's Office of Government Contracting). This official will head the Office of Federal Contract Assistance for Women Business Owners and coordinate agencies' efforts to achieve the WOSB goals. Specifically, this office will be responsible for

- working with each agency to develop and implement policies to achieve WOSB contracting goals and advising agencies on how to increase WOSB contracting;
- evaluating whether agencies are meeting their WOSB contracting goals on a semiannual basis and preparing a report to the President (through the SBA Administrator, the Interagency Committee on Women's Business Enterprise, and OFPP) on findings regarding contract awards to WOSBs;
- making recommendations and working with agencies to increase WOSB contracting and taking corrective actions with those agencies not meeting the 5-percent goal;[17]
- providing a program of training and development seminars and conferences to instruct WOSBs on participation in SBA's 8(a), SDB, and HUBZone programs, and other small business contracting programs for which WOSBs might be eligible; and
- developing and implementing a single uniform federal governmentwide Web site that is linked to other acquisition, small business, and women-owned business sites and provides current procurement information to WOSBs and other small businesses.[18]

A recent change to the government's procurement program for WOSBs emerged from the Small Business Reauthorization Act of 2000, which amended the Small Business Act to give federal agencies authority to restrict competition for certain contracts to certified WOSBs that are economically disadvantaged. The authority, which is permissive, not mandatory, is limited to contracts not exceeding $3 million ($5 million for

[17]The executive order requires that an agency failing to meet its annual WOSB goals must work with SBA to develop an action plan increasing the likelihood that the goals will be met or exceeded in future years.

[18]In September 2000, a new World Wide Web site, WomenBiz.gov, was launched under the auspices of the National Women's Business Council, the Interagency Committee on Women's Business Enterprise, and SBA to serve as a gateway to procurement information and to increase procurement and networking opportunities for women-owned businesses.

manufacturing) in those industries SBA identifies as underrepresented by WOSBs in federal procurement. The act requires SBA to conduct a study to pinpoint such industries. Federal contracting officers must also have a reasonable expectation that two or more WOSBs will submit offers and that the contract can be awarded at a fair and reasonable price before the officers may exercise their new authority. SBA may waive the requirement for businesses owned by women who are economically disadvantaged if the business is in an industry in which small businesses owned and controlled by women are "substantially" underrepresented. The new legislation will require WOSBs participating in the program to be certified as such by a government or outside entity and requires SBA to establish procedures to verify the WOSBs' eligibility and the accuracy of any certifications.

SBA currently has several initiatives under way in coordination with federal agencies and departments to work towards meeting the WOSB goals. For example, SBA offers training workshops for women business owners and designates agency liaisons (Federal Agency Advocates for Women) who are to strive to expand the pool of WOSBs receiving federal contracts. In addition, according to SBA, its Office of Federal Contract Assistance to Women Business Owners has been working with the newly appointed senior acquisition officials in each agency who have been selected to help their respective agencies increase federal procurement opportunities for WOSBs.

Trends Reveal Little Progress in Federal Contracting With WOSBs

We examined a number of trends pertaining to government contracting with WOSBs since fiscal year 1996 to determine changes, patterns, and progress towards increasing federal contracting and meeting both the governmentwide and agency-specific goals for both prime and subcontracting with WOSBs. We compared the government's overall expenditures for prime and subcontracts with its expenditures for prime and subcontracts with WOSBs. From SBA data, we examined governmentwide and agency trends toward meeting the goals for prime and subcontracts with WOSBs. We also reviewed the performance of the 20 largest government procurement agencies in meeting their annual negotiated goals and analyzed how this effort relates to their share of prime and subcontracts awarded to WOSBs. Finally, we examined the variation in the dollar amounts represented by agency-specific WOSB contracting goals and WOSBs' access to government contracts through other small business programs.

Contracting With WOSBs Increased Faster Than Total Contracting

Over the last several years, contracting with WOSBs grew more rapidly than government contracting with all businesses. From fiscal year 1996 through fiscal year 1999, federal expenditures for prime contracts awarded by the approximately 70 executive branch agencies that report procurement contract obligations to FPDC increased by 7.5 percent in real terms, from $184.9 billion to $198.8 billion, while these agencies' expenditures for prime contracts with WOSBs increased by over 31 percent, from $3.2 billion to $4.2 billion. In addition, these agencies' expenditures on all subcontracts increased by more than 15 percent, from $63.9 billion in 1996 to $73.8 billion in 1999, while their expenditures for subcontracts awarded to WOSBs increased by nearly 48 percent, from $2.3 billion to $3.4 billion. Thus, these agencies' expenditures for WOSB prime contracts grew over 4 times more rapidly than their expenditures for all prime contracts and over 3 times more rapidly for WOSB subcontracts than for all subcontracts. Table 1 shows trends in both total contract expenditures and expenditures for prime and subcontracts awarded to WOSBs since fiscal year 1996.

Table 1: Governmentwide Expenditures for All Prime and Subcontracts and Prime and Subcontracts Awarded to WOSBs, Fiscal Years 1996-99

Dollars in billions

Dollar value of	1996	1997	1998	1999	Change, 1996-99
Prime contracts	$184.9	$184.7	$194.6	$198.8	+7.5 %
WOSB prime contracts	3.2	3.2	3.6	4.2	+31.3 %
Subcontracts	63.9	106.2	71.7	73.8	+15.5 %
WOSB subcontracts	2.3	4.2	3.5	3.4	+47.8 %

Note: Expenditures are in 1999 constant dollars.

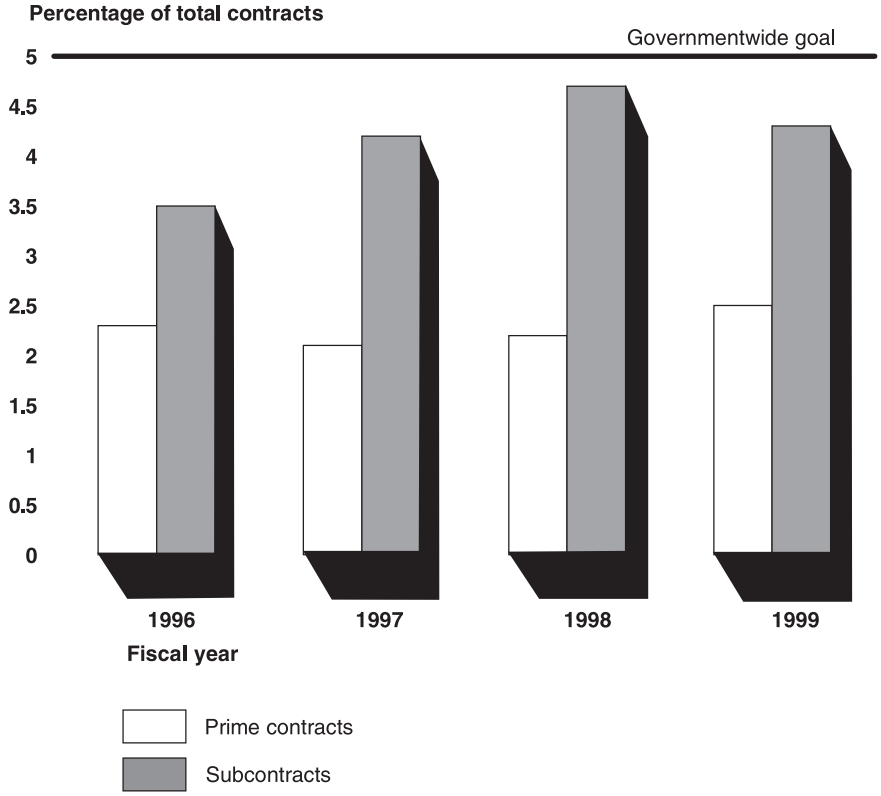
Source: GAO's analysis of FPDS data.

No Upward Trend in WOSBs' Share for Prime Contracts and Modest Upward Trend for Subcontracts; Both Remained Below Goals

Since fiscal year 1996, when the 5-percent governmentwide WOSB contracting goal was implemented, the share of the government's expenditures for prime contracts awarded to WOSBs has changed very little. The share of expenditures for subcontracts awarded to WOSBs has only modestly increased. Moreover, the separate 5-percent governmentwide WOSB goals for prime contracts and subcontracts were not met in any of the 4 years.[19] WOSBs' share of prime contract expenditures in 1999 was 2.5 percent, the highest for any of the 4 years, but only one-half of the 5-percent goal. Although greater progress was made over this period in meeting the governmentwide WOSB goal for subcontracts, that goal was not met during the 4 years. The share of subcontract expenditures for WOSBs increased from fiscal year 1996 to its highest point in fiscal year 1998, but decreased slightly the next year. Figure 1 shows the trends in the government's share of prime contract and subcontract expenditures for WOSBs since fiscal year 1996. From a historical perspective, WOSBs' share of total federal procurement grew from 0.2 percent in 1979 to 2.5 percent in 1999.

[19]OFPP Policy Letter 99-1, effective November 8, 1999, established separate 5-percent governmentwide goals for both prime contracts and subcontracts. Because the separate goals were not effective before fiscal year 2000, prior government trends are measured against the separate goals to compare with the current requirement. Although the separate governmentwide goals were only recently established, SBA has negotiated separate individual agency prime contract and subcontract goals since fiscal year 1996.

Figure 1: Governmentwide WOSB Goal and Actual Shares for Prime and Subcontracts, Fiscal Years 1996-99



Source: GAO's analysis of SBA data.

No Clear Trend in Meeting Individual Agency WOSB Prime and Subcontracting Goals

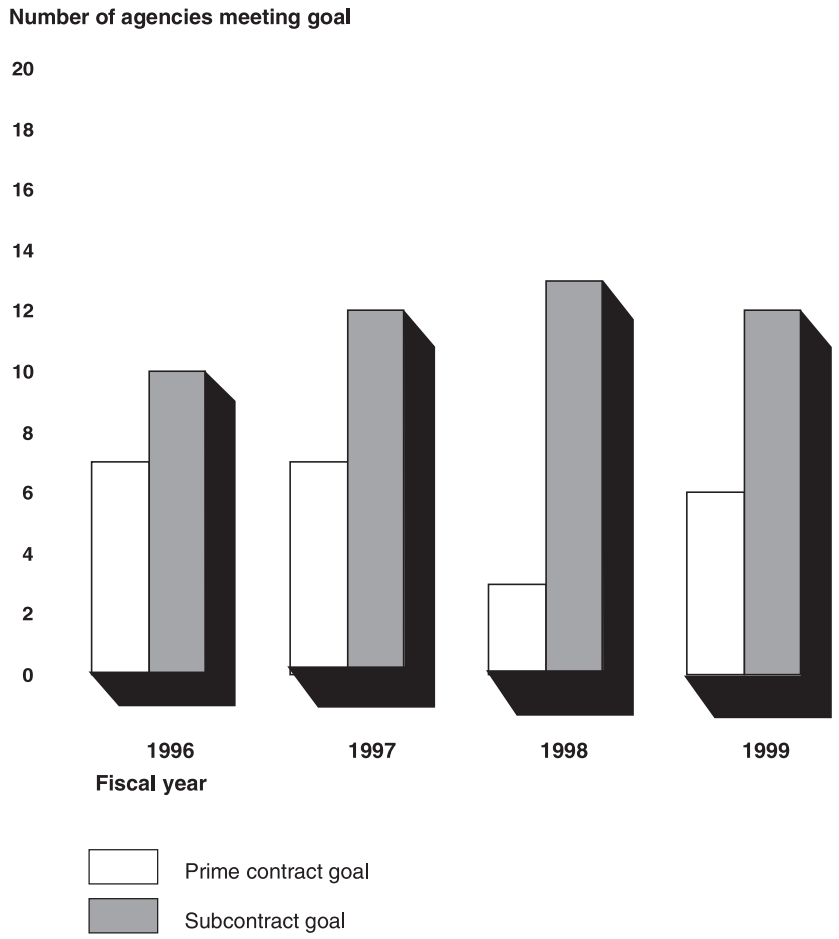
Of the 20 federal agencies that account for about 99 percent of annual federal contract expenditures, none has met its annual WOSB goals for both prime and subcontracting each year since fiscal year 1996.[20] More of these agencies had success meeting their WOSB subcontracting goal than their prime contracting goal over this period—each year at least one-half of the agencies met their subcontracting goal while only about one-third met their prime contracting goal. VA, State, and NASA were most successful, meeting or exceeding both goals 3 of the 4 years.

For prime contracts, 7 or fewer of the 20 largest agencies met their WOSB goal in each of the 4 years. As illustrated in figure 2, 7 of the 20 agencies met their prime goal in fiscal years 1996 and 1997; the following year, only 3 agencies met their prime goal. In fiscal year 1999, six agencies reached their prime goal. Only VA met or exceeded its WOSB prime goal each year; State and NASA met or exceeded their prime goal in 3 of the 4 years.

For subcontracts, more of these agencies met their WOSB goals. As shown in figure 2, at least 10 of the 20 largest agencies met their subcontracting goal each year from fiscal year 1996 through fiscal year 1999. The greatest success came in fiscal year 1998, when 13 agencies met their subcontracting goal. Five agencies—the U.S. Agency for International Development (AID), NASA, Interior, State, and Treasury—met their subcontracting goal each year. Further detailed information on each of these 20 agencies' share of prime and subcontracts with WOSBs and their WOSB goals is shown in appendix II.

[20]This discussion focuses on each agency's achievement of its individual goals, which varied over the period from 1.3 percent to 8 percent. One agency—the Department of State—exceeded the governmentwide goal of 5 percent for both prime contract and subcontract awards, even though it did not meet its own higher goals every year.

Figure 2: Number of 20 Top Procurement Agencies Meeting WOSB Goals, Fiscal Years 1996-99



Source: GAO's analysis of SBA data on the top 20 federal agencies' contracts for fiscal years 1996-99.

Increasing WOSB Contract Awards and Meeting WOSB Goals Not Always Correlated

In terms of meeting their individual WOSB contracting goals, it did not always matter whether these 20 agencies increased or decreased their share of expenditures for contracts with WOSBs. Some increased their share of prime or subcontract expenditures for WOSBs from fiscal year 1996 through fiscal year 1999 but never reached their goals, whereas others decreased their share each year and still met or exceeded their WOSB goals. For example, EPA increased its share of expenditures for prime contracts with WOSBs by about 50 percent between fiscal year 1996 and

fiscal year 1999, yet it never met its WOSB prime contracting goal (which doubled over the period). On the other hand, VA's share of prime contract expenditures for WOSBs decreased from 5.8 percent in fiscal year 1996 to 5.6 percent in fiscal year 1999, yet VA met its goal each year, as its goal increased from 4 percent to 5 percent over the period.

The same inconsistency emerged in these agencies' shares of subcontracts with WOSBs. Sixteen agencies maintained or increased their share of subcontract expenditures for WOSBs between fiscal year 1996 and fiscal year 1999, but only four of these agencies—State, NASA, Interior, and Treasury—met their WOSB subcontracting goal each year. AID reduced its share of subcontract expenditures for WOSBs between fiscal year 1996 and fiscal year 1999 yet reached its WOSB subcontracting goal each year.

Correlating agencies' success in meeting their WOSB goals to their success in increasing shares of prime and subcontract expenditures for WOSBs is complicated by the fact that individual agencies' goals can and sometimes do move up or down each year. Moreover, there was not always a correlation between an agency's level of procurement from WOSBs and its goals. For example, some agencies with relatively low shares of prime contracts awarded to WOSBs appear to have been able to negotiate lower goals with SBA. NASA, with a historically low level of procurements from WOSBs, had a WOSB prime contracting goal of 1.4 percent in fiscal year 1999 (and exceeded its goal by awarding 1.64 percent of prime contracts to WOSBs). In the same year, Justice had a goal of 3 percent and exceeded its goal by awarding 3.27 percent to WOSBs. Others, like DOD and the Department of Education, had rates of prime contract awards consistently under 2 percent over the period, yet both had goals of 5 percent in fiscal year 1999.

DOD Dominates Governmentwide Contract Spending and Determines Success or Failure of WOSB Goals

Government contract expenditures are concentrated in just a few agencies and dominated by DOD. Table 2 shows the share of total prime contract expenditures and WOSB prime contract expenditures by the top 20 agencies (as well as all others combined) in fiscal year 1999. As shown in the table, the four largest procuring agencies—DOD, DOE, NASA, and GSA—together accounted for over 82 percent of all federal prime contracts. The same four agencies accounted for about 71 percent of the contracts with WOSBs. In fiscal year 1999, DOD alone accounted for over 64 percent, or nearly $120 billion, of all federal prime contract expenditures. DOD awarded 1.9 percent of its prime contracts to WOSBs,

representing approximately $2.3 billion or about 50 percent of all federal prime contract expenditures with WOSBs in 1999.

Table 2: Agencies' Share of Government Expenditures for Prime Contracts and WOSB Prime Contracts, Fiscal Year 1999

Dollars in millions

Major federal agency	Total prime contract expenditures	Percent of total government expenditures	Total WOSB contract awards	Percent of government WOSB awards
Department of Defense	$119,732.7	64.4	$2,304.3	50.2
Department of Energy	15,650.3	8.4	399.1	8.7
National Aeronautics and Space Administration	11,003.3	5.9	180.7	3.9
General Services Administration	7,405.4	4.0	352.1	7.7
Department of Health and Human Services	4,984.3	2.7	166.0	3.6
Department of Veterans Affairs	3,846.1	2.1	215.2	4.7
Department of Justice	3,641.2	2.0	119.1	2.6
Department of Agriculture	3,532.2	1.9	134.4	2.9
Tennessee Valley Authority	2,679.7	1.4	42.1	0.9
Department of the Treasury	2,168.6	1.2	101.9	2.2
Department of Transportation[a]	1,847.4	1.0	75.3	1.6
Environmental Protection Agency	1,288.6	0.7	39.2	0.9
Department of the Interior	1,248.4	0.7	56.0	1.2
Department of Commerce	1,203.9	0.6	63.4	1.4
Department of Labor	1,136.5	0.6	35.7	0.8
Department of State	902.9	0.5	75.0	1.6
Department of Housing and Urban Development	792.2	0.4	118.4	2.6
Department of Education	680.8	0.4	5.9	0.1
Social Security Administration	493.5	0.3	19.0	0.4
U.S. Agency for International Development	431.5	0.2	19.1	0.4
Other agencies	1,119.7	0.6	69.0	1.5
Total	**$185,789.2**	**100.0**	**$ 4,590.9**	**100.0**

Note: Totals do not include dollars from contracts excluded from SBA's goal calculations and therefore differ from the total prime dollars indicated in table 1.

[a]The figures for the Department of Transportation exclude those for the Federal Aviation Administration.

Source: GAO's analysis of FPDS data.

For two of the top four agencies, their share of the total procurement from WOSBs is smaller than their share of total federal procurement. For example, DOD buys 50.2 percent of the total amount the government purchases from WOSBs but it accounts for 64.4 percent of the value of all federal procurements. Similarly, NASA, with its 4-percent share of total procurements from WOSBs, accounts for 5.9 percent of total federal procurements. The two other largest procuring agencies accumulated a larger share of total procurements from WOSBs than their share of total federal procurements. DOE accounts for 8.7 percent of federal purchases from WOSBs while accounting for 8.4 percent of total procurement, and GSA accounts for 7.7 percent of federal procurements from WOSBs while accounting for 4 percent of federal procurements. Without benchmarks of realistic WOSB contracting goals for individual agencies, it is unclear whether the level of an agency's contracting with WOSBs represents successful outreach efforts or a better match between what the agency buys and what WOSBs produce in these industries.

Nevertheless, the dominance of DOD in both total contracts and contracts with WOSBs justifies special attention. The government's success or failure in meeting the annual 5-percent governmentwide goals for prime and subcontracting with WOSBs depends to a large extent on DOD's ability to meet its WOSB goals. Because DOD achieved less than half of its 5-percent goal for prime contracts with WOSBs in fiscal year 1999, the governmentwide goal for prime contracting with WOSBs could not have been met even if every other federal agency had reached its WOSB prime contracting goal. Only by substantially exceeding their cummulative WOSB goals for prime contracts could other federal agencies have compensated for DOD's shortfall.

WOSBs Used Other Small Business Programs to Obtain Government Contracts

In fiscal years 1996 through 1999, WOSBs received a large majority of new federal prime contract awards on the basis of their status as another type of small business rather than as a WOSB. Our analysis of FPDS data on new prime contract awards for each of these years showed that WOSBs received the majority of their federal contract dollar awards as SDBs or 8(a) firms. In fiscal year 1996, about 57 percent of the new federal contract dollars awarded to WOSBs were awarded to WOSBs that qualified for the contracts as another type of small business. In fiscal years 1997, 1998, and 1999, the figure was about 70 percent. Table 3 illustrates the expenditures for new contracts with WOSBs and the expenditures for WOSBs that qualified for the contracts under other small business programs since fiscal year 1996.

Table 3: Expenditures for New Contracts With WOSBs Qualifying as SDBs or 8(a) Firms, Fiscal Years 1996-99

Fiscal year	Value of new contracts awarded to WOSBs during year	Value of new contracts awarded to WOSBs qualifying as SDBs during year	WOSB-SDB percentage of WOSB new contracts	Value of new contracts awarded to WOSBs qualifying as 8(a) firms during year	WOSB-8(a) percentage of WOSB new contracts	Value of new contracts awarded to WOSBs not qualifying as SDBs or 8(a) firms	WOSB percentage of WOSB new contracts
1996	$1,015,989	$408,026	40.2	$169,300	16.7	$438,663	43.2
1997	1,025,341	483,555	47.2	254,745	24.8	287,041	28.0
1998	1,074,353	516,343	48.1	235,043	21.9	322,967	30.1
1999	1,074,758	497,052	46.2	257,897	24.0	319,809	29.8

Source: GAO's analysis of FPDS data.

Federal Procurement Officials Perceive Obstacles to Increasing Contracts

We found wide consensus among the government contracting officials we contacted about obstacles to increasing government contracting with WOSBs. In fulfilling the mandate for this review, we interviewed officials throughout the federal government—chief procurement officers, line contracting officers, and small business advocacy officials at agencywide and program-specific levels—and solicited their views based on their direct experiences and responsibilities for federal contracting and meeting socioeconomic goals. These officials most frequently cited two obstacles to increasing federal contracting with WOSBs:

- the numerous and complex federal contracting programs for small businesses and
- the absence of a specific contracting program targeting WOSBs.

Other obstacles cited by officials but with less consensus included

- the practice of contract consolidation (including bundling), which they believe can deny a reasonable opportunity for WOSBs and other small businesses to compete for some procurements;
- a lack of commitment or accountability of agency executives, contracting officials, and/or program managers to increasing contracting with WOSBs and meeting the WOSB goals;
- a lack of sufficient WOSB access to working capital;
- a lack of qualified WOSBs competing in some areas; and

- resource constraints that limit federal agencies' efforts to monitor and enforce the plans submitted by prime contractors for subcontracting with small businesses, including WOSBs.

Other Small Business Contracting Programs Crowd Out WOSBs

While recognizing the value and public policy purpose of meeting socioeconomic goals for small businesses, government contracting officials at all levels told us that they were generally overwhelmed by the number and complexity of the requirements of small business contracting programs and their related goals. More specifically, these officials believe that the programs tend to crowd out WOSBs. They stated that, for some procurements, federal agencies are required by law to consider and give preference to certain categories of small businesses other than WOSBs when awarding contracts and that each of these programs has different rules, regulations, and eligibility criteria. Also, they said that the type of program for each small business category varies. For example, depending on the small business program involved, some procurements may be set aside for exclusive small business participation, some procurements may use price evaluation adjustments, and others may be conducted on a sole-source basis. Table 4 shows the different statutory governmentwide small business contracting goals.

Table 4: Small Business Categories With Statutory Governmentwide Contracting Goals

Small business category	Prime contract goal	Subcontract goal
Small business	23%	[a]
Small disadvantaged business	5%[b]	5%[b]
Women-owned small business	5%[b]	5%[b]
HUBZone small business	1-3%[c]	[c]
Service-disabled veteran-owned small business	3%[d]	3%[d]

[a]Not applicable.

[b]OFPP Policy Letter 99-1, effective November 8, 1999, established separate 5-percent governmentwide goals for both prime contracts and subcontracts under the statutory goals for WOSBs and SDBs.

[c]By statute, the HUBZone prime contract goal was 1 percent in fiscal year 1999, increasing to 1.5 percent in fiscal year 2000, and is scheduled to increase progressively to 3 percent by 2003. Agencies must mutually establish with SBA acceptable goals for subcontract awards to HUBZone small businesses.

[d]The Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50) established a governmentwide goal for service-disabled veteran-owned businesses of not less than 3 percent of the total value of all prime contract and subcontract awards each fiscal year. The program was effective October 1, 2000.

Source: GAO's analysis of governmentwide small business contracting goals.

The following small business contracting programs are used, as applicable, to reach the small business goals set forth in table 4.

- Small business reservation ($2,500 to $100,000)
- Small business set-asides (total or partial)
- 8(a) Business Development Program (sole-source or competitive)
- Emerging small business set-asides of the Small Business Competitive Demonstration Program
- Very small business set-asides of the Very Small Business Pilot Program
- HUBZone small business set-asides (competitive or noncompetitive)
- HUBZone price evaluation preference
- SDB price evaluation adjustment
- SDB participation program (sole selection factor or monetary incentive for actual SDB subcontracting)
- Subcontracting plans for small businesses, SDBs, HUBZone small businesses, WOSBs, and veteran-owned small businesses
- Mentor-protégé programs

The officials said that these small business programs both potentially reduce the number of contracts available to WOSBs and cause contracting officers to spend significant amounts of time administering the programs' often complex implementation requirements. Thus, they said that the time available for them to reach out to WOSBs for contracting purposes is significantly reduced. Officials noted that the situation has been exacerbated by reductions in the acquisition workforce and the addition of new small business contracting programs and requirements. It was also noted that before using sources such as small businesses, contracting officials are required to consider using certain other sources of supply, such as Federal Prison Industries and the Committee for Purchase from People Who Are Blind or Severely Disabled, and this potentially reduces contracts available to WOSBs.

WOSBs Are Not Targeted for Contracts

As the list following table 4 indicates, WOSBs had no vehicle that helped contracting officials target prime contract awards to them before the Small Business Reauthorization Act of 2000 was enacted. According to the contracting officials we contacted, unless a WOSB also meets the

requirements of one of these other small business programs, the WOSB will usually have to compete with other businesses in these targeted groups and other businesses for federal contracts.[21] Furthermore, they said that, depending on the procurement, government agencies might be required to provide targeted contracting opportunities to these other groups. An OFPP official also said that this could result in other small businesses receiving preference over WOSBs. Thus, officials generally agreed that without a specific vehicle or targeted contracting program, agencies cannot as effectively award contracts to WOSBs as they can to some other small business and meet their WOSB contracting goals.

Officials Believe Contract Consolidation Reduces Opportunities for WOSBs

According to government procurement officials, reductions in the acquisition workforce have increased the practice of contract consolidation by agencies, which reduces the opportunities for WOSBs to obtain some government contracts. They said that, to streamline and reduce contract administration costs, federal agencies sometimes combine a number of smaller contracts, which individually might be sought by and awarded to small businesses, including WOSBs, into fewer contracts. According to these officials, after the consolidation, the contract requirements sometimes become too large, complex, or geographically dispersed to be managed by a small business, thus making it more difficult to award these contracts to a WOSB or any small business.

[21]Some officials told us that they informally targeted WOSBs for certain procurements, but other agency officials did not agree this was a viable strategy.

A subset of consolidated contracts has been defined by the Small Business Reauthorization Act of 1997 (P. L. 105-135) as "bundled contracts." Specifically, the act defines 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 because of specified factors.[22] The act requires federal agencies to avoid unnecessary and unjustified bundling of contract requirements that precludes small businesses from participating in procurements as prime contractors. It also requires each federal agency to promote small businesses' participation by structuring its contracting requirements to facilitate competition by and among small businesses.

Representatives of WOSBs generally regard contract bundling as an obstacle to increasing their contracting with the federal government. However, we have been unable to confirm this. In conducting a review of contract bundling earlier this year, we reported that data were not currently available to determine its impact on small businesses.[23] We recommended that SBA develop a strategy setting forth how the agency can best achieve the results desired from oversight of contract bundling by considering the staffing resources and training needed, the timely resolution of potential bundling cases, and constraints the agency faces in implementing the strategy. We also reported that the only study concluding that contract bundling negatively affected small businesses provided no convincing evidence that contract bundling had adversely affected small businesses.[24]

[22]These factors include (1) the diversity, size, or specialized nature of the performance specified; (2) the aggregate dollar value of the anticipated award; (3) the geographic dispersion of contract performance sites; or (4) any combination of the three criteria.

[23]*Small Businesses: Limited Information Available on Contract Bundling's Extent and Effects* (GAO/GGD-00-82, Mar. 31, 2000).

[24]*Final Report: Bundled Contract Study FY 91-FY 95* (Eagle Eye Publishers, Inc., for SBA's Office of Advocacy, June 20, 1997). We have not fully analyzed a recently released follow-up report: *The Impact of Contract Bundling on Small Business: FY 1992-FY 1999* (Eagle Eye Publishers, Inc., for SBA's Office of Advocacy, Sept. 2000) although we note that it continues to apply a definition of bundling that differs from the statutory definition.

Some Say Procurement Officials Not Committed to or Accountable for Contracting With WOSBs

According to some of the government procurement officials with whom we spoke, some federal agency officials are not committed to increasing contracts with WOSBs and meeting the WOSB contracting goals. They said that some agencies do not hold their procurement officials accountable for meeting the goals, so contracting personnel there are not fully committed to using the tools available to them for increasing procurement opportunities for small businesses, including WOSBs, and meeting agency WOSB contracting goals.

Several contracting officials said that support for and commitment to the goals at the highest organizational levels within agencies were needed for contracting personnel to be committed to increasing contract awards to WOSBs and meeting the related goals. They said that this support and commitment are lacking; frequently, no individual within an agency is responsible and held accountable for meeting WOSB goals. A contracting officer at DOE told us he believes that an important reason DOE does as well as it does in meeting its WOSB goals is the strong support throughout the agency for awarding contracts to WOSBs. DOE officials further noted that the performance expectations and pay considerations of its contracting officials are linked to DOE's achievement of the goals. Similarly, procurement officials from NASA told us that the performance expectations for NASA's contracting officers include meeting small business contracting goals, including those for WOSBs. They believe that this expectation is partially responsible for NASA's meeting many of its small business contracting goals.

A study by the National Women's Business Council (NWBC) also emphasized the importance of accountability.[25] It concluded that a key element to any successful supplier diversity program is commitment from the top. The study said that supplier diversity programs are successful only when an organization's senior officials promote women as suppliers and vendors and include them as part of the acquisition strategy. Representatives from the Women's Business Center (WBC) Washington, D. C. Metropolitan Area, and from the Dallas-Ft. Worth Chapter of National Association of Women Business Owners (NAWBO) told us that the limited support and accountability for increasing contracting with WOSBs from officials within federal agencies has hindered the growth of contracting with WOSBs. A representative from the Women's Business Enterprise

[25] *1999 NWBC Best Practices Guide: Contracting with Women* (Washington, D.C.: National Women's Business Council, July 1999).

National Council (WBENC) also told us that she believes some agencies do not reach their contracting goals because federal contracting officials do not look hard enough for available WOSBs.

Some Believe That WOSBs Lack Sufficient Access to Working Capital

A procurement official and representatives of some of the women business-owners associations told us that a lack of sufficient access to working capital discourages some WOSBs from competing for government contracts. To meet the needs of ongoing capital expenses, contractors sometimes receive contract financing, such as progress payments based upon costs incurred in certain large fixed-price contracts and subcontracts in which the first delivery occurs several months after the award has been made. Under the Federal Acquisition Regulation, the customary progress payment rate is 85 percent of the total costs incurred under a contract with a small business. However, some believe that such provisions do not always provide WOSBs with the amount of working capital necessary to compete for government contracts. Some agencies have instituted higher customary progress payment rates for small businesses and SDBs. For example, DOD has customary progress payment rates of 90 percent for small businesses and 95 percent for SDBs.

Some Say Not Enough Qualified WOSBs Competing in Some Fields

According to some contracting officials, some agencies have difficulty meeting their WOSB contracting goals because few qualified WOSBs compete for government contracts in the fields in which those agencies are procuring goods or services. They said that this obstacle remains, even though many agencies have developed outreach efforts to find and encourage WOSBs to compete for government contracts. Some of these officials said that WOSBs do not always compete for government contracts because they perceive the federal procurement process as too complex, they lack the expertise to meet many of the procedural requirements, or both. One senior procurement executive with 15 years of experience stated that even though women business-owners associations and others generally say that women-owned businesses, including WOSBs, are not given opportunities to participate in the procurement process, he believes that the problem often is that these businesses do not seek contracting opportunities with the federal government. A representative from an association of women business owners we contacted agreed that some WOSBs view the federal procurement process as complex and costly. She conjectured that this complexity, combined with an anticipation of limited success in winning awards, might keep many WOSBs from submitting offers for government contracts.

Resource Constraints Affect Monitoring and Enforcing Plans for Subcontracting With WOSBs

According to federal procurement officials with whom we spoke, reductions in the federal acquisition workforce mean that fewer agency contracting personnel must meet an increasing workload. They said that they often lack the resources to effectively oversee and administer contractors' performance. Thus, according to these officials, agencies' contracting personnel do not always monitor and enforce plans submitted by prime contractors for subcontracting with small businesses, including WOSBs. Without appropriate monitoring and enforcement, these officials said, prime contractors do not always follow through with their plans to award small business subcontracts.

Similarly, an official of GSA's Office of Enterprise Development stated that often little oversight or enforcement occurs after a prime contractor's plan for subcontracting with small businesses is approved. The official said that her office is constantly asked by small business representatives to request changes to legislation that would provide for greater enforcement of subcontracting plans and make government contracting officers accountable if prime contractors did not honor these plans. Finally, she said that because prime contractors have such an uneven record of using WOSBs and other small businesses, some WOSBs (as well as other small businesses in general) become frustrated and discouraged from pursuing federal subcontracting opportunities.

An opportunity for improving the enforcement of subcontracting plans is presented by the recent executive order for increasing opportunities for WOSBs. The order requires each agency to work closely with SBA, OFPP, and others to develop procedures to increase compliance by prime contractors with subcontracting plans, including subcontracting plans involving WOSBs.

Federal Procurement Officials Have Suggestions for Increasing WOSB Contracts but Caution Against Possible Unintended Consequences

Among the government contracting officials with whom we spoke, there was general agreement on several suggestions for improving the environment for contracting with WOSBs and increasing federal contracting with WOSBs. They suggested

- creating a contract program targeting WOSBs,
- focusing and coordinating federal agencies' WOSB outreach activities,
- promoting contracting with WOSBs through agency incentive and recognition programs,
- including WOSBs in agency mentor-protégé programs,
- providing more information to WOSBs about participation in teaming arrangements, and
- providing expanded contract financing.

Simultaneously, officials cautioned that some of these suggestions could lead to some unintended consequences (notably a possible reduction in procurements from other small business groups) and that even if the suggestions were implemented, the 5-percent governmentwide goals might still not be achievable.

Officials Suggest a Specific Contracting Program for WOSBs

Federal contracting officials, particularly those in PEC and the OSDBU Council, generally agreed that a targeted contracting program, such as one that would grant authority to restrict competition for contracts specifically to WOSBs, could help increase the number of contracts awarded to WOSBs. In addition, 22 of the 30 contracting officers we contacted from four federal agencies[26] awarding large numbers of contracts each year stated that such a program could be a valuable tool in their efforts to increase contracting with WOSBs and help them achieve their WOSB contracting goals.

Despite the broad consensus on the need for a formalized vehicle to target qualified WOSBs for federal contracts, many of these same officials expressed concern that creating such a program would add to the already large and complex universe of federal contract programs for small businesses. Also, some of these officials said they recognize that such a program would not guarantee that the 5-percent governmentwide goals for prime and subcontracts would be achieved. For example, not enough

[26]These agencies are DOD (the Air Force and the Navy), GSA, NASA, and DOE.

qualified WOSBs might exist in those industries in which much federal procurement occurs, meaning that a new contracting program might not be sufficiently effective in increasing contracting with WOSBs to achieve the governmentwide goals. In addition, officials said that because a number of small business groups already must be considered for government contracts, they would have to make choices between competing small business groups and, ultimately, there might not be enough contracts to go around. Thus, while WOSBs might benefit from a new targeted contracting program, such a program might compete with existing programs for other small business groups. To combat this problem, some officials suggested broadening or combining existing programs to incorporate WOSBs (such as broadening the definition of a small disadvantaged business to encompass all WOSBs).[27] Several of the representatives from the women's groups we contacted believed that a targeted contracting program would help to accelerate progress toward achieving the WOSB goals.

The Small Business Reauthorization Act of 2000 authorized a targeted contracting program for certain WOSBs. Contracting officers are authorized to restrict competition for contracts for supplies or services in certain industries when specific conditions are met (the contract is for goods or services in an industry identified by SBA where WOSBs are underrepresented in federal procurement, two or more WOSBs who are economically disadvantaged are expected to compete, the award price does not exceed $3 million—or $5 million for manufacturing—and the award can be made at a fair and reasonable price). The program's implementation, however, will require several actions by SBA, including (1) the completion of a study to identify industries in which WOSBs are underrepresented and substantially underrepresented in federal procurement; (2) the establishment of a process for approving federal, state, or national certifying entities to complete certifications of WOSBs; (3) the establishment of standards for documentation to be required by contracting officers to support certifications of WOSBs; (4) the development of criteria for determining industries where WOSBs are "substantially" underrepresented and therefore eligible for a waiver of the requirement that WOSB firms be economically disadvantaged to benefit

[27]The Women's Coalition on Access to Procurement filed a petition with the SBA Administrator on September 22, 1999, requesting the designation of women-owned businesses as a group "presumed" to be socially disadvantaged for the purposes of the 8(a) and SDB programs.

from the program; and (5) the establishment of procedures to challenge firms' eligibility and a program to verify firms' eligibility.

Officials Believe More Focused and Collaborative Agency Outreach Could Increase Contracting With WOSBs

Contracting officials from the Air Force, NASA, DOE, and GSA said that their respective agencies have active and focused WOSB outreach programs.[28] They said that these programs attempt to attract WOSBs to contracting opportunities and that they teach these businesses how to compete for federal contracts, navigate through the federal procurement process, and complete necessary paperwork. For example, Air Force small business advocates told us they had effective outreach efforts educating WOSBs on technical requirements and encouraging WOSBs to gain needed skills.

Other officials with whom we spoke said that giving greater effort and focus to some federal agencies' outreach activities could increase the number of contracts with WOSBs. In particular, PEC officials agreed that agencies needed to be more collaborative in their outreach efforts to WOSBs. PEC and other officials said that greater emphasis by federal agencies on the development of training programs and seminars for WOSBs could help increase their participation in the federal procurement process. Specifically, they said that with more focused outreach programs, agencies could (1) better identify qualified WOSBs in specific industries and (2) encourage WOSBs to participate in the federal contracting arena (by teaching them about the federal procurement process and strategies for preparing more competitive contract offers).

While some officials suggested more focused outreach programs, PEC and DOD officials viewed greater coordination and consolidation of agencies' outreach efforts as necessary to make the most of government and WOSB resources. Specifically, these officials believed such coordination would reduce overlap and duplication of outreach efforts by agencies, reduce the multiplicity of outreach conferences faced by individual WOSBs, and provide more comprehensive and relevant sources of procurement information and networking opportunities to WOSBs. Officials stated that proper coordination would allow WOSBs to be more selective in the outreach conferences they attend and enable government officials to provide them with greater access to key program and contracting

[28]According to DOD, the information we received from the Air Force also reflects the efforts of other military departments.

personnel. The recent executive order on increasing opportunities for WOSBs requires federal agencies to work with SBA in making outreach efforts and preparing plans to target WOSBs for greater participation in the procurement process. Implementation of the executive order could provide an appropriate opportunity to address the suggestion for greater coordination and consolidation of the government's outreach efforts.

Officials Suggest Incentive and Recognition Programs May Increase Contracting With WOSBs

A number of the procurement officials we contacted said that recognition and incentive programs should be developed or improved to increase federal contracts with WOSBs. They said that such programs increase awareness of the importance the agency places on the WOSB goals and recognize the accomplishments of agency procurement officials, as well as those of prime contractors who successfully meet their plans for subcontracting with WOSBs. They cited a Treasury program that annually rewards staff and prime contractors who have significantly contributed to the agency's efforts to contract with small businesses, including WOSBs. The establishment of such rewards and programs at other agencies may be a simple method for agencies to increase incentives for agency officials to utilize WOSBs in their agency's procurements. Although in 1999 SBA established a governmentwide recognition effort, the Frances Perkins Vanguard Award, to recognize federal agencies and prime contractors for their efforts in contracting and subcontracting with WOSBs, some officials said that agency-level recognition awards may provide a more immediate incentive for agency outreach to WOSBs.

Officials Suggest Including WOSBs in Mentor-Protégé Programs

Some officials suggested that WOSBs could benefit by participating to a greater extent in agency mentor-protégé programs. For example, an OSDBU at NASA was very enthusiastic about NASA's achievements using the mentor-protégé program for assisting WOSBs. Furthermore, the NWBC study on best practices mentioned earlier describes how some agencies have established mentor-protégé programs to develop and increase the number of WOSBs as subcontractors.[29] The study points out that under these programs, both mentors and protégés benefit when agencies provide financial incentives to prime contractors to help small businesses, including eligible WOSBs, and enhance their technical capabilities for participation as subcontractors and suppliers for government and

[29]The WomenBiz.gov Web site provides a list of, and links to, government mentor-protégé programs available for WOSBs.

commercial contracts. According to the study, at some agencies the mentor-protégé program provides incentives for mentors to establish and implement a developmental assistance plan to enable the protégé company to compete more successfully for prime and subcontract awards. The study stated that potential benefits to protégé companies include technical advice, market access, credibility, financial support, and the possibility of partnering with other businesses to enable them to better compete for federal contracts.

The recent executive order on increasing opportunities for WOSBs lists the implementation of mentor-protégé programs that include WOSBs among the steps agencies should take to maximize WOSBs' participation in the procurement process. Recently, section 807 of the National Defense Authorization Act for Fiscal Year 2001 made WOSBs eligible for participation as protégé firms under DOD's statutory mentor-protégé program.[30] The suggested inclusion of WOSBs in agencies' mentor-protégé programs thus appears to be under way.

Officials Suggest Informing WOSBs About Participation in Teaming Arrangements

Some officials suggested that WOSBs could benefit from being made aware that teaming with other small businesses (and in some cases, large firms) could enhance their competitiveness for certain procurements. For example, DOD officials said that teaming was an excellent tool that DOD uses to increase contracting with WOSBs. In addition, under the recent executive order, SBA is required to offer a program of training development seminars and conferences to instruct women business owners on how to participate in SBA's 8(a) program, the SDB program, the HUBZone program, and other small business contracting programs for which they may be eligible. Since these programs allow teaming arrangements, the training development seminars and conferences the executive order requires SBA to provide to WOSBs could include information or instruction on such teaming arrangements. For example, a qualified WOSB may enter into a joint venture with a qualified HUBZone small business for the purpose of performing a specific HUBZone contract so long as each business is small under the applicable size standard and the procurement

[30]DOD has a statutory mentor-protégé program under which mentor firms may receive reimbursement of the costs of mentoring activities or receive credit toward meeting SDB subcontracting goals (established under subcontracting plans entered into with an agency). As required by section 811 of the National Defense Authorization Act for Fiscal Year 2000 (P.L. 106-65, Oct. 5, 1999), we are currently reviewing the operation and effectiveness of DOD's mentor-protégé program.

exceeds a certain value. For competitive 8(a) program procurements, a WOSB may enter into a joint venture or teaming arrangement with at least one 8(a) participant without regard to small business size standards if certain conditions are met. Clearly, WOSBs could benefit from outreach efforts that include information or instruction on participation by WOSBs in teaming arrangements or joint ventures for procurements where such arrangements are permitted.

Officials Suggest Providing Expanded Contract Financing

To address the problem of limited access to working capital experienced by many WOSBs (and other small businesses), contracting officials suggested that expanded contract financing could be helpful, such as through advance payments and higher rates of progress payments under government contracts. This idea is consistent with NWBC's recommendations. NWBC has suggested that by increasing the customary progress payment rate for WOSBs to 95-percent and lowering the threshold for inclusion of customary progress payments in contracts with WOSBs to the lower threshold ($50,000) that DOD uses for SDBs, more working capital might flow to WOSBs.[31]

Officials Said More Realistic WOSB Goals Could Improve the Program's Credibility

Federal procurement officials frequently mentioned that the WOSB contracting goals established for individual agencies are unrealistic: that is, they are established without regard to the capability and availability of WOSBs in specific industries from which federal agencies procure their goods and services. Officials in contracting agencies and SBA agreed that the goals are not based on an analysis of the presence, capability, or interest of WOSBs in the business sectors or industries in which government agencies make most of their purchases.

According to a number of contracting officials, it makes no difference how hard contracting officers try to meet a goal if WOSBs are not in a specific location or industry where an agency procurement is to be made. If the WOSBs in the industry are not capable of performance, do not want the contract, or do not respond to contract solicitations, the agency cannot award the contract to a WOSB. Ten of the 30 contracting officers with whom we spoke stated they specifically had experienced difficulties

[31]The NWBC also recommended that authority be provided to allow advanced payments for successful WOSB offerors on certain requirements, such as contracts of $5 million or greater.

identifying WOSBs for certain contract solicitations. They said this was particularly a problem for those contracts with specialized requirements, such as those for weapons systems or highly technical services. Contracting officers at NASA and DOE told us that for many of their procurements for highly technical research and development projects, they often have difficulty identifying qualified WOSBs. These contracting officials further said that they believe the credibility of the WOSB contracting program could be enhanced if the individual agency goals better reflected the number of WOSBs in locations and industries where government agencies purchase goods and services.

SBA officials have recognized the absence, but also the potential usefulness, of information on the presence of WOSBs in various industries when establishing individual agency goals. In our discussions with SBA officials, they expressed an interest in analyzing new data just becoming available from the 1997 business census. However, they said that they have lacked sufficient resources to perform the breadth of analysis needed. They cited the complexity of the effort undertaken by experienced census staff who had completed a similar analysis for the Department of Commerce; that study sought to identify industries in which disadvantaged businesses were underrepresented in federal procurement. [32] In commenting on a draft of this report, SBA said that it agreed that a disciplined study of WOSBs in different industries must be performed and, in accordance with Executive Order 13157 and applicable laws, this study will be done.

PEC officials told us that included in PEC's strategic plan for fiscal years 2001 through 2005 is an objective to improve those goal-setting processes and achievement measures for contracting with small businesses that align agency missions with procurement and socioeconomic goals. They believe such an effort, which would yield greater consensus in the federal community on the purpose and intended outcome of small business contracting programs, could improve the effectiveness of these measures.

[32]The Commerce methodology, used to determine industry groups for the SDB program, includes (1) identifying firms that are "ready and willing" to supply the federal government, (2) calculating the government's utilization of each "ready and willing" firm, (3) estimating the capacity of each "ready and willing" firm, and (4) comparing the SDB shares of utilization and capacity held by such firms. Officials responsible for the Commerce analysis described this level of effort as "extraordinary" and indicated that completing a similar study of WOSBs could require the full-time effort of a qualified economist for at least 6 months. DOD officials indicated that they, too, had devoted significant resources to the study.

A representative from NAWBO with whom we spoke questioned whether federal agency officials always make concerted efforts to find WOSBs to help meet their goals or whether they find it easier to go with previous suppliers. A representative from the WBENC told us that she believes some agencies fail to reach their contracting goals for WOSBs because of a lack of effort on the part of federal contracting officials—not because qualified WOSBs are unavailable. A representative from WBC told us that she agrees with these views and added that there may not be enough WOSBs in certain locations and industries where some agencies have specialized requirements. On the other hand, representatives of several of these organizations indicated they view proposals to reexamine the validity of WOSB contracting goals as largely an effort to lower goals rather than to increase contract awards to WOSBs.

Conclusions

As the FASA conference report recognized, reaching the 5-percent governmentwide goals for WOSBs will take time: Even though federal contracting with WOSBs increased at a faster rate than overall federal contracting during the past 4 years, limited progress has been made in achieving these governmentwide goals. Furthermore, the apparent lack of correlation between individual federal agencies' success in increasing their contracting with WOSBs and in meeting their WOSB contracting goals makes it difficult to tell which agencies are making progress and which strategies are most effective. Moreover, even if a number of agencies reach their goals, there appears to be little likelihood that the 5-percent governmentwide goals can be met until DOD—with nearly two-thirds of all federal procurements—comes closer to reaching its goals.

Many of the initiatives suggested by contracting officials for increasing contracting with WOSBs merit further examination–such as mentor-protégé programs, teaming, expanded contract financing, and more focused and coordinated outreach activities. Important issues have also been raised about how reductions in the acquisition workforce may be affecting the oversight of subcontracting plans or affecting contracting strategies—by, for example, increasing agencies' use of consolidated contracts or other vehicles, that may be disadvantageous to all small businesses. However, analyzing the benefits and effects of the various suggestions we received from federal contracting officials or women business-owner organizations for increasing the number of federal contracts awarded to WOSBs was beyond the scope of our review. At the same time, a number of these suggestions are covered by the recent executive order assigning a leadership role to the head of SBA's Office of

Federal Contract Assistance for Women Business Owners to expand contracting opportunities for WOSBs. As a result, while the congressional mandate for this study called for us to make recommendations we consider appropriate for actions that might increase federal contract awards to WOSBs, we conclude that further analysis is required before any particular strategies can be endorsed.

There was wide consensus among contracting officials about the value of developing an analytical foundation for agency goals, even though this was not directly a strategy to increase contracting with WOSBs. They noted that more realistic goals could improve the credibility of the program and improve the feasibility of developing stricter accountability for achieving the goals. PEC officials report a related effort under way to develop more complex and meaningful indicators of the success of socioeconomic procurement programs. They believe such an effort, which would yield greater consensus in the federal community of the underlying purpose and intended outcome of small business contracting programs, could improve the effectiveness of these measures.

The Small Business Reauthorization Act of 2000 requires SBA to conduct a study to identify industries in which WOSBs are underrepresented in federal contracting. While such a study is essential for identifying industries eligible for the newly authorized WOSB contracting program, its analysis could also be more broadly useful for improving the realism of and then improving the accountability for agency WOSB contracting goals. Without information on the representation of WOSBs in the industries in which federal agencies procure goods and services, SBA has not been able to ensure that its agency goals represent "the maximum practicable opportunity" for participation in agencies' contracts or "realistically reflect the potential of small business to perform such contracts," as called for in the Small Business Act, while at the same time ensuring that the cumulative goals for all agencies meet or exceed the governmentwide goal. The analysis of the representation of WOSBs in various industries required by the new legislation could provide a foundation for SBA to establish more realistic agency WOSB contracting goals and thus provide a solid basis for holding agencies accountable for achieving those goals. Determining more realistic goals for DOD, in particular, would provide an objective basis for reconciling the conflicting claims of contracting officials and women business-owner organizations over whether WOSBs are unavailable in various sectors or federal contracting officials are not trying hard enough to identify and work effectively with WOSBs.

Before the new contracting program for WOSBs was authorized, SBA officials had questioned their capacity to perform the breadth of analysis needed to determine the representation of WOSBs in various sectors. Given that the implementation of the new WOSB contracting program depends on a wide range of actions by SBA and that SBA has concerns about its capacity to complete the required steps, the Congress may benefit from being kept informed as SBA develops its strategy for responding to the new legislative requirements.

Recommendations for Executive Action

We recommend that the Administrator, SBA, direct the new Office of Federal Contracting Assistance for Women Business Owners to evaluate the benefits and effects of the suggestions for increasing federal contracting with WOSBs that surfaced in this review. These include the implementation of agency mentor-protégé programs that include WOSBs, of measures to facilitate teaming arrangements and expand contract financing, as well as the exploration of initiatives to consolidate and improve the efficiency and effectiveness of outreach efforts. Another issue worthy of further study is the extent to which pressures on the acquisition workforce may be contributing to contracting practices that reduce opportunities for small businesses. These actions are consistent with the broad authority as well as specific direction given to SBA under the recent executive order. Any of the suggestions deemed feasible should be considered for implementation.

In addition, we recommend that the Administrator, SBA, include in SBA's mandated study of industries in which WOSBs are underrepresented sufficient analysis to establish more realistic agency-specific annual goals for prime and subcontracts with WOSBs. Given DOD's predominance in government contracting, we believe that SBA would benefit from the active collaboration and support of DOD in performing the study. SBA should also keep the Congress informed as it develops a strategy for implementing the new provisions designed to expand federal contracting with WOSBs. In particular, SBA should notify its authorizing and appropriations committees if it determines that its capacity to implement the key provisions of the legislation will be impaired by insurmountable resource constraints.

Agency Comments and Our Evaluation

We requested comments on a draft of this report from the Administrator, SBA, and officials from OMB/OFPP, as well as from PEC and the Council of Offices of Small and Disadvantaged Business Utilization. We also requested comments from the four major contracting agencies from which we surveyed contracting officials—DOD, NASA, DOE and GSA. Furthermore, we requested comments from representatives of the four women's business organizations that we had discussions with during the course of our review.

We received responses from both PEC and the OSDBU Council and each of the government agencies except DOE. Each agency, except GSA, which had no general comments, said it generally agreed with our report and supported our recommendation.[33] Each of the four women's business organizations provided us with comments. Three generally agreed with the report and said that it provided a generally accurate overview of the federal procurement environment facing WOSBs. One—NWBC—raised a number of concerns about the methodology of our study and our recommendation in the draft report.

We received written comments from the SBA Administrator. She stated that SBA appreciated our thorough investigation and the care we had taken in framing the issues and possible solutions involved in reaching higher percentages of federal contract and subcontract dollars for WOSBs. Furthermore, she stated that SBA generally agrees with the recommendation in the report that SBA complete a disciplined study of the percentages and numbers of WOSBs in different industries. She said that in accordance with Executive Order 13157 and the applicable laws, this would be done by the new Office of Federal Contract Assistance for Women Business Owners in SBA's Office of Government Contracting. Additionally, she stated that, as suggested in our report, SBA is currently assessing its capacity to implement the WOSB provisions of the recently passed Small Business Reauthorization Act and will notify appropriate congressional committees if additional resources are required. The head of SBA's Office of Government Contracting said that the agency generally

[33]The draft of the report provided for agency comments contained only the recommendation that SBA broaden the required study of WOSBs to provide a more informed basis for prime contract and subcontract goals. The recommendation in the final report that SBA assess the suggestions for increasing contracting with WOSBs that surfaced during our review was added on the basis of various comments we received on the draft report. Because of time limitations, we gave only SBA an opportunity to comment on the additional recommendation.

agreed with our recommendation for further analysis of the benefits and effects of the suggestions we received from federal contracting officials for increasing contracting with WOSBs. However, she reiterated a concern about whether resources would be available. The SBA Administrator additionally provided us with several technical comments that we incorporated into the final report as appropriate. Appendix III contains the written comments we received from the SBA Administrator.

We received oral comments from the Associate Administrator for Procurement Law, Legislation and Implementation, at OMB/OFPP. She said that OFPP generally concurred with the report and provided us with several technical comments, which we incorporated into the final report as appropriate. We received oral comments from the co-chair and several members of the PEC socioeconomic committee, reflecting comments collected from additional members of that committee. They indicated that the report did a very good job reflecting the contracting environment in agencies. They strongly supported the recommendation to improve the analytical foundation for annual agency goals but noted that more complex measures of success besides contracting "share" were needed. They noted their efforts to form an interagency group to better capture the success of various agencies' efforts.

PEC officials also noted that while the report captured the complexity of the diverse small business contracting programs, the draft did not reflect several required sources of government supply and services, such as Federal Prison Industries and the Committee for Purchase from People Who Are Severely Blind or Severely Disabled, that must be considered before awarding contracts to small businesses. We added a reference to these programs. PEC officials also indicated that there were opportunities to reduce the overlap and improve the efficiency of agencies' outreach efforts. They believed agencies could collaborate and reduce the multiplicity of outreach conferences, thereby saving costs and time for both government agencies and targeted small businesses. We incorporated these observations into the discussion of both barriers and suggestions for increasing contracting with WOSBs.

Finally, PEC officials emphasized that, notwithstanding the potential noted above for some improvements in the efficiency of outreach efforts, attempts to increase contracting within various small business contracting programs is largely a zero-sum problem—that is, increased efforts in one area are likely to adversely affect other programs. They noted that the workload pressures on contracting officers are contributing further to the

use of contracting practices that some have alleged limit opportunities for small businesses to compete for federal contracts. We expanded our discussion of these issues and added an observation about the value of overseeing this trend and its possible adverse effects on WOSBs and other small business groups.

We also received oral comments from the co-chair of the OSDBU Council, who represented the views of a number of their members. The Council members were generally positive about the report and supported the recommendation but expressed concern that the significant efforts and successes of various agencies were not reflected in the report. They believed the draft overemphasized the achievement of goals, particularly noting that we described how no agency had met both its prime and subcontract goals over the 4-year period examined. They stated that this focus failed to recognize that some agencies set "stretch" goals and that some agencies have continually achieved or exceeded procurement levels for WOSBs above the 5-percent governmentwide goal. We retained our observations about the achievement of agency goals since individual agency goals (whether above or below 5 percent) are key to the achievement of the governmentwide goal. However, we did incorporate a reference to the one agency that has continually achieved or exceeded the 5-percent governmentwide goal. OSDBU Council members also provided technical comments that we incorporated into the report as appropriate.

We received written comments from DOD and NASA. DOD's Under Secretary of Acquisition Technology and Logistics provided written comments stating that DOD generally agreed with the facts in the report and supports our recommendation to SBA, including that SBA officials seek the active collaboration and support of DOD officials in the study. Separately, DOD provided us with several technical comments, which we incorporated into the final report as appropriate. DOD's letter to us appears in appendix IV.

A NASA Associate Deputy Administrator provided us with written comments stating that NASA agreed with our recommendation to SBA. He noted that when establishing the 5-percent goal for WOSBs, FASA specified that the goal be no less than 5 percent of the total value of all prime and subcontract awards for each fiscal year and it was not until November 1999 that OFPP interpreted the requirement to mean that there were separate 5-percent goals for prime and subcontracts. He recommended that we clarify our report on this point. We agree and clarified our report accordingly. NASA's letter to us appears in appendixV.

We received oral comments from the executive director of WBC, the president of WBENC, and both the current and immediate past president of the Dallas-Ft. Worth Chapter of NAWBO. Each of these officials had positive comments about the report and had no substantive or technical disagreements with its content.

We received written comments from the deputy director, NWBC. She said that she did not believe the draft report was responsive to the mandate and did not support our recommendation to SBA. She also provided a number of general and technical comments on the draft report. She was particularly concerned about our interpretation of certain requirements of the legislative mandate for this report. She commented that our methodology of focusing on the views of federal officials to discern the obstacles to, and suggestions for, increasing contract awards to WOSBs was flawed and indiscriminately repeated unverified assertions by federal officials. She said that we should have talked with women-owned businesses in the contracting arena and incorporated those discussions into the report together with the comments we received from federal employees involved in the federal procurement system. We disagree and believe the mandate clearly specifies that we solicit views from federal employees involved in the federal procurement system about their experiences pertaining to obstacles and suggestions for increasing the number of contracts awarded to WOSBs. In addition, we did contact representatives of four women-owned business organizations and solicited their views on any obstacles to and suggestions for increasing federal contracts with WOSBs, although this effort was not called for in the mandate.

The deputy director of NWBC specifically said she disagreed with our recommendation that SBA conduct a study to improve the analytical basis of agency WOSB contracting goals and believes it is inconsistent with the mandate calling for GAO recommendations to "increase contract awards" to WOSBs. We agree that this recommendation is not strictly a means to increase awards to WOSBs. However, we found the evidence persuasive that establishing an analytical foundation for the goals was relevant to the credibility and performance of the program. Accordingly, we retained this recommendation. We believe more realistic agency-specific WOSB contracting goals can improve the integrity of this program, can provide a solid basis for holding agencies accountable for achieving those goals, and over time could contribute to increases in agency contracts with WOSBs.

In her view, the mandate required us to make recommendations to increase such awards. The mandate does state that we are to make

recommendations we consider appropriate after taking into consideration any suggestions we received during our discussions with federal contracting officials. However, an analysis of the benefits and effects of the various suggestions put forth was not within the scope of our review, so we cannot endorse any particular strategy. Nonetheless, considering the breadth of consensus on the potential merit of various measures, we added a discussion of some of the promising suggestions for increasing awards to WOSBs and included a recommendation for SBA to further study their potential. Finally, we incorporated as appropriate some of her general and technical comments. Her complete written comments are included in appendix VI.

We performed our work from May 2000 through January 2001 in accordance with generally accepted government auditing standards. For details about our scope and methodology for this study, see appendix I.

We are sending copies of this report to the Honorable Ted Stevens, Chairman, and the Honorable Robert C. Byrd, Ranking Member, Senate Committee on Appropriations; the Honorable C. W. Bill Young, Chairman, and the Honorable David R. Obey, Ranking Minority Member, House Committee on Appropriations; the Honorable Donald H. Rumsfeld, Secretary of Defense; the Honorable Spencer Abraham, Secretary of Energy; the Honorable Fred P. Hochberg, Acting Administrator of SBA; the Honorable Thurman M. Davis, Sr., Acting Administrator of GSA; the Honorable Daniel S. Goldin, Administrator of NASA; and the Honorable Mitchell Daniels, Director of OMB. We will also make copies available to others on request.

If you have any questions about this report, please call me on (202) 512-2834. Key contributors to this report are acknowledged in appendix VII.

Sincerely yours,

JayEtta Z. Hecker
Director, Physical Infrastructure Issues

Objectives, Scope, and Methodology

Our objectives were to (1) review the federal procurement system for the 3 preceding fiscal years (1997 through 1999) to identify any trends in federal contracting with respect to women-owned small businesses (WOSBs), (2) solicit from federal employees involved in the federal procurement system any suggestions for increasing the number of federal contracts awarded to WOSBs, (3) report to the Congress on (a) any suggestions for increasing the number of federal contracts awarded to WOSBs that we consider appropriate after considering suggestions we received from the federal employees solicited per requirement 2 above, including any such means that incorporate the concepts of teaming and partnering, and (b) any barriers to the receipt of federal contracts by WOSBs and other small businesses that are created by legal or regulatory procurement requirements or practices, and (4) identify concerns of federal contracting officials about agencies' ability to meet their WOSB contracting goals.

To meet our first objective, we interviewed staff from the Federal Procurement Data Center (FPDC) and the Small Business Administration (SBA) to determine the availability of federal procurement data pertaining specifically to WOSBs. We acquired data from FPDC on overall federal procurement expenditures and procurement expenditures on small businesses, small disadvantaged businesses (SDBs), 8(a) businesses, and WOSBs for fiscal years 1996 (the first year the implementation of the 5-percent WOSB governmentwide goal was in effect) through 1999. We acquired data from SBA on federal agencies' prime contracting and subcontracting WOSB goals and the agencies' related annual contract awards for fiscal years 1996 through 1999. We analyzed the FPDC data to determine the overall trends of federal procurement expenditures and the trends of federal contracting with WOSBs for the 4 fiscal years. We analyzed the SBA data to determine the percentage of agencies' contracts awarded to WOSBs each year, the number of agencies meeting their WOSB goal, and the small business programs that WOSBs used to receive their contract awards.

To meet our other three objectives, we selected four agencies that accounted for over 80 percent of all federal contracting expenditures for fiscal years 1997 through1999: Department of Defense (DOD), Department of Energy (DOE), National Aeronautics and Space Administration (NASA), and General Services Administration (GSA). We contacted procurement officials, agency Small Business Office representatives, and 30 contracting officers from these agencies to discuss any obstacles (legal or regulatory) they encountered in awarding contracts to WOSBs and their suggestions for increasing the number of contracts awarded to WOSBs, and meeting

agencies' annual WOSB contracting goals. We conducted focused interviews and group discussions with officials from the Procurement Executive Council (PEC) and numerous agencies' Office of Small and Disadvantaged Business Utilization (OSDBU). We contacted officials from the Office of Federal Procurement Policy (OFPP), Office of Management and Budget (OMB), and SBA to discuss policy and regulations governing federal contracting with WOSBs and their suggestions for increasing contracts awarded to WOSBs and meeting WOSB contracting goals. We contacted representatives from the Office of Small Disadvantaged Business Utilization of 20 major agencies to determine why the agencies' WOSB goals were or were not met for the fiscal years 1996 through 1999 and any obstacles to and suggestions for awarding contracts to WOSBs and meeting WOSB contracting goals. These officials were selected for the most part based on their substantial experience in the field of federal contracting.

In addition, we contacted representatives of four women business-owner organizations to gain their perspective on obstacles to and suggestions for increasing federal contract awards to WOSBs. We did not validate the obstacles identified nor assess the benefits and effects of the suggestions we received from the federal contracting officials and others we interviewed.

In addition, we analyzed the information gathered and applied insights from a body of related work we previously performed. Our work was performed between May 2000 through January 2001 in accordance with generally accepted government auditing standards.

Federal Agencies' Goals and Percentages of Contracts Annually Awarded to Women-Owned Small Businesses

Table 5: Goals and Actual Percentage of Prime Contracts Awarded to WOSBs by Major Federal Agencies, Fiscal Years 1996-99

	FY 1999		FY 1998		FY 1997		FY 1996	
Federal agency	**Goal**	**Actual**	**Goal**	**Actual**	**Goal**	**Actual**	**Goal**	**Actual**
Department of Agriculture	5.0	3.8	5.0	3.1	5.0	2.5	3.5	2.8
Department of Commerce	5.0	5.3	8.0	5.0	8.0	5.7	7.0	7.6
Department of Defense	5.0	1.9	5.0	1.8	5.0	1.7	5.0	1.8
Department of Education	5.0	0.9	4.0	1.2	5.0	1.2	5.0	1.8
Department of Energy	2.6	2.6	3.0	2.9	3.0	2.1	3.1	2.7
Department of Health and Human Services	4.6	3.3	5.3	3.4	5.0	5.0	5.0	5.6
Department of Housing and Urban Development	5.0	15.0	5.0	2.5	6.0	1.7	8.8	10.3
Department of the Interior	4.7	4.5	5.1	4.1	4.8	4.8	4.5	5.1
Department of Justice	3.0	3.3	3.0	2.9	5.0	2.0	5.0	2.6
Department of Labor	5.5	3.1	5.6	1.4	5.9	1.5	5.5	2.0
Department of State	5.0	8.3	5.0	6.0	5.0	8.0	5.1	5.0
Department of Transportation	5.0	4.1	5.0	3.7	5.0	4.0	5.0	2.4
Department of the Treasury	5.0	4.7	5.0	3.7	5.0	6.7	5.0	5.2
Department of Veterans Affairs	5.0	5.6	4.0	5.4	3.5	6.1	4.0	5.8
Environmental Protection Agency	5.0	3.0	3.5	2.6	3.5	2.2	2.5	2.1
General Services Administration	5.0	4.8	5.0	3.3	5.0	2.5	5.0	3.3
National Aeronautics and Space Administration	1.4	1.6	1.3	1.4	1.4	1.6	2.0	1.6
Social Security Administration	5.0	3.8	5.0	4.4	5.0	5.2	5.0	2.4
Tennessee Valley Authority	3.5	1.6	1.9	1.0	1.9	1.5	1.8	1.6
U.S. Agency for International Development	5.0	4.4	5.0	4.5	5.0	3.0	5.0	3.7

Source: Small Business Administration.

Table 6: Goals and Actual Percentage of Subcontracts Awarded to WOSBs by Major Federal Agencies, Fiscal Years 1996-99

	FY 1999		FY 1998		FY 1997		FY 1996	
Federal agency	**Goal**	**Actual**	**Goal**	**Actual**	**Goal**	**Actual**	**Goal**	**Actual**
Department of Agriculture	5.0	3.3	5.0	2.9	5.0	4.8	2.0	2.5
Department of Commerce	8.0	5.5	8.0	4.6	8.0	9.4	7.0	6.0
Department of Defense	5.0	3.9	5.0	4.5	5.0	3.4	5.0	3.3
Department of Education	5.0	3.0	3.9	4.7	6.6	3.8	6.0	6.5
Department of Energy	6.0	6.6	4.0	3.7	4.0	7.6	4.1	3.8
Department of Health and Human Services	17.7	4.1	2.5	3.3	1.7	5.0	2.0	1.7
Department of Housing and Urban Development	5.0	8.3	5.0	14.1	5.0	10	8.0	5.1
Department of the Interior	2.3	4.5	2.0	7.1	2.0	8.5	2.0	2.2
Department of Justice	7.0	5.5	7.0	5	6.5	8.3	5.5	6.3
Department of Labor	5.4	6.3	5.3	5.5	5.3	4.8	5.0	5.8
Department of State	5.0	9.7	5.0	8.6	5.0	8.0	5.0	9.7
Department of Transportation	5.0	4.0	5.0	3.8	5.0	12.1	5.0	2.6
Department of the Treasury	5.0	7.2	5.0	6.4	5.0	7.8	4.0	5.6
Department of Veterans Affairs	5.0	5.7	1.0	2.1	1.0	5.5	2.0	1.4
Environmental Protection Agency	6.0	8.1	3.5	7.0	3.5	3.4	3.3	2.9
General Services Administration	5.0	4.5	5.0	4.2	5.0	4.5	5.0	3.0
National Aeronautics and Space Administration	6.6	6.8	6.4	6.8	6.0	6.7	5.0	5.9
Social Security Administration	5.0	10.5	5.0	16.3	5.0	4.9	5.0	0.0
Tennessee Valley Authority	4.0	4.3	4.0	9.3	4.0	3.5	3.5	4.0
U.S. Agency for International Development	3.3	7.8	5.0	5.7	5.0	8.8	5.0	12

Source: Small Business Administration.

Comments From the Small Business Administration

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

JAN 19 2001

JayEtta Hecker
Director, Physical Infrastructure
General Accounting Office
Room 2A14
441 G Street, NW
Washington, DC 20548

Dear Ms. Hecker:

Thank you for the opportunity you have provided the U.S. Small Business Administration (SBA) to comment on the draft report your organization has produced regarding the obstacles encountered by women-owned small businesses (WOSBs) participating in Federal contracting and subcontracting.

We at the SBA extend our appreciation to you for the thorough investigation you have performed and the care you have taken in framing the issues and the possible solutions involved in reaching higher percentages of Federal contract and subcontract dollars for WOSBs. Our comments are therefore limited in scope. Your report will be used as a reference by the SBA's Office of Government Contracting's new Office of Federal Contract Assistance for Women Business Owners (CAWBO) in our work with the other agencies.

The SBA reviewers of your report concur that a disciplined study of the percentages and numbers of WOSBs in different industries must be performed. In accordance with Executive Order 13157 and the applicable laws, this will be undertaken by CAWBO. Additionally, as suggested in your report, we are currently assessing our capacity to implement the WOSB provisions of the recently passed SBA Reauthorization Bill. To the extent that additional resources are required, we will notify our committees as appropriate. SBA officials generally agree with the recommendations in the report.

Specific comments or additions suggested for the draft report have been included in the enclosed addendum.

Sincerely,

Aida Alvarez
Administrator

Enclosure: Addendum of Suggested Changes

ADDENDUM OF SUGGESTED CHANGES

The following are our suggested changes for the report.

Now on p. 11.

- Page 9: The comment in the first full paragraph states, "Prior to 1998, SBA permitted WOSBs to self-certify themselves as small and disadvantaged and thus become eligible for existing preference programs." In actuality, WOSBs whose owners were in one of the ethnic groups listed in Part 124 of 13 CFR as presumed to be socially disadvantaged could self-certify for DOD's set-aside program for small disadvantaged businesses (SDBs) that was suspended several years ago. Those WOSBs whose owners were not included in the regulations cited above could self-certify only as small women-owned businesses. Further, for SBA's 8(a) program, prior to 1998, the WOSBs whose owners were not in one of the "presumed" ethnic groups had to individually provide clear and convincing evidence of their social disadvantage in their applications for 8(a) certification. As stated in the report, in 1998, this standard was changed to a preponderance of the evidence.

Now on p. 13.

- Page 10: We suggest that in the last sentence in the first paragraph, this be added: "(3) take corrective actions in concert with agencies failing to meet their five percent prime or subcontracting goals."

Now on p. 14.

- Page 11: We suggest in the first full paragraph, immediately after the second sentence, that a statement such as the following be inserted: "In addition, the Office of Federal Contract Assistance to Women Business Owners (CAWBO) will work with the newly appointed Senior Acquisition Officials in each agency who have been selected to help their respective agencies increase Federal procurement opportunities for WOSBs."

Now on p.12.

- Page 17: After the end of the sentence ending on the first line, we suggest adding a note such as, "However, in accordance with FASA and Executive Order 13157, five percent in both sub and prime contract dollars is now the minimum goal for each agency."

Now on pp. 37 and 38.

- On page 34, in response to the second opportunity for input from SBA officials, we suggest that the following information be included: "SBA officials in the Office of Federal Contract Assistance for Women Business to identify industries where WOSBs have been either underrepresented or Owners (CAWBO) indicated that they plan to perform the analysis required substantially underrepresented in federal procurement. They indicated that the scope of their planned analysis will support efforts to improve the factual foundation for agency-wide WOSB contracting goals. The analysis will be conducted on the 1997 Economic Survey data of women-owned small businesses (WOSBs) when it is available and on the FY 2000 contracting data from the FPDS. Both sets of data should be available shortly.

Comments From the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION, TECHNOLOGY AND LOGISTICS

30 JAN 2001

Ms. JayEtta Hecker
Director, Physical Infrastructure
U.S. General Accounting Office
Washington, DC 20548

Dear Ms. Hecker:

This is the Department of Defense (DoD) response to the GAO draft report, "FEDERAL PROCUREMENT: Trends and Challenges in Meeting Women-Owned Small Business Goal," dated January 9, 2000 (GAO Code 240388/OSD Case 3027).

The report effectively highlights the disparity in the distribution of the government-wide 5% goal among Federal Agencies. The DoD supports the recommendations that the Administrator, Small Business Administration (SBA) establish realistic agency-specific annual goals for prime and subcontracts to women-owned small businesses (WOSB) and that, SBA officials seek the active collaboration and support of DoD officials in the study. The Department will continue to target outreach to WOSB concerns in specific industry areas from which it procures goods and services. Through the DoD Mentor-Protégé Program and other technical assistance efforts the DoD will continue to develop the technical capabilities of WOSB concerns enabling them to participate in Defense industries in which they may be underrepresented.

Technical corrections were provided separately to the GAO staff. Thank you for the opportunity to review and comment on the draft report.

Sincerely,

ROBERT L. NEAL, JR.
Director, Office Of Small and
Disadvantaged Business Utilization

Comments From the National Aeronautics and Space Administration

National Aeronautics and
Space Administration
Office of the Administrator
Washington, DC 20546-0001

JAN 18 2001

Ms. JayEtta Z. Hecker
Director, Physical Infrastructure
U.S. General Accounting Office
Washington, DC 20548

Dear Ms. Hecker:

Thank you for your letter of January 9, 2001, to Administrator Goldin requesting comments on the GAO draft report entitled Trends and Challenges in Meeting Women-Owned Small Business Goal. As the Associate Deputy Administrator for the National Aeronautics and Space Administration (NASA), I welcome the opportunity to review the report.

The report recommended that the Small Business Administration (SBA) develop an analytical methodology to establish more realistic agency-specific annual goals for prime and subcontracts with Women-Owned Small Businesses (WOSB). We wholeheartedly agree with your recommendation.

The report provides information on trends since Fiscal Year (FY) 1996 in Federal contracting with WOSB's. The data collection and analysis for this report are based on the Office of Federal Procurement Policy (OFPP) Letter 99-1 with an effective date of November 8, 1999. This basis may be subject to misinterpretation, because the requirement of the Federal Acquisition Streamlining Act (FASA) of 1994, 10 U.S.C. Section 7106 (a)(2)(A), states, "The Government-wide goal for participation by small business concerns owned and controlled by women shall be established at no less than 5 percent of the total value of all prime contract and subcontract awards for each fiscal year," and the policy letter established, a separate 5 percent goal for prime contracts and a separate 5 percent goal for subcontracts. It is recommended that the accuracy of trends measured in this report reflect the policy that was in effect for the year being reviewed.

NASA has worked hard to ensure that WOSB's become an integral part of our aerospace industrial base. In FY 1996 the participation by WOSB's as a percent of the total value of all prime contract and subcontract awards was 4.5 percent. In FY 2000, WOSB's received 2 percent of prime contract and 7.2 percent of subcontract dollars from NASA. The FY 2000 figure equals 5 percent of NASA's total prime and subcontract dollars. Should you have any questions, please contact Ralph C. Thomas III, Associate Administrator for NASA Office of Small and Disadvantaged Utilization at (202) 358-2088.

Sincerely,

Daniel R. Mulville
Associate Deputy Administrator

Comments From the National Women's Business Council

National Women's Business Council

Comments on "Trends and Challenges in Meeting Women-Owned Small Business Goal" Draft Report
(transmitted to United States General Accounting Office via E-mail to Dorothy M Tejada.

Scope -- Public Law 106-165 requested the following from GAO:

(b) SENSE OF THE SENATE- It is the sense of the Senate that, not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States should--

(1) conduct an audit of the Federal procurement system regarding Federal contracting involving women-owned small businesses for the 3 preceding fiscal years;

(2) solicit from Federal employees involved in the Federal procurement system any suggestions regarding how to increase the number of Federal contracts awarded to women-owned small businesses; and

(3) submit to Congress a report on the results of that audit, which report shall include--

(A) an analysis of any identified trends in Federal contracting with respect to women-owned small businesses;

(B) any recommended means to increase the number of Federal contracts awarded to women-owned small businesses that the Comptroller General considers to be appropriate, after taking into consideration any suggestions received pursuant to a solicitation described in paragraph (2), including any such means that incorporate the concepts of teaming or partnering; and

(C) a discussion of any barriers to the receipt of Federal contracts by women-owned small businesses and other small businesses that are created by legal or regulatory procurement requirements or practices.

GAO states its mandate as:

1. **Trends since FY1996 in federal contracting with WOSB.**
2. **Obstacles that federal contracting officials perceive to contracting with WOSBs and meeting WOSB contracting goals, and**
3. **Suggestions from these officials to help increase federal contracting with**

COMMENT NUMBER 1

It is our opinion that GAO's mandate, as stated in the report, does not follow the congressional mandate.

We do agree with GAO's stated mandate no. 1 – "trends."

We completely disagree with GAO's stated mandate no. 2 "obstacles." It should not be obstacles that federal contracting officers perceive, but a "discussion of any barriers . . ." - A discussion not specifically limited to the scope of what contracting officers think. If the intent was to be so narrowly tailored, the legislation would have said "discussion of any barriers . . . pursuant to a solicitation described in paragraph (2)" – as was specified in (3)(B).

Thus, GAO should have talked with women-owned businesses in the contracting arena (or used our survey or focus group statements) and incorporated that into the report together with what the "federal employees involved in the Federal procurement system" have said.

We also disagree with GAO's stated mandate No. 3 "suggestions." Our literal read of the legislation is that GAO shall solicit suggestions from "federal employees involved in the Federal procurement system," consider the suggestions and then make recommendations **to increase the number of Federal contracts awarded to women-owned businesses.**

Our biggest problem is obviously with the recommendations piece in the report – again, GAO's mandate was to make recommendations **to increase the number of Federal contracts awarded to women-owned businesses.** I do not understand how ". . . sufficient analysis to establish more realistic agency-specific annual goals for prime and subcontracts with WOSBs" helps to increase the number of Federal contracts awarded to women-owned businesses.

Recommendations regarding goal setting (adjusting or otherwise) does nothing for increasing the number of federal contracts awarded to women-owned businesses. Examples of recommendations that do help increase contracts to WOSB were only very briefly mentioned, i.e. the expansion of mentor-protégé programs to additional agencies/departments. Another example of a recommendation to help increase contracts to WOSB is to recommend teaming/joint venturing/partnering to combat contract bundling. And the list goes on.

In the NWBC 1998 annual report, we make 10 recommendations for increasing access to government contracting opportunities. The GAO report mentions 3: accountability, MPP and contract bundling. Where are GAO's recommendations on these, particularly accountability? Isn't it logical that if a contracting officer were held accountable for meeting/exceeding the goal that the number of contracts to WOSB would increase? Additionally, what contracting officer would come out and suggest that they want to be held accountable for reaching a contracting goal with WOSB? Shouldn't GAO sift through these issues to make unbiased recommendations – and not rely on what contracting officers recommend?

I have attached our 10 recommendations for further consideration.

COMMENT NUMBER 2

The Velázquez legislation (now known as Sec. 8(m)) does not use the term "set-asides" and consequently should not be referred to as such. The program is termed "restricted competition."

COMMENT NUMBER 3

Now on p. 8.

The statistics on women business ownership on page 7 is actually the National Foundation for Women Business Owners – not the National Women's Business Council. The NFWBO should receive the mention. Additionally, the figures referenced indicate WOSB. The NFWBO statistics are for WOB – they do not separate out WOB from WOSB.

COMMENT NUMBER 4

Shouldn't the FASA definition on page 8, fn 5 read: FASA defined a WOSB as a small business which is at least 51 percent owned by one or more women . . . and whose management and daily business operations are controlled by one or more women.

COMMENT NUMBER 5

Now on p. 28.

It is our opinion that provisions of the Executive Order should be detailed more thoroughly, particularly other agencies' responsibilities. For example, when referring to mentor-protégé programs, the report could reference EO Sec. 4 (d) "implementing mentor-protégé programs . . ." When referring to commitment from the top and accountability (page 32) GAO should reference EO Sec. 4 (a) "designating a senior acquisition official who will work with the SBA to promote contracting opportunities for WOSB."

COMMENT NUMBER 6

Now on p. 13.

Fn 13 on page 12 is incorrect. WomenBiz.gov was initiated and implemented by the National Women's Business Council under the auspices of the Interagency Committee on Women's Business Enterprise. NOT THE SBA AS INDICATED. Please see the attached WH press release and the NWBC press release. WomenBiz.gov is a true intergovernmental initiative. The NWBC secured the site and developed the content. The SBA provided a graphics designer and the site is hosted on a GSA server.

COMMENT NUMBER 7

Now on p. 22.

Page 23 *Women Used Other Small Business Programs to Obtain Government Contracts* – the report should have a sentence that says ". . . WOSBs received the majority of their federal contract dollar awards as SBD or 8(a) firms." Can GAO come right out and say that minority women accounted for a preponderance of increase in contracts to women-owned small businesses?

COMMENT NUMBER 8

Now on p. 27.

On page 31 the report references SBA's old contract bundling report. Did GAO review the new one released in the Fall 2000? If not, I have attached it for your consideration.

COMMENT NUMBER 9

On two occasions the report refers to the National Women's Business Center. Since Beth Cole arrived at the WBC a while back, they have dropped this name and just use "Women's Business Center, Washington, DC" as evidenced by their web page http://www.womensbusinesscenter.org/index.html. This is important because I do not want anyone to confuse the Center with the Council.

COMMENT NUMBER 10

No where in the GAO report does it mention the petition that was filed on September 22, 1999 by the Women's Coalition on Access to Procurement. This legal petition requested the SBA Administrator to designate women-owned businesses as a group "presumed" to be socially disadvantaged for the purposes of 8(a) and SDB. The petition laid the foundation for the Executive Order and is an important consideration with regard to WOSB and procurement. I do not have a copy of the petition in e-form, but I would be happy to fax you a copy if you do not already have it.

COMMENT NUMBER 11

Now on p. 35.

Fn 25, page 41 – shouldn't that read "statutory" ?

COMMENT NUMBER 12

Now on pp. 39 and 40.

The conclusions on page 43 are troubling. To reiterate our first comment, the recommendations stated do nothing for the congressional mandate that ". . . report shall include -- any recommended means to increase the number of Federal contracts awarded to women-owned small businesses . . ."

Particularly, ". . ., its analysis could also be more broadly useful in improving the realism of and then improving the accountability for agency WOSB goals" and "The analysis of the representation of WOSB in various industries required by the new legislation could provide a foundation for SBA to establish more realistic agency WOSB contracting goals and thus provide a solid basis for holding agencies accountable for achieving those goals."

We are concerned that this can (and will) be interpreted to mean lower the 5% government-wide contracting goal." I do not understand how establishing more realistic agency WOSB contracting goals will increase the number of Federal contracts awarded to women-owned small businesses.

COMMENT NUMBER 13

Now on p. 4.

Can the National Women's Business Council be specifically referenced as a government source on page 2?

COMMENT NUMBER 14

There is no reference to the Interagency Committee on Women's Business Enterprise. The IACWBE has been acting on contracting issues since its inception. The EO was an initiative of the IACWBE.

COMMENT NUMBER 15

The Department of Transportation does consider women-owned small businesses as disadvantaged for the purposes of including in their Disadvantaged Business Enterprise Program (DBE). There is no reference to this in the report.

COMMENT NUMBER 16

The report does not mention the fact that NASA and EPA can consider women to be socially and economically disadvantaged for the purposes of contracting programs (P.L. 101-507 Administrative Provisions).

GAO Contacts and Staff Acknowledgments

GAO Contact

JayEtta Z. Hecker, (202) 512-8387

Acknowledgments

In addition, William R. Chatlos, Elizabeth R. Eisenstadt, Colin J. Fallon, Sherrill H. Johnson, Frederick Lyles, Dorothy M. Tejada, and Adam Vodraska made key contributions to this report.

Ordering Information

The first copy of each GAO report is free. Additional copies of reports are $2 each. A check or money order should be made out to the Superintendent of Documents. VISA and MasterCard credit cards are accepted, also.

Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:
U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

Orders by visiting:
Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders by phone:
(202) 512-6000
fax: (202) 512-6061
TDD (202) 512-2537

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

Orders by Internet:
For information on how to access GAO reports on the Internet, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web home page at:

http://www.gao.gov

To Report Fraud, Waste, or Abuse in Federal Programs

Contact one:

- **Web site: http://www.gao.gov/fraudnet/fraudnet.htm**
- **e-mail: fraudnet@gao.gov**
- **1-800-424-5454 (automated answering system)**

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Official Business
Penalty for Private Use $300

Address Correction Requested

Presorted Standard
Postage & Fees Paid
GAO
Permit No. GI00