



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

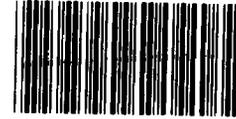
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IN REPLY
REFER TO:

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

November 24, 1980

Mr. Bernard Kulik
Associate Administrator for
Procurement Assistance
Small Business Administration



114026

Dear Mr. Kulik:

Review of In response to requests from the Chairman, Select Committee on Small Business, United States Senate, and Senator Jim Sasser, Tennessee, the General Accounting Office has reviewed the Small Business Administration's *SBA* Certificate of Competency (COC) Program.

SEA is authorized by section 8(b)(7) of the Small Business Act, as amended, to issue COCs for small businesses whose bids or proposals have been rejected by Government contracting officers because of lack of responsibility for any reason including, capacity, credit, tenacity, perseverance, or integrity. A COC is a written instrument, issued to a Government contracting officer or officer engaged in the sale or disposal of Federal property, certifying that the small company named therein, possesses the capability to perform a specific Government contract. The Government officer is required to accept such certification as conclusive and shall award the contract to the firm in question without requiring it to meet any other requirement or responsibility or eligibility.

In conducting our review, we (1) interviewed officials within the SEA headquarters, the SBA Philadelphia and Atlanta regional offices, the Defense Personnel Support Center, the Defense Contract Administration Service--Philadelphia and Atlanta, and the General Services Administration--Washington, D.C.; (2) reviewed the files of 36 cases referred by Government agencies during calendar years 1978, 1979, and 1980 to the SEA Philadelphia Regional Office for COC action and the follow-up files on 63 active cases in that office; and (3) compared the performance (ability to deliver the items contracted for and in accordance with the specified time frames) of small businesses on 12 contracts awarded by GSA after COCs were issued with the performance of small businesses on 11 contracts awarded by GSA without the issuance of COCs. We reviewed a recent report distributed by the Defense Technical Information Center, Alexandria, Virginia, on the impact of COCs on the Air Logistics Center. We also took into account

the disclosures in our letter report to SPA on its COC program dated March 8, 1978. Further we reviewed program legislation, regulations, and statistics.

Our review indicated that:

- COC cases were processed in a timely manner and the decisions were adequately documented.
- Operating procedures for processing COC cases were comprehensive and were being complied with.
- Small businesses issued COCs performed as well as small businesses without COCs.
- General Services Administration and Department of Defense officials generally viewed the COC program favorably.

We orally reported our observation to the requesting parties.

However, as discussed with you on September 15, 1980, we observed a potential weakness in SBA's reporting on the status of contractor performance. The procedures require the regional offices to follow up and report monthly on the performance and financial status of active COC cases (Contract Progress Report of Certificates of Competency SEA Form 104A). At the time of our review, the Philadelphia region was monitoring 63 active cases of which 59 were classified as "on schedule". Our review of the monthly reports on these cases showed at least two instances where the contracts were not progressing on schedule but, the contracts were classified as, "on schedule" because the contractors were determined not responsible for the delays.

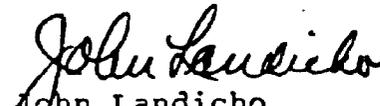
In the first case, the contract required delivery of all items by April 1980. According to SBA's records, this contract was delayed initially awaiting Government approval of the contractor's quality control procedures and again awaiting Government approval of the specifications, drawings, and other changes on the first article to be produced. The Contract Progress Report, dated September 10, 1980, stated that the firm had received first article approval and all units were completed and would be shipped by September 19, 1980. Despite the fact that deliveries were about 5 months behind schedule, the contract was classified as "on schedule". In the other case that was classified as "on schedule" the records showed that production had been delayed because certain items the contractor was required to buy from a firm on the Government's Qualified Procurement List failed first article testing. According to the contract terms, the first article was to be

delivered in June 1979, with production beginning in March 1980, and deliveries completed in February 1981. The Contract Progress Report, dated September 10, 1980, stated that the firm was finalizing first article tests reports and would submit them for approval on or before September 19, 1980. The report stated also that the contract delivery schedule would be amended after first article approval.

SBA needs to accurately report the status of all active contracts that were awarded after the issuance of COCs. More accurate reports would, in our opinion, better enable SBA to carryout its management and monitoring responsibilities. The Contract Progress Report does not now provide a category for classifying contracts that were delinquent when the delinquency was caused by the Government or for other excusable reasons. Therefore, we suggest that the report be revised to include a category or categories for classifying such contracts.

Please advise us of any action taken. We thank you for the cooperation extended to us during our review.

Sincerely yours,


John Landicho
Associate Director