

*116444*

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

FOR RELEASE ON DELIVERY  
EXPECTED AT 9:30 A.M. DST  
MONDAY, SEPTEMBER 21, 1981

STATEMENT OF  
HENRY ESCHWEGE  
DIRECTOR  
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE  
COMMITTEE ON SMALL BUSINESS  
UNITED STATES SENATE



116444

ON

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

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

WE WELCOME YOUR INVITATION TO DISCUSS S. 1620 A BILL THAT WOULD EXTEND THE 8(a) PILOT CONTRACT PROGRAM FOR AN ADDITIONAL 18 MONTHS BEYOND THE SEPTEMBER 30, 1981, EXPIRATION DATE. THE BILL ALSO CONTAINS A PROVISION THAT WILL MAKE IT POSSIBLE FOR THE PRESIDENT TO DESIGNATE ANOTHER AGENCY FOR THE PILOT PROGRAM.

THE COMPTROLLER GENERAL'S REPORT ON THE PILOT PROGRAM WAS RELEASED TO THE CONGRESS ON JANUARY 23, 1981, (CED-81-22). WE TESTIFIED ON THAT DATE BEFORE YOUR COMMITTEE. A COPY OF OUR EARLIER STATEMENT IS ATTACHED.

WE POINTED OUT THAT THIS PROGRAM HAD NOT BEEN SUCCESSFUL. WE CONCLUDED THAT THE SUCCESSFUL USE OF THE PILOT PROGRAM DEPENDED, IN PART, ON SBA'S ABILITY TO HAVE INFORMATION AVAILABLE ON THE QUALIFICATIONS OF 8(a) FIRMS. SBA NEEDS TO KNOW ENOUGH ABOUT PROCUREMENT OPPORTUNITIES TO JUDGE WHETHER A PARTICULAR FIRM CAN DO THE JOB. WE STATED THAT THESE REQUIREMENTS COULD ONLY BE

*018655*

FULFILLED IF SBA HAS A WORKABLE SYSTEM ENSURING THAT ITS FIELD PERSONNEL WERE BEING USED IN CRITICAL DECISIONS REGARDING THE SELECTION AND CERTIFICATION OF FIRMS, AND IF PROCUREMENT CENTER REPRESENTATIVES WERE BEING USED TO LOCATE PROCUREMENT OPPORTUNITIES.

THE ARMY, WITH A HISTORY OF COOPERATION IN OFFERING CONTRACTS TO THE REGULAR 8(a) PROGRAM, WAS SELECTED FOR PILOT PROGRAM PARTICIPATION. WE CONCLUDED THAT OPPORTUNITIES EXIST TO MORE FULLY TEST THE PILOT PROGRAM IN AN ADDITIONAL AGENCY THAT HAS BEEN RELUCTANT TO VOLUNTEER PROCUREMENTS TO THE REGULAR 8(a) PROGRAM.

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

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

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

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

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

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

S. 1620 WOULD AUTHORIZE AN EXTENSION OF THE PILOT PROGRAM  
UNTIL MARCH 31, 1983. AS I HAVE ALREADY NOTED, WE BELIEVE IT IS  
IMPORTANT THAT SBA SOLVE THE PROBLEMS WE IDENTIFIED BEFORE ANY  
FURTHER CONTRACTS ARE SELECTED AND AWARDED. WE HAVE NOT YET HAD  
THE OPPORTUNITY TO DETERMINE WHETHER SBA HAS CORRECTED THESE  
PROBLEMS. WE UNDERSTAND, HOWEVER, THAT SBA'S INSPECTOR GENERAL  
IS REVIEWING THE THREE INITIAL PILOT CONTRACTS. IN ADDITION, WE  
LEARNED THROUGH DISCUSSIONS LAST WEEK WITH 8(a) PROGRAM OFFICIALS  
THAT SBA PLANS TO MAKE SEVERAL CHANGES TO THE PROGRAM ALONG THE  
LINES OF OUR REPORT RECOMMENDATIONS. WE ARE IN FAVOR OF AN  
EXTENSION OF THE PROGRAM PROVIDED SBA IMPLEMENTS THESE CHANGES.

SECTION 2(a) WOULD REQUIRE THE PRESIDENT TO DESIGNATE A  
NONDEFENSE AGENCY FOR THE PILOT PROGRAM AS RECOMMENDED IN OUR  
REPORT. WE SUGGEST THAT THE NEW PILOT AGENCY BE ONE THAT HAS YET  
TO DEMONSTRATE ITS COMPLETE SUPPORT FOR THE 8(a) PROGRAM. IN THIS  
CONNECTION, WE POINTED OUT IN OUR REPORT THAT SBA AND THE ARMY  
DIFFERED ON WHETHER THE PILOT PROGRAM SHOULD EMPHASIZE THE QUALITY  
OR QUANTITY OF CONTRACTS. THE COMMITTEE MAY WISH TO CLARIFY IN

S. 1620 WHETHER QUALITY OR QUANTITY OF CONTRACTS, OR BOTH, SHOULD  
BE EMPHASIZED.

- - - - -

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