Since 2005, OMB has emphasized using strategic sourcing to improve efficiency in federal procurement. Strategic sourcing is a process that moves an organization away from numerous individual procurements toward a broader aggregate approach. GAO was asked to review how strategic sourcing affects small businesses, including small disadvantaged businesses. This report discusses (1) how OMB, GSA, and selected agencies have considered small businesses in their strategic sourcing efforts and (2) the extent to which data and performance measures are available on the inclusion of small businesses in strategic sourcing initiatives. GAO reviewed guidance and documentation from OMB, GSA, and five other agencies selected based on factors such as dollars awarded to small businesses. GAO also reviewed GSA data as of 2013, DHS data from fiscal year 2005 through the first quarter of fiscal year 2013, and agency reports from fiscal years 2005 to 2012.

What GAO Recommends

GAO makes recommendations to GSA, selected agencies, and OMB to improve data collection and performance measures related to the inclusion of small businesses in strategic sourcing. DOD, DHS, GSA, HUD, and OMB agreed with GAO’s recommendation. Interior partially agreed, suggesting that a more effective approach would be to work with OMB and other agencies to develop common approaches. NASA disagreed, stating it already tracks related spending for the agency. GAO believes its recommendations remain valid as discussed in the report.

What GAO Found

The Office of Management and Budget (OMB), the General Services Administration (GSA), and selected agencies have taken steps to consider small businesses, including small disadvantaged businesses, in their strategic sourcing efforts. (Small disadvantaged businesses are those unconditionally owned and controlled by socially and economically disadvantaged individuals.) OMB and GSA have developed guidance on strategic sourcing that stresses the importance of including small businesses. GAO’s review of documentation for three ongoing government-wide strategic sourcing initiatives showed that GSA considered the inclusion of small businesses in the strategic sourcing process. For example, when developing strategic sourcing initiatives for office supplies and print management, GSA identified the current market share of small businesses with these products and also set aside specific contracts for various categories of small businesses, such as service-disabled veteran-owned small businesses. In addition, GAO’s review of agency-wide strategic sourcing initiatives at each of five agencies—Departments of Defense (DOD), specifically Army and the Defense Logistics Agency; Homeland Security (DHS); Housing and Urban Development (HUD); and the Interior and the National Aeronautics and Space Administration (NASA)—showed that the agencies generally considered the inclusion of small businesses.

Data and performance measures that would provide a more precise understanding of the inclusion of small and disadvantaged businesses in strategic sourcing initiatives are limited. Although GSA has collected baseline data on proposed government-wide initiatives, it has not developed a performance measure to determine changes in small business participation going forward. Further, DHS has collected some data on contracts awarded to small businesses under strategic sourcing initiatives, but it and the other agencies in GAO’s review generally did not have baseline data and performance measures to determine how small businesses were affected by strategic sourcing. OMB guidance requires agencies to establish baselines for small business participation prior to implementing strategic sourcing and set goals for small business participation. In addition, federal internal control standards state that information is needed to determine whether the agency is achieving its compliance requirements under various laws and regulations. Without baseline data and performance measures, the effect of strategic sourcing initiatives on small businesses will be difficult to determine. Moreover, OMB has not monitored agencies’ compliance in reporting baseline data and performance measures on the inclusion of small businesses in government-wide and agency-wide strategic sourcing initiatives. OMB required agencies to submit annual reports on the implementation of strategic sourcing from fiscal years 2005 through 2007 and prepare information for acquisition status sessions from fiscal years 2010 through 2012. (No reporting was in place for fiscal years 2008 or 2009.) However, virtually none of this information included baseline data or measures of the effect of strategic sourcing on small businesses. Federal internal control standards state that effective monitoring should assess the quality of performance over time. Without effective monitoring, it will be difficult for OMB to help ensure that agencies are tracking the impact of strategic sourcing on small businesses.

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