

GAO Highlights

Highlights of [GAO-17-573](#), a report to congressional committees

Why GAO Did This Study

SBA's OGCBDB administers a business development program and further promotes small business participation in federal contracting through a variety of other programs.

A House Committee Report accompanying the National Defense Authorization Act for Fiscal Year 2017 included a provision for GAO to examine the operations of SBA's OGCBDB. GAO examined (1) the field-office and reporting structure OGCBDB uses to implement its government contracting and business development programs, (2) progress OGCBDB has made to strengthen its processes for certifying small businesses as eligible to participate in its programs, and (3) the timeliness of SBA's rule-making process.

GAO reviewed documentation related to SBA's organizational structure and certification processes; relevant laws and regulations; SBA program guidance; and previous GAO reports. GAO interviewed SBA and OMB officials. GAO reviewed four statutorily mandated SBA rules, which were selected from 47 provisions in the National Defense Authorization Acts for fiscal years 2013, 2014, 2015, and 2016 as examples of mandatory rule making.

GAO makes no new recommendations in this report, and maintains that SBA should implement prior recommendations. SBA's technical comments on GAO's draft report are incorporated as appropriate.

View [GAO-17-573](#). For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

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SMALL BUSINESS ADMINISTRATION

Government Contracting and Business Development Processes and Rule-Making Activities

What GAO Found

The Office of Government Contracting and Business Development (OGCBDB) at Small Business Administration (SBA) headquarters sets policies for SBA's business development and government contracting programs, and SBA field office staff help to implement these programs at the local level. The reporting relationships between field staff and SBA headquarters vary depending on the program. For example, field staff who implement government contracting programs report to OGCBDB, while most staff who implement the 8(a) business development program report to the Office of Field Operations (OFO), which oversees SBA's field offices. SBA officials told GAO that this reporting structure, in which some field staff implement OGCBDB programs but report to OFO, offers some benefits—for example, it allows these staff to support the goals of OGCBDB programs as well as those of the individual field offices. However, officials also said the reporting structure can result in inconsistent program delivery. They described recent steps to improve communication between OGCBDB and field staff, but it is too soon to tell if these steps will be effective.

SBA has taken some steps to address weaknesses GAO and the SBA Office of Inspector General (OIG) have identified in its processes for certifying small businesses as eligible to participate in SBA programs, but some recommendations remain open. For example, GAO found in 2015 that SBA had not required firms seeking recertification for the Historically Underutilized Business Zone (HUBZone) program to submit any information to verify continued eligibility and instead relied on firms' attestations of continued eligibility. GAO recommended that SBA assess the HUBZone recertification process and add additional controls; SBA had not yet implemented this recommendation as of May 2017. SBA's OIG also found in 2016 that SBA managers overturned lower-level reviewers' decisions to deny firms admission to the 8(a) program without documenting in the information system how eligibility concerns were resolved. SBA's OIG recommended that SBA clearly document the justification for approving or denying firms. In response, SBA stated that managers are now required to document decisions in the system that differ from those of lower-level reviewers.

A number of legal requirements and the volume of required rule makings, among other factors, affect the timeliness of SBA's rule-making process. Certain stages of the rule-making process have mandated time periods, such as the required 90-day interagency review process for certain rules. Various approaches exist for measuring the length of time required to develop and issue final rules, but they have limitations. For example, in measuring the period from rule initiation to final publication, agencies may differ on when they mark initiation. For four finalized SBA rules GAO reviewed, the time from publication of the proposed rule to publication of the final rule varied from 7.5 months to 17.5 months. SBA officials noted that an increase in the number of statutorily mandated rules in recent years has contributed to delays in the agency's ability to promulgate rules in a more timely fashion. Office of Management and Budget (OMB) officials GAO spoke with stated that the length of time for SBA's rule makings is not unusual and has not raised any concerns.