

July 2007

# FEDERAL ADVERTISING

## Established Programs Were Largely Used to Address Executive Order Directive to Ensure Small and Minority-Owned Business Participation





Highlights of [GAO-07-877](#), a report to congressional requesters

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### Why GAO Did This Study

In 2005, federal spending on advertising exceeded \$1 billion. Five agencies—DOD, Treasury, HHS, Interior, and NASA—together made up over 90 percent of this spending from 2001 to 2005. Executive Order 13170, signed in October 2000, directs agencies to take an aggressive role in ensuring substantial participation in federal advertising contracts by businesses in the Small Business Administration’s (SBA) 8(a) and small disadvantaged business (SDB) programs and minority-owned businesses.

This report describes (1) strategies DOD, HHS, Treasury, Interior, and NASA used to address Executive Order 13170, and (2) the total obligations, number of contract actions, and percentage of total obligations represented by these actions that each agency awarded to 8(a)s, SDBs, and minority-owned businesses for advertising services.

In conducting this study, GAO analyzed agency contracting data and executive order implementation plans and interviewed agency procurement officials.

### What GAO Recommends

GAO is making no recommendations in this report.

GAO provided a draft of this report to the five agencies as well as SBA, OMB, and GSA for their review and comment. The agencies had no comments on the report.

[www.gao.gov/cgi-bin/getrpt?GAO-07-877](http://www.gao.gov/cgi-bin/getrpt?GAO-07-877).

To view the full product, including the scope and methodology, click on the link above. For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

### What GAO Found

Because much of Executive Order 13170 was consistent with existing legislation, the five agencies we reviewed generally addressed the order’s emphasis on advertising contracts by continuing existing programs designed to identify potential contracting opportunities with all types of small businesses. The five agencies’ focus on ongoing efforts was consistent with SBA’s and the Office of Management and Budget’s (OMB) views that several provisions of the order paralleled procurement program requirements under the Small Business Act. Three agencies—HHS, Treasury, and Interior—also planned additional activities that targeted the agency’s contracting efforts for advertising services. For example, one of Treasury’s additional activities was to work with trade associations to identify opportunities for SDBs in advertising.

From fiscal years 2001 through 2005, 8(a), SDB, and minority-owned businesses received about 5 percent of the \$4.3 billion in advertising-related obligations of DOD, Treasury, HHS, Interior, and NASA and 12 percent of the contract actions that these agencies awarded; the percentages varied substantially among each of the five agencies (see fig.). For example, Treasury awarded less than 2 percent of its advertising-related dollars to 8(a)s, SDBs, and minority-owned businesses collectively over the 5-year period, while NASA awarded about 89 percent to these types of businesses. Overall advertising obligations also varied from one year to the next at individual agencies, sometimes significantly. Year-to-year increases were driven by large campaigns that the respective agencies undertook to publicize new programs or promote their mission (e.g., public health). Agencies varied in the extent to which year-to-year increases in overall advertising obligations had a similar effect on obligations to 8(a), small disadvantaged, and minority-owned firms.

**Advertising-Related Obligations for Fiscal Years 2001-2005**

	8(a), SDB, and minority-owned <sup>a</sup> (Dollars in millions)		All others	Total
<b>DOD</b>	\$49.1	1.8%	\$2,625.7	\$2,674.7
<b>Treasury</b>	3.7	1.9%	184.7	188.4
-Other agency funded	0.0		755.8	755.8
<b>HHS</b>	121.5	24.6%	372.5	494.0
<b>Interior</b>	2.1	6.4%	31.0	33.1
-Other agency funded	1.9	1.2%	161.6	163.5
<b>NASA</b>	40.6	88.9%	5.1	45.7
<b>Total</b>	218.9	5.0%	4,136.3	4,355.2

Legend: 8(a), SDB, and minority-owned businesses (light gray); All other businesses (dark gray)

Source: GAO analysis of Federal Procurement Data System-Next Generation data for fiscal years 2001-2005.

<sup>a</sup>Obligations to businesses that may be classified in multiple categories are counted only once in this figure.

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## Abbreviations

CCR	Central Contractor Registry
CDC	Centers for Disease Control and Prevention
DOD	Department of Defense
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
GSA	General Services Administration
HHS	Department of Health and Human Services
MBE	minority business enterprise
MOU	memorandum of understanding
NASA	National Aeronautics and Space Administration
OMB	Office of Management and Budget
OSDBU	Office of Small and Disadvantaged Business Utilization
SBA	Small Business Administration
SDB	small disadvantaged business

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United States Government Accountability Office  
Washington, DC 20548

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July 12, 2007

The Honorable John Kerry  
Chairman  
Committee on Small Business and Entrepreneurship  
United States Senate

The Honorable Harry Reid  
United States Senate

The Honorable Charles Schumer  
United States Senate

In 2005, federal spending on advertising exceeded \$1 billion, making the government one of the top 50 advertisers in the country, according to advertising industry data sources.<sup>1</sup> The government contracts with public relations firms, advertising agencies, media organizations, and individual members of the media to provide, among other things, messages about its programs and services. As it does for virtually all of the other products and services it procures, the federal government seeks to ensure substantial participation of socially and economically disadvantaged small businesses as well as minority-owned businesses in federal advertising. To emphasize the government's efforts to provide increased access for these businesses to federal advertising-related contracting opportunities, on October 6, 2000, President Clinton signed Executive Order 13170. The order directs executive branch agencies to create greater opportunities to increase contracting between the federal government and small and minority-owned businesses—specifically, businesses participating in the Small Business Administration's (SBA) 8(a) business development program or other programs for small disadvantaged businesses (SDB) as well as businesses that claim minority-owned status. Section 4 of the executive order relates specifically to the procurement of advertising-related services and requires that each department or agency that engages in advertising-related procurement take an aggressive role in ensuring that 8(a)s, SDBs, and minority-owned businesses have substantial opportunities to participate in such procurements.

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<sup>1</sup>*Advertising Age*, Special Report: Profiles Supplement, June 26, 2006.

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From fiscal years 2001 through 2005, the federal government obligated about \$4.8 billion for advertising-related services. Given the significance of these obligations and uncertainty over whether federal agencies were making sufficient efforts to attract 8(a), small disadvantaged, and minority-owned businesses for federal advertising contracts, you asked us to review the participation of these businesses in federal advertising-related procurements. This report describes (1) strategies that five selected agencies used to address section 4 of Executive Order 13170, and (2) the total obligations, the number of contract actions, and the percentage of total obligations represented by these contract actions that each of the five agencies awarded to businesses classified as 8(a), small disadvantaged, or minority-owned for advertising-related services.<sup>2</sup> The agencies included in our review are the Departments of Defense (DOD), Treasury, Health and Human Services (HHS), and Interior and the National Aeronautics and Space Administration (NASA). Collectively, these five agencies represented over 90 percent of federal obligations for advertising-related services from fiscal years 2001 through 2005.

To describe the strategies the five agencies used to address the order, we obtained documentation from the agencies outlining the actions they had taken or planned to take to implement Executive Order 13170, interviewed agency officials regarding their actions, and compared their actions with the requirements of the executive order. To determine the dollar amount and percentage for each of the five agencies' total advertising-related obligations and the number of contract actions awarded to businesses certified as 8(a), small disadvantaged, or minority-owned, we extracted key data fields from the federal government's only governmentwide contracting database, the Federal Procurement Data System-Next Generation (FPDS-NG) for fiscal years 2001 through 2005.<sup>3</sup> We did not use

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<sup>2</sup>The term "contract action" as used in this report refers to actions that resulted in new contracts, as well as orders for additional goods or services under existing contracts or modifications to these contracts or orders. [48 C.F.R., §5.001].

<sup>3</sup>While Executive Order 13170 employs the term "minority business enterprise" (MBE), as defined in Executive Order 11625 (October 13, 1971) to refer to minority-owned businesses, federal procurement data are not collected in the government's official contracting system, FPDS-NG, using the term "MBE." Rather, the FPDS-NG's "minority-owned" data element represents those contractors that have identified themselves as "minority-owned" as described in the Central Contractor Registry (CCR). CCR is the database from which SBA and procuring agencies draw business information on potential government contractors; businesses seeking to do business with the federal government must register in the CCR database prior to the award of a federal procurement contract. According to SBA officials, the description of the "minority-owned" data element used in the CCR parallels that of MBE in Executive Order 11625.

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FPDS data from before fiscal year 2001 because the agencies did not consistently report certain data elements important to our analysis, such as minority ownership. We used information from fiscal years 2001 through 2005 to identify the contract actions that each agency awarded to these businesses and the total dollar amount each agency obligated for these actions.<sup>4</sup> We also calculated the percentage of obligations awarded to these business classifications for each agency. We conducted our work in Washington, D.C., between October 2006 and June 2007 in accordance with generally accepted government auditing standards. Appendix I discusses our scope and methodology in more detail.

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## Results in Brief

Because many of the requirements of Executive Order 13170 are consistent with federal statutes that were in effect at the time of the order's issuance, the five agencies we reviewed generally implemented section 4 of the order by continuing their existing efforts to identify potential contracting opportunities with all types of small businesses. Three of these agencies also introduced activities to specifically address advertising-related contracts. For example, the order requires that agencies aggressively seek to ensure that 8(a)s, SDBs, and minority-owned businesses are aware of contracting opportunities. Agency officials stated that at the time the order was issued, they had a number of methods already in place to help ensure that these businesses were made aware of contracting opportunities, including maintaining small business Web sites and posting annual forecasts of contracting opportunities to them. We found that the agencies' focus on ongoing efforts was consistent with SBA's and the Office of Management and Budget's (OMB) views of the order. Both SBA and OMB noted that several provisions of the order paralleled procurement program requirements under the Small Business Act. For example, the order contains requirements for the two oversight agencies—SBA and OMB—that reflect requirements in federal statutes already in existence. In response, SBA combined its reporting requirements under the Small Business Act and the order. Three agencies—HHS, Treasury, and Interior—planned additional activities in response to section 4 of Executive Order 13170 that specifically addressed contracting for advertising services. For example, in January 2001

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<sup>4</sup>For the purposes of this report, we refer to “obligations” and “contract actions” that agencies have awarded, when to be precise, agencies do not award obligations or contract actions but instead award contracts or enter into contract actions that are associated with a certain dollar amount (obligation).

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Treasury stated that it would work with trade associations to identify opportunities for SDBs in advertising.

From fiscal years 2001 through 2005, the five agencies obligated about 5 percent (\$218 million) of the \$4.3 billion they awarded for advertising-related services to businesses certified as 8(a), small disadvantaged, or minority-owned; this amount represented about 12 percent of the 6,279 contract actions for advertising services these five agencies awarded during this time. The utilization of 8(a)s, SDBs, and minority-owned businesses in advertising contracts varied substantially among the individual agencies. For example, DOD, which accounted for more than 50 percent of advertising-related obligations for the federal government over the 5-year period, awarded less than 2 percent (\$49 million) of its dollars for advertising-related services to these types of businesses. In contrast, NASA, whose obligations made up about 1 percent of the total amount obligated by the federal government for advertising services during the 5-year period, awarded about 89 percent (\$41 million) of its dollars to 8(a)s, SDBs, or minority-owned businesses. Looking at agencies individually, we also found that the level of advertising-related dollars varied, sometimes significantly, from one year to the next. Generally, these variations were driven by large campaigns that the respective agency had initiated. For example, in fiscal years 2001 and 2003, HHS officials told us that its increasing advertising obligations were mostly attributable to the Centers for Disease Control and Prevention's development of a Youth National Media Program, which resulted in two advertising programs, portions of which it awarded to minority-owned and small disadvantaged businesses. Agency officials from DOD, NASA, and HHS told us that advertising procurement decisions were often driven by needs rather than established procurement goals.

SBA, OMB, the General Services Administration (GSA), DOD, Treasury, HHS, Interior, and NASA reviewed a draft of this report and had no comments.

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## Background

As reflected by federal statutes and a number of executive orders, it is the policy of the federal government to encourage the participation of small businesses, including businesses owned and controlled by socially and economically disadvantaged individuals, in the performance of federal procurement contracts. The Small Business Act established SBA as an independent agency of the federal government to aid, counsel, assist, and protect the interests of small business concerns; preserve free competitive

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enterprise; and maintain and strengthen the overall economy of the nation.<sup>5</sup> Among other things, the act sets a minimum governmentwide goal for small business participation of not less than 23 percent of the total value of all prime contract awards for each fiscal year and makes SBA responsible for reporting annually on agencies' achievements on their procurement goals.<sup>6</sup> The act authorizes the President to establish the annual governmentwide goals.

To meet its responsibilities under the act, SBA negotiates annual procurement goals with each federal executive agency with the intent to ultimately achieve the 23 percent governmentwide goal. Some agencies have goals higher than 23 percent, while others may have goals that are lower than or equal to 23 percent—SBA negotiates all of them with the intent that the governmentwide small business participation rate will not be less than the goal of 23 percent. Among the agencies we reviewed for this report, annual small business procurement goals for fiscal year 2005 ranged from 16 percent (NASA) to 56 percent (Interior). DOD's goal was set at 23 percent, Treasury's at 24 percent, and HHS's at 30 percent. The Small Business Act also sets annual prime contract dollar goals for participation by certain types of small businesses that agencies strive to meet as part of their efforts to meet their overall small business participation goal. Specifically, these include goals for participation by SDBs (5 percent), businesses owned and controlled by women or service-disabled veterans (5 and 3 percent, respectively), and, businesses located in historically underutilized business zones (HUBZones, 3 percent).<sup>7</sup>

Similar to the Small Business Act, executive orders have been used with the intent of increasing the participation of certain small and minority-owned businesses in federal procurement. Executive Order 13170, one of the most recent, seeks to provide added emphasis to the government's policies regarding small and minority-owned business participation in federal procurement.<sup>8</sup> Section 4, which specifically highlights federal

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<sup>5</sup>Pub. L. No. 85-536, 72 Stat. 384 (1958) (codified as amended at 15 U.S.C. §§ 631 *et seq.*).

<sup>6</sup>A prime contract refers to a contract awarded directly by a federal agency to a private business.

<sup>7</sup>15 U.S.C. § 644(g).

<sup>8</sup>*Increasing Opportunities and Access for Disadvantaged Businesses*, Exec. Order 13170, 65 Fed. Reg. 60827 (Oct. 12, 2000).

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advertising, does not set specific goals or targets for advertising-related contracts but states that:

“Each department or agency that contracts with businesses to develop advertising for the department or agency or to broadcast Federal advertising shall take an aggressive role in ensuring substantial minority-owned entities’ participation, including 8(a)[s], SDB[s], and Minority Business Enterprise[s] (MBE[s]) in Federal advertising-related procurements.”

The criteria for determining a firm’s status as an 8(a) or SDB are set forth in section 8 of the Small Business Act and related regulations,<sup>9</sup> while the definition of MBE is set forth in Executive Order 11625. Specifically,

- The 8(a) program, authorized by section 8(a) of the Small Business Act, was created to help small disadvantaged businesses compete in and access the federal procurement market.<sup>10</sup> Generally, in order to be certified under SBA’s 8(a) program, a firm must satisfy SBA’s applicable size standards, be owned and controlled by one or more socially and economically disadvantaged individuals who are citizens of the United States, and demonstrate potential for success.<sup>11</sup> Black Americans, Hispanic Americans, Native Americans, and Asian Pacific Americans are presumptively socially disadvantaged for purposes of eligibility.<sup>12</sup> The personal net worth of an individual claiming economic disadvantage must be less than \$250,000 at the time of initial eligibility and less than \$750,000 thereafter.

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<sup>9</sup>See *8(a) Business Development/Small Disadvantaged Business Status Determinations*, 13 C.F.R. Part 124 (2006).

<sup>10</sup>See 15 U.S.C. § 637; *8(a) Business Development/Small Disadvantaged Business Status Determinations*, 13 C.F.R. Part 124 (2006); and *Prescribing Additional Arrangements for Developing and Coordinating a National Program for Minority Business Enterprises*, Exec. Order No. 11625, 36 Fed. Reg. 19967 (Oct. 13, 1971).

<sup>11</sup>Unless otherwise noted, ownership means having a stake of 51 percent or more in the business.

<sup>12</sup>13 C.F.R. §§124.103 and 124.104 (2006). Business owners who are not members of presumptive socially disadvantaged groups may petition the SBA to be classified as disadvantaged. To do so, business owners must provide narrative and supporting documentation that demonstrates social disadvantage. That evidence must include the following elements: (1) possession of at least one objective distinguishing feature that has contributed to the business owners’ social disadvantage — such as race, ethnic origin, gender, physical handicap, or long-term residence in an environment that is isolated from mainstream America; (2) personal experience of a substantial and chronic social disadvantage within American society; and (3) the negative impact of this disadvantage on the business owners’ entry into or advancement in the business world.

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- To qualify for SDB certification, a firm must be owned and controlled by one or more socially and economically disadvantaged individuals or a designated community development organization.<sup>13</sup> Individuals presumed to be socially disadvantaged for purposes of the 8(a) program are also presumed to be socially disadvantaged for purposes of determining eligibility for SDB certification. In contrast to the 8(a) program applicants, businesses applying for SDB certification need not demonstrate potential for success, and the personal net worth of the owners may be up to \$750,000 at the time of certification. SDBs are eligible for incentives such as price evaluation adjustments of up to 10 percent when bidding on federal contracts in certain industries.<sup>14</sup> Prime contractors that achieve SDB subcontracting targets may receive evaluation credits for doing so. Section 8(a) firms automatically qualify as SDBs, but other firms may apply for SDB-only certification.
  - Executive Order 11625 defines minority business enterprises as those businesses that are owned or controlled by one or more socially or economically disadvantaged persons. The order states that disadvantages could arise from cultural, racial, or chronic economic circumstances or background or from similar causes. Under the order, socially or economically disadvantaged individuals include, but are not limited to, African-Americans, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts. While the definition of “MBE” is similar to the definition of “socially and economically disadvantaged small business” for purposes of the 8(a) and federal SDB programs, unlike these programs, the order does not limit the term “MBE” to small businesses.

Executive Order 13170 spells out specific responsibilities for SBA, OMB, and executive agencies with procurement authority. Generally, the order gives SBA responsibility for setting goals with agencies and publicly reporting the progress toward those goals. Although the order gives OMB general oversight responsibility for implementing the order, OMB and SBA

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<sup>13</sup>SBA regulations provide that a business owned and controlled by an Alaska Native Corporation, Community Development Corporation, or Native Hawaiian Organization (each as defined in such regulations) may qualify as an SDB. 13 C.F.R. § 124.1001 (2006).

<sup>14</sup>Section 7102 of Federal Acquisition Streamlining Act of 1994, Pub. L. No. 103-355, § 7102, 108 Stat. 3243, as amended by Pub. L. No. 106-554, § 1(a)(9) [Title V, § 503(d), 114 Stat. 2763 (2000)], authorized federal agencies to employ price adjustments in evaluating bids by certain small disadvantaged business concerns in competitive acquisitions. Section 7102 expired in September 2003. Under 10 U.S.C. § 2323, the Department of Defense, NASA, and the Coast Guard still have authority to use price adjustments in some circumstances. See 48 C.F.R. Part 19.11 (2006).

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officials told us that the two agencies had agreed that SBA would take on the oversight responsibilities because SBA already had programs in place to oversee the small business programs of federal agencies. Section 2(b) of the order directed federal agencies with procurement authority to develop long-term, comprehensive plans to, among other things, aggressively seek to ensure that businesses classified as 8(a), small disadvantaged, and minority-owned are aware of contracting opportunities and report annually on efforts to increase utilization of these businesses. Section 2(b) also directed OMB to review each of these plans and report to the President on the sufficiency of each plan to carry out the terms of the executive order.

The federal government awards contracts for advertising-related services for a variety of reasons, but primarily to deliver messages about its programs and services. According to *Advertising Age*, the largest amount of federal advertising spending goes to procure television and magazine advertising. Within the federal government, as we noted earlier, the biggest buyer of these services is DOD, which is very often doing so as part of ongoing recruiting campaigns by the military services. Additionally, for example, the Treasury's Bureau of Engraving and Printing procures the services of an advertising firm to promote public awareness and acceptance of changes to U.S. currency (e.g., the introduction of the redesigned currency). Similarly, NASA also uses advertising firms to help plan and carry out a variety of events held around the country intended to publicize its programs and ongoing space research as well to support internal purposes, such as organizing off-site conferences.

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## Agencies Responded to Executive Order 13170 by Emphasizing Existing Programs and Initiating Some New Activities Targeted to Advertising

The five agencies we reviewed implemented Executive Order 13170 primarily by continuing their existing efforts to broadly identify potential contracting opportunities with all types of small businesses, while three of the agencies addressed section 4 of the order by initiating new actions specific to advertising-related contracts. For example, HHS and NASA cited ongoing training efforts directed to procurement staff or small businesses as one way their agencies addressed the order. The five agencies' focus on ongoing efforts was consistent with SBA's and OMB's views that several provisions of the order duplicated program requirements under existing legislation. Specific to advertising, Treasury officials indicated that the agency was building on existing relationships with trade associations in order to identify advertising contracting for SDBs. Earlier this year, Treasury also established new outreach efforts and reporting requirements for advertising contracts with 8(a), SDB, and minority-owned businesses.

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## Agencies Are Generally Using Existing Programs to Address the Requirements of the Order

Rather than develop plans focused specifically on section 4 of the executive order, for the most part the five agencies that we reviewed said that they already had programs in place to address similar requirements in previous legislation and that these activities were consistent with the expectations of the order. In response to the order, agencies generally reemphasized to procurement officers in subagencies around the country (who are responsible for awarding contracts) each agency's small business program policies and goals. While not directed specifically toward advertising contracts, these existing programs were designed to encourage the participation of small and minority-owned businesses in federal procurement.

Treasury, HHS, and NASA spelled out their strategies for addressing the executive order in written implementation plans that they prepared pursuant to the requirements of section 2(b) of the order. DOD and Interior did not, as directed, prepare such plans at that time, but agency officials from those departments described to us the efforts they undertook. More specifically, to ensure that 8(a)s, SDBs, and minority-owned businesses were aware of contracting opportunities:

- Treasury indicated in its implementation plan that it would continue to maintain a Web site for small business procurement and would post annual forecasts of contracting opportunities there. Further, the agency stated that it would publicize contracting opportunities in the Commerce Business Daily and FedBizOpps (an Internet-based point-of-entry for federal government procurement opportunities) and use its existing relationship with a variety of trade associations to foster the development of small minority-owned and women-owned businesses to increase awareness of contracting opportunities.
- HHS's plan stated that the agency would continue to train program and procurement officials through the HHS Acquisition Training Program on policies that affect federal procurement awards to 8(a), small disadvantaged, and minority-owned businesses.
- NASA's plan stated that it would continue to provide a 3-day course, "Training and Development of Small Businesses in Advanced Technologies," that was designed to increase the knowledge base of small businesses—including disadvantaged, 8(a), and women-owned businesses,

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and minority educational institutions—by improving their ability to compete for contracts in NASA’s technical and complex environment.<sup>15</sup>

- Interior officials told us that they had disseminated information on future contracting opportunities to small businesses through the Internet, developed an advanced procurement plan, and conducted quarterly outreach meetings with potential small business contractors.
- DOD officials noted that the department’s Small Business Program adhered to the requirements set forth in the Small Business Act and other applicable statutory provisions and federal regulations.<sup>16</sup> The officials further explained that they used FPDS-NG and the department’s internal database to monitor DOD’s progress toward meeting its small business program goals.

The five agencies’ focus on enhancing their ongoing small business procurement programs to address section 4 of Executive Order 13170 was consistent with SBA’s and OMB’s views that some requirements in the order reflected previous legislation. Specifically, officials from SBA and OMB told us that several provisions of the executive order paralleled procurement program requirements under the Small Business Act and other existing legislation. As a result, these two agencies, which were assigned certain oversight and reporting responsibilities in section 2 of the order, agreed that SBA should address such responsibilities as part of its ongoing oversight activities under the Small Business Act.<sup>17</sup> For example, the order requires SBA to conduct semiannual evaluations of the achievements in meeting governmentwide prime and subcontracting goals and the actual prime and subcontract awards to 8(a)s and SDBs for each agency and to make the information publicly available. However, prior to the issuance of the order, SBA was already evaluating awards to SDBs and publishing the information in its annual reports on the goals and

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<sup>15</sup>NASA last held sessions at multiple locations during fiscal year 2004. However, the training has been discontinued while NASA’s new Assistant Administrator reevaluates the program.

<sup>16</sup>See 15 U.S.C. §§ 631 *et seq.*; Title 10, Subtitle A, Part IV of the United States Code; and the Federal Acquisition Regulation, Title 48 of the Code of Federal Regulations.

<sup>17</sup>Section 2(b) of the order also directed OMB to evaluate the sufficiency of each agency’s plans to address the order; OMB and SBA agreed that SBA would be responsible for this provision as well. However, OMB officials stated they had not seen SBA’s evaluation of these plans; SBA officials were unable to locate any records of these evaluations.

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achievements of each agency's procurement efforts. SBA's goaling requirements were previously established by the Small Business Act.<sup>18</sup>

Our comparison of the order to existing legislation also showed that almost all of the requirements in the order had already been reflected in previous legislation. For example, the order required agencies to ensure that minority-owned businesses are aware of future prime contracting opportunities, an existing requirement under the Small Business Act and the Federal Acquisition Regulation (FAR).<sup>19</sup> Similarly, the order requires that the directors of the Offices of Small and Disadvantaged Business Utilization (OSDBU) carry out their responsibilities to maximize the participation of 8(a)s and SDBs in federal procurement, a requirement that was previously set forth in the Small Business Act.<sup>20</sup> Specifically, the Small Business Act requires each covered agency to establish an OSDBU to be responsible for, among other things, the implementation and execution of the functions and duties under the sections of the act that pertain to the 8(a) and SDB programs in each agency. We found that many of the activities mentioned in the agencies' implementation plans or described to us highlighted actions that the agencies already had in place in their small business programs.

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### Some Agencies Planned New Activities to Direct Federal Advertising Contracts to 8(a)s, SDBs, or Minority-Owned Businesses

Although agency officials at all five agencies indicated that their current small business programs broadly addressed procuring services from 8(a)s, SDBs, and minority-owned businesses, including advertising-related services, three of the five agencies we reviewed—HHS, Treasury, and Interior—planned new activities to increase federal advertising contracting opportunities for these businesses. For example, HHS stated in its implementation plan that it would make every effort to develop alternative strategies to maximize small and minority business participation in its advertising contracts at both the prime contracting and subcontracting levels. HHS also directed staff from its OSDBU to work with its operational divisions to ensure that all advertising efforts were properly structured under the Federal Acquisition Regulation.<sup>21</sup>

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<sup>18</sup>See 15 U.S.C. § 644 (g).

<sup>19</sup>See 15 U.S.C. § 637(e) and (f); 48 C.F.R. §19.202-2 (2006).

<sup>20</sup>See 15 U.S.C. § 644 (k).

<sup>21</sup>The FAR is codified in Title 48 of the Code of Federal Regulations.

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In order to direct federal advertising procurement opportunities to 8(a)s, SDBs, and minority-owned businesses, Treasury stated in its implementation plan that it would identify contracting opportunities for SDBs in advertising and information technology by building on its existing relationships with trade associations. Treasury had previously established a memorandum of understanding (MOU) with several trade associations, including the Minority Business Summit Committee and the U.S. Pan Asian American Chamber of Commerce. Treasury intended the MOU to foster an environment that would allow small and minority-owned firms to compete successfully for Treasury contracts and subcontracts. According to Treasury officials, the focus on advertising in Executive Order 13170 allowed the department to leverage an existing program by adding a component specifically for advertising and information technology services.

In addition to the efforts to partner with trade organizations that it began in 2001, Treasury issued an acquisition bulletin in January 2007 establishing additional outreach efforts and reporting requirements relating to the procurement of federal advertising services from 8(a)s, SDBs, and minority-owned businesses. The bulletin requires (1) small business specialists located at Treasury's bureaus to use databases and other sources to identify minority-owned entities to solicit for advertising-related services, and (2) Treasury's bureaus to report all contract actions related to federal advertising to the Office of Procurement Executive for contracts awarded from March 1, 2007, through September 30, 2007.

Interior, which had previously relied on its existing small business program to address the order, is currently drafting an implementation plan that will, according to the department's OSDBU officials, propose activities to increase advertising opportunities for 8(a)s, SDBs, and minority-owned businesses. Interior plans to convey through its efforts that the department's OSDBU is available to make the process of doing business with Interior simpler and more consistent across Interior's component subagencies. Interior plans to target all small businesses whose owners include representatives from socioeconomic groups identified as disadvantaged in the Small Business Act.

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## Advertising Obligations and Contract Actions Awarded to 8(a), Small Disadvantaged, and Minority-Owned Businesses Varied across Agencies

Overall, from fiscal years 2001 through 2005, 8(a), small disadvantaged, and minority-owned businesses received about 5 percent of the \$4.3 billion in advertising-related obligations awarded by DOD, Interior, HHS, Treasury, and NASA. These businesses accounted for 12 percent of the contract actions that the five agencies awarded, but the percentages the agencies awarded varied substantially.<sup>22</sup> For example, Treasury awarded less than 2 percent of its advertising-related dollars to 8(a)s, SDBs, and minority-owned businesses over the 5-year period, while HHS awarded about 25 percent to these business types. Advertising dollars also varied from one year to the next at individual agencies, sometimes significantly, primarily because of large advertising campaigns that the respective agencies undertook to publicize new programs or promote their mission (e.g., public health). The extent to which agencies' yearly increases in overall advertising obligations affected obligations to 8(a), small disadvantaged, and minority-owned firms also varied.

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## Participation of 8(a), Small Disadvantaged, and Minority-Owned Businesses Varied Widely among the Five Agencies

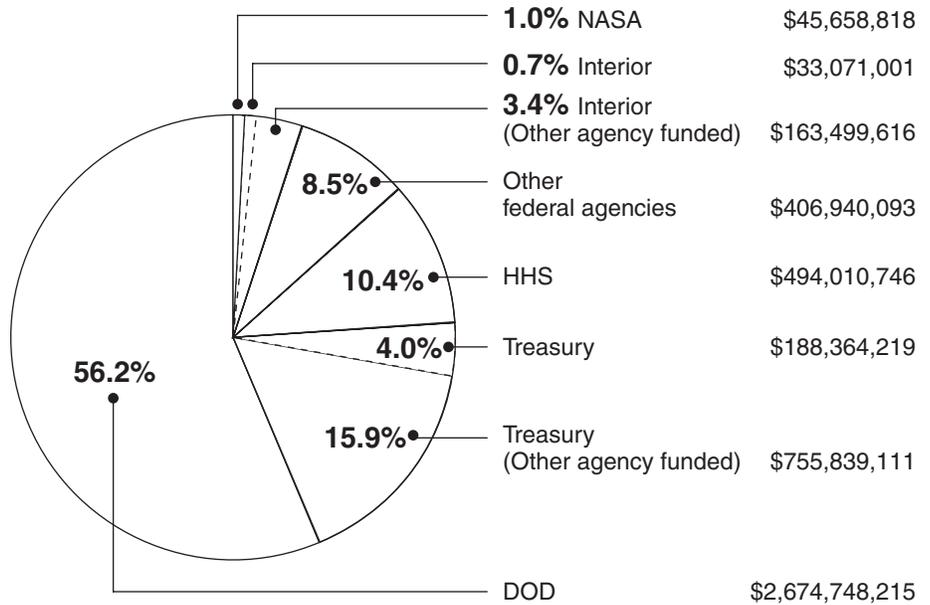
According to federal procurement data, the federal government obligated about \$4.8 billion to contractors for advertising-related services from fiscal years 2001 through 2005. During this period, the five agencies obligated \$4.3 billion for advertising-related services—about 92 percent of total advertising-related obligations for the federal government (this amount consists of \$3.4 billion of their own funds, and another \$919 million on behalf of other agencies).<sup>23</sup> As shown in figure 1, DOD accounted for over half of all advertising-related obligations during this period.

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<sup>22</sup>We excluded administrative contract actions that did not have dollar amounts in order to focus our analysis on actions that resulted in new contracts or orders under existing contracts.

<sup>23</sup>In certain instances, Interior and Treasury data include the contracts of “franchise funds.” Franchise funds are government-run, fee-for-service organizations that provide a portfolio of services, including contracting services. The franchise funds award contracts with other agencies' funds, but the Interior and Treasury officials administering the franchise funds are responsible for determining what type of business—e.g., 8(a), small disadvantaged, or minority-owned—gets each contract. Sometimes, these agencies will also administer contracts on behalf of other agencies but not through the franchise fund.

**Figure 1: Total Advertising Obligations for the Federal Government for Fiscal Years 2001-2005**

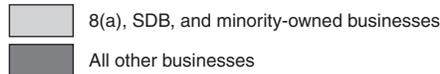


Source: GAO analysis of FPDS-NG data for fiscal years 2001-2005.

From fiscal years 2001 through 2005, the five agencies we reviewed collectively obligated about \$218 million to businesses designated as 8(a), small disadvantaged, or minority-owned; individually, their utilization of these businesses varied widely (fig. 2). Specifically, HHS awarded the highest dollar amount to 8(a), SDB, and minority-owned businesses during the 5-year period—about \$122 million—and NASA awarded the highest percentage of its dollars to these businesses—89 percent, or about \$41 million.

**Figure 2: Advertising-Related Obligations Awarded to 8(a)s, Small Disadvantaged, and Minority-Owned Businesses for Fiscal Years 2001-2005**

	Dollars in millions by business type			Total	
	8(a), SDB, and minority-owned <sup>a</sup>		All others		
<b>DOD</b>	\$49.1	1.8%	98.2%	\$2,625.7	\$2,674.7
<b>Treasury</b>	3.7	1.9%	98.1%	184.7	188.4
-Other	0.0		100.0%	755.8	755.8
<b>HHS</b>	121.5	24.6%	75.4%	372.5	494.0
<b>Interior</b>	2.1	6.4%	93.6%	31.0	33.1
-Other	1.9	1.2%	98.8%	161.6	163.5
<b>NASA</b>	40.6	88.9%	11.1%	5.1	45.7
<b>Total</b>	218.9	5.0%	95.0%	4,136.3	4,355.2



Source: GAO analysis of FPDS-NG data for fiscal years 2001-2005.

<sup>a</sup>Obligations to businesses that may be classified in multiple categories are counted only once in this figure.

During this period, the five agencies awarded a total of 6,279 contract actions, about 12 percent of which (725) were awarded to businesses with these designations (fig. 3). Individually, the extent to which agencies awarded contract actions to 8(a), SDB, and minority-owned businesses varied widely, with Treasury awarding none on behalf of other agencies to these types of businesses and NASA awarding 45 percent. The number of contract actions awarded to 8(a)s, SDBs, and minority-owned businesses ranged from 0 at Treasury (administered for other agencies) to 449 at DOD.

**Figure 3: Number of Advertising-Related Contract Actions Awarded to 8(a), Small Disadvantaged, and Minority-Owned Businesses for Fiscal Years 2001-2005**

	Contract actions by business type			Total	
	8(a), SDB, and minority-owned <sup>a</sup>		All others		
<b>DOD</b>	449	10.4%	89.6%	3,887	4,336
<b>Treasury</b>	29	3.6%	96.4%	771	800
-Other	0		100.0%	24	24
<b>HHS</b>	151	28.0%	72.0%	388	539
<b>Interior</b>	28	8.1%	91.9%	316	344
-Other	3	3.3%	96.7%	89	92
<b>NASA</b>	65	45.1%	54.9%	79	144
<b>Total</b>	725	11.5%	88.5%	5,554	6,279

 8(a), SDB, and minority-owned businesses  
 All other businesses

Source: GAO analysis of FPDS-NG data for fiscal years 2001-2005.

<sup>a</sup>Contract actions to businesses that may be classified in multiple categories are counted only once in this figure.

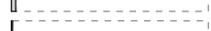
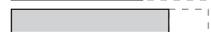
Individually, the agencies we reviewed awarded different percentages of their advertising-related contracting dollars and actions to these types of small businesses. For example, on average, NASA awarded more than 80 percent of its total advertising-related obligations to businesses in each of these categories for the 5-year period. Except for 8(a)s and SDBs in 2001, NASA consistently awarded 66 percent or more of its advertising-related obligations to the three types of businesses. In contrast, Treasury and DOD on average awarded 1.7 percent or less of their advertising-related obligations to 8(a), SDB, or minority-owned businesses. Figure 4 shows the amount of advertising-related obligations awarded by each agency to each of the three business types for 5 fiscal years as well as the total for the 5-year period.<sup>24</sup> Similarly, figure 5 shows the number of advertising-related contact actions awarded by each agency to each of the three business types for each year and the total for the 5-year period. Contracting dollars and actions awarded directly to businesses can be

<sup>24</sup>While there are no governmentwide goals for awarding advertising contracts to 8(a)s or minority-owned businesses, there is, as we note in the background section of this report, a statutory goal for participation by SDBs in annual agencywide procurement (of all goods and services, not just advertising). According to SBA's goaling reports, between fiscal years 2001 and 2005 all five agencies that we reviewed exceeded the statutory goal of 5 percent for participation of small disadvantaged businesses.

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counted in more than one category, so the dollars and actions awarded to various types of small businesses are not mutually exclusive.

**Figure 4: Amount of Advertising-Related Obligations Awarded to 8(a), SDB, and Minority-Owned Businesses for Fiscal Years 2001-2005**

		Obligations (dollars in millions)									
		8(a)		SDB		Minority-owned <sup>a</sup>		Total			
Department of Defense	2001		0.5 %	\$2.0		1.4 %	\$5.1		0.1 %	\$0.4	\$372.7
	2002		0.3	1.5		0.6	3.0		0.0	0.0	483.5
	2003		1.4	7.5		1.7	9.2		0.1	0.3	549.4
	2004		1.3	7.3		1.8	9.9		0.0	0.0	549.4
	2005		2.6	18.9		2.6	18.7		0.3	2.4	719.8
	<b>Total</b>		<b>1.4</b>	<b>37.2</b>		<b>1.7</b>	<b>45.9</b>		<b>0.1</b>	<b>3.2</b>	<b>2,674.7</b>
Department of the Treasury <sup>b</sup>	2001		1.6 %	\$0.2		7.4 %	\$1.0		0.0 %	\$0.0	\$14.0
	2002		0.3	0.1		0.9	0.2		0.0	0.0	27.3
	2003		1.8	1.3		1.9	1.4		0.0	0.0	72.6
	2004		0.8	0.4		-0.1	0.0		0.8	0.4	44.8
	2005		2.2	0.7		0.6	0.2		2.2	0.7	29.7
	<b>Total</b>		<b>1.4</b>	<b>2.7</b>		<b>1.5</b>	<b>2.8</b>		<b>0.6</b>	<b>1.0</b>	<b>188.4</b>
Department of Health and Human Services	2001		0.3 %	\$0.5		7.2 %	\$12.3		19.7 %	\$33.4	\$170.0
	2002		3.1	1.7		3.1	1.7		43.9	24.4	55.5
	2003		0.0	0.0		3.2	4.0		12.1	15.1	124.5
	2004		4.6	3.4		13.9	10.3		32.7	24.2	74.1
	2005		4.6	3.2		7.4	5.2		27.6	19.3	70.0
	<b>Total</b>		<b>1.8</b>	<b>8.8</b>		<b>6.8</b>	<b>33.4</b>		<b>23.6</b>	<b>116.4</b>	<b>494.0</b>
Department of the Interior <sup>c</sup>	2001		4.6 %	\$0.2		5.8 %	\$0.3		0.0 %	\$0.0	\$5.2
	2002		1.5	0.1		1.5	0.1		0.0	0.0	4.1
	2003		0.0	0.0		0.0	0.0		0.0	0.0	11.6
	2004		2.5	0.2		0.4	0.0		3.2	0.2	7.4
	2005		26.7	1.3		29.3	1.4		26.7	1.3	4.8
	<b>Total</b>		<b>5.4</b>	<b>1.8</b>		<b>5.4</b>	<b>1.8</b>		<b>4.6</b>	<b>1.5</b>	<b>33.1</b>
National Aeronautics and Space Administration	2001		38.4 %	\$0.6		38.4 %	\$0.6		68.0 %	\$1.0	\$1.5
	2002		95.0	20.5		95.0	20.5		95.3	20.5	21.5
	2003		66.6	2.2		66.6	2.2		66.6	2.2	3.3
	2004		77.7	5.4		74.1	5.2		79.9	5.6	7.0
	2005		91.1	11.3		85.6	10.6		91.3	11.3	12.4
	<b>Total</b>		<b>87.5</b>	<b>39.9</b>		<b>85.4</b>	<b>39.0</b>		<b>88.9</b>	<b>40.6</b>	<b>45.7</b>

Source: GAO analysis of FPDS-NG data for fiscal years 2001-2005.

Note: Percentages cannot be totaled across columns because under SBA guidelines, contracting dollars awarded directly to businesses can be counted in more than one category. For example, a small disadvantaged business may be minority-owned and therefore counted in both the small disadvantaged column as well as the minority-owned column. Similarly, an 8(a) contractor may be accounted for in both the 8(a) and SDB categories.

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<sup>a</sup>We found certain instances in which minority-owned businesses had identified themselves as such in SBA's databases, but the information was not captured in FPDS-NG. As a result, the analysis we present of contracts that went only to minority-owned firms undercounts these businesses. We did not perform statistical sampling to project the extent of this undercounting.

<sup>b</sup>In fiscal years 2004 and 2005, contracts that Treasury awarded on behalf of other agencies were worth \$756 million but are not reflected in this figure. Treasury awarded none of these contracts to 8(a)s, SDBs, or minority-owned businesses.

<sup>c</sup>In fiscal years 2004 and 2005, the contracts that Interior awarded on behalf of other agencies were worth \$163 million and are not reflected in this figure. Of the \$163 million awarded during these 2 years, Interior awarded \$1.9 million to 8(a)s, \$1.8 million to SDBs, and \$1.9 million to minority-owned businesses—all during fiscal year 2004.

**Figure 5: Number of Advertising-Related Contract Actions Awarded to 8(a), SDB, and Minority-Owned Businesses for Fiscal Years 2001-2005**

		Number of contract actions									
		8(a)		SDB		Minority-owned <sup>a</sup>		Total			
Department of Defense	2001		3.2 %	16		11.0 %	54		0.4 %	2	493
	2002		4.8	31		11.5	75		0.0	0	650
	2003		6.5	52		13.8	111		0.5	4	803
	2004		4.9	57		9.1	106		0.1	1	1,160
	2005		6.0	74		7.5	92		0.4	5	1,230
	<b>Total</b>		<b>5.3</b>	<b>230</b>		<b>10.1</b>	<b>438</b>		<b>0.3</b>	<b>12</b>	<b>4,336</b>
Department of the Treasury <sup>b</sup>	2001		0.8 %	1		4.2 %	5		0.0 %	0	120
	2002		0.8	1		3.1	4		0.0	0	131
	2003		2.9	4		3.6	5		0.0	0	139
	2004		1.4	3		0.5	1		0.9	2	211
	2005		6.0	12		2.0	4		6.0	12	199
	<b>Total</b>		<b>2.6</b>	<b>21</b>		<b>2.4</b>	<b>19</b>		<b>1.8</b>	<b>14</b>	<b>800</b>
Department of Health and Human Services	2001		8.7 %	2		17.4 %	4		13.0 %	3	23
	2002		78.4	105		78.4	105		4.5	6	134
	2003		0.0	0		3.5	3		4.7	4	85
	2004		2.7	3		2.7	3		8.0	9	113
	2005		4.3	8		6.5	12		8.7	16	184
	<b>Total</b>		<b>21.9</b>	<b>118</b>		<b>23.6</b>	<b>127</b>		<b>7.1</b>	<b>38</b>	<b>539</b>
Department of the Interior <sup>c</sup>	2001		2.9 %	1		23.5 %	8		0.0 %	0	34
	2002		2.0	1		2.0	1		0.0	0	50
	2003		0.0	0		0.0	0		0.0	0	69
	2004		2.1	2		1.1	1		4.2	4	95
	2005		6.3	6		12.5	12		7.3	7	96
	<b>Total</b>		<b>2.9</b>	<b>10</b>		<b>6.4</b>	<b>22</b>		<b>3.2</b>	<b>11</b>	<b>344</b>
National Aeronautics and Space Administration	2001		21.4 %	3		21.4 %	3		50.0 %	7	14
	2002		41.9	13		41.9	13		41.9	13	31
	2003		59.1	13		59.1	13		59.1	13	22
	2004		23.5	8		17.6	6		29.4	10	34
	2005		44.2	19		37.2	16		48.8	21	43
	<b>Total</b>		<b>38.9</b>	<b>56</b>		<b>35.4</b>	<b>51</b>		<b>44.4</b>	<b>64</b>	<b>144</b>

Source: GAO analysis of FPDS-NG data for fiscal years 2001-2005.

Note: Percentages cannot be totaled across columns because under SBA guidelines, contracting dollars awarded directly to businesses can be counted in more than one category. For example, a small disadvantaged business may be minority-owned and therefore counted in both the small disadvantaged column as well as the minority-owned column. Similarly, an 8(a) contractor may be accounted for in both the 8(a) and SDB categories.

<sup>a</sup>We found certain instances in which minority-owned businesses had identified themselves as such in SBA's databases, but the information was not captured in FPDS-NG. As a result, the analysis we present of contracts that went to minority-owned firms undercounts these businesses. We did not perform statistical sampling to project the extent of this undercounting.

<sup>b</sup>In fiscal years 2004 and 2005, Treasury awarded 24 contract actions on behalf of other agencies that are not reflected in the figure above. Treasury awarded none of these 24 actions to 8(a)s, SDBs, or minority-owned businesses.

<sup>c</sup>For fiscal years 2004 and 2005, the contract actions that Interior awarded on behalf of other agencies are not reflected in the figure above. Of the \$163 million awarded during these 2 years, Interior awarded two contract actions to 8(a)s, one to an SDB, and three to minority-owned businesses—all during fiscal year 2004.

## Year-to-Year Variations in Agencies' Advertising Obligations Were Due to Advertising Campaigns Specific to the Agency

As we noted earlier in this report, federal agencies award contracts for advertising-related services for a variety of reasons, the primary one being to deliver messages about the agencies' programs and services. The advertising services that agencies procured ranged from recruiting and public service announcements to public relations. We found that advertising dollars for agencies sometimes varied significantly from one year to the next (table 1) and that these differences were mostly the result of large advertising campaigns specific to the individual agencies.

**Table 1: Advertising Obligations for Five Agencies, Fiscal Years 2001-2005**

(Dollars in millions)

Contracting department	2001	2002	2003	2004	2005
DOD	\$373	\$484	\$549	\$549	\$720
Treasury	\$14	\$27	\$73	\$45	\$30
Treasury: other funded	0	0	0	\$636	\$119
HHS	\$170	\$55	\$124	\$74	\$70
Interior	\$5	\$4	\$12	\$7	\$5
Interior: other funded	0	0	\$0.6	\$152	\$11
NASA	\$1	\$22	\$3	\$7	\$12

Source: GAO analysis of FPDS-NG data.

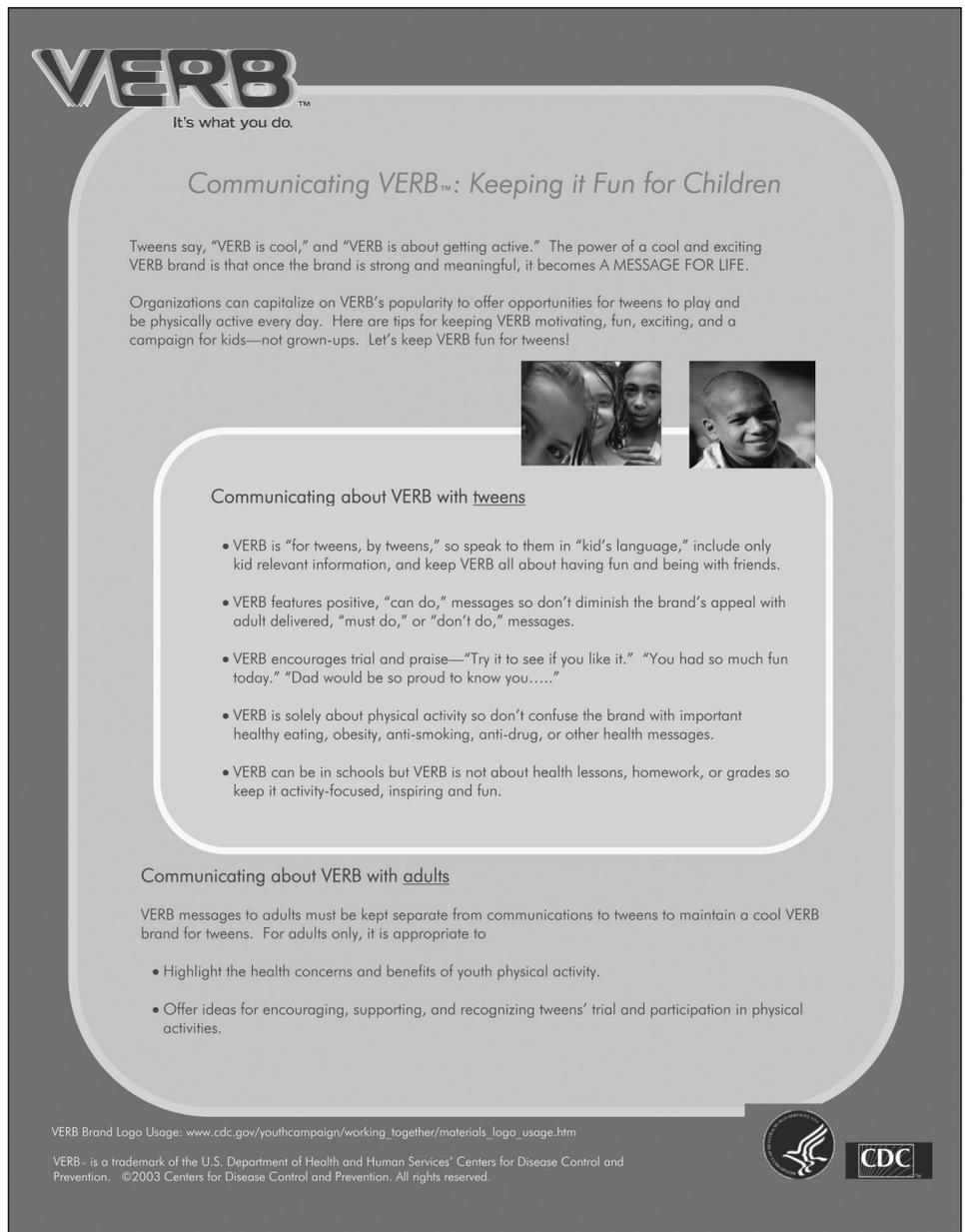
While we noted the year-to-year variations in agencies' overall advertising obligations, we also observed that these variations did not always translate into a direct effect on the share of agencies' advertising obligations that went to 8(a)s, SDBs, or minority-owned businesses (fig. 4). For example, during the 5-year period under review, DOD showed an upward trend of increasing obligations for advertising-related procurement, with the largest increase occurring in fiscal year 2005 (about 31 percent). DOD officials attributed the increase in advertising expenses to confronting the

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challenge of continuing to fill the military ranks with recruits and reenlistees in the midst of war. More specifically, during fiscal year 2005 DOD awarded multiple actions on four ongoing unrelated large contracts with obligations ranging from about \$60 million to \$175 million. None of these new fiscal year 2005 contract actions used 8(a)s, SDBs, or minority-owned businesses. Overall, however, DOD increased its advertising-related obligations to each of the three business types (from 2004 to 2005).

HHS officials told us that HHS's higher advertising-related obligations in fiscal years 2001 and 2003 were mostly attributable to the Centers for Disease Control and Prevention's (CDC) development of a Youth National Media Program. In support of this initiative, two advertising programs were conceived: the National Youth Media Campaign and the Targeted Communities-Youth Media Campaign. HHS obligated \$151 million for these two campaigns. A portion of these obligations—just over \$48 million—was awarded to two minority-owned businesses, one of which was also certified as a SDB. These campaigns included HHS's VERB advertisement targeted toward children and teens to promote more physical activity (fig. 6).

Figure 6: HHS VERB Advertisement



**VERB™**  
It's what you do.

### Communicating VERB™: Keeping it Fun for Children

Tweens say, "VERB is cool," and "VERB is about getting active." The power of a cool and exciting VERB brand is that once the brand is strong and meaningful, it becomes A MESSAGE FOR LIFE.

Organizations can capitalize on VERB's popularity to offer opportunities for tweens to play and be physically active every day. Here are tips for keeping VERB motivating, fun, exciting, and a campaign for kids—not grown-ups. Let's keep VERB fun for tweens!



#### Communicating about VERB with tweens

- VERB is "for tweens, by tweens," so speak to them in "kid's language," include only kid relevant information, and keep VERB all about having fun and being with friends.
- VERB features positive, "can do," messages so don't diminish the brand's appeal with adult delivered, "must do," or "don't do," messages.
- VERB encourages trial and praise—"Try it to see if you like it." "You had so much fun today." "Dad would be so proud to know you...."
- VERB is solely about physical activity so don't confuse the brand with important healthy eating, obesity, anti-smoking, anti-drug, or other health messages.
- VERB can be in schools but VERB is not about health lessons, homework, or grades so keep it activity-focused, inspiring and fun.

#### Communicating about VERB with adults

VERB messages to adults must be kept separate from communications to tweens to maintain a cool VERB brand for tweens. For adults only, it is appropriate to

- Highlight the health concerns and benefits of youth physical activity.
- Offer ideas for encouraging, supporting, and recognizing tweens' trial and participation in physical activities.

VERB Brand Logo Usage: [www.cdc.gov/youthcampaign/working\\_together/materials\\_logo\\_usage.htm](http://www.cdc.gov/youthcampaign/working_together/materials_logo_usage.htm)

VERB is a trademark of the U.S. Department of Health and Human Services' Centers for Disease Control and Prevention. ©2003 Centers for Disease Control and Prevention. All rights reserved.



Source: HHS.

The increase in HHS's overall advertising obligations from 2002 to 2003 did not have a uniformly similar effect on the obligations the agency directed to 8(a)s, SDBs, and minority-owned firms, even though, as we note, some

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of the spending for the youth initiative was directed to small disadvantaged and minority-owned firms. Specifically, as a percentage of the agency's total advertising obligations, HHS's total obligations to 8(a) and minority-owned firms decreased from 2002 to 2003, and its obligations to SDBs showed an increase of less than 1 percent.

About 84 percent of NASA's obligations were related to two contracts. The first of these was a contract NASA's Langley Research Center awarded in fiscal year 2001 to an SDB for a variety of public relations activities. For example, this contractor provided services such as preparing written and photographic materials for media and selected internal and external communications programs and administrative support for outreach and special events. The contractor also developed, installed, and maintained exhibits for events and provided logistical and general services to plan and conduct conferences, symposia, peer reviews, and workshops for off-site conferences and events. From fiscal years 2001 through 2005, NASA obligated over \$5 million for this contract.

The second NASA contract was awarded in fiscal year 2002 as a multiple-year contract by its Marshall Space Flight Center. The contract was originally awarded to a business classified as minority-owned that was later admitted to the 8(a) and SDB programs. The contractor was primarily responsible for providing support services to human resources, educational programs, government and community relations, public exhibits, internal communications, employee training, and organizational development. More recently, the contractor has helped with several public events, including an air show called Thunder in the Valley in Columbus, Georgia, in March 2007 and the X-Prize Cup in Las Cruces, New Mexico, in October 2006.<sup>25</sup> Between fiscal years 2002 and 2005, NASA obligated over \$33 million for this contract.

Generally, agency officials told us that the procurement decisions reflected in their overall contracting data and specifically the advertising contracting data we present here were more often driven by needs

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<sup>25</sup>According to NASA, the Thunder in the Valley Air Show included an interactive traveling exhibit called The Vision for Space Exploration Experience that allowed visitors to view the stars and other planets and offered other tools to educate the public about space travel, including virtual models of the moon and Mars, with the history of NASA's research on each of them and future plans for space exploration. The X-PRIZE Cup was a 4-day event during which participants could experience the future of space flight through interactive models and simulations, view privately developed spaceships, and meet experts involved in the development of these various technologies.

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identified at the subagency or local area level than by the departments' needs. These decisions are made by contracting officers at procurement offices, which are located around the country. For example, NASA has contracting officers at each of its 10 field centers.<sup>26</sup> Each center specializes in different areas of research and technology specific to NASA. The Marshall Space Flight Center in Huntsville, Alabama, for example, focuses on space exploration, with specific emphasis on completing the international space station and returning to the moon. Contract-related needs for the Marshall Space Flight Center seek to advance technology in the space exploration area, and officials at the center identify contracting opportunities to meet those needs. Officials in NASA's OSDDBU told us that they did not tell contracting officers what services should be directed to small businesses, because the businesses that were selected to provide a service were chosen based on need (as identified by the centers' contracting officers and other officials) and ability to meet the center's requirements.

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## Agency Comments and Our Evaluation

We provided SBA, OMB, GSA, DOD, Treasury, HHS, Interior, and NASA with a draft of this report for review and comment. After reviewing the report, all agencies responded that they did not have any comments, including any of a technical nature.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies of this report to the Ranking Member of the Senate Committee on Small Business and Entrepreneurship, the Chair and Ranking Member of the House Committee on Small Business, and other interested congressional committees. In addition, we will send copies to the Secretaries of Defense, Treasury, Health and Human Services, and Interior, as well as NASA's Administrator, the Administrator of General Services, the Administrator of the Small Business Administration, and the Director of the Office of Management and Budget. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

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<sup>26</sup>NASA's centers are responsible for carrying out its mission of space exploration and research in various areas such as robotics and aeronautics.

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If you or your staff have any questions regarding this report, please contact me at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.



William B. Shear  
Director, Financial Markets and  
Community Investment

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# Appendix I: Scope and Methodology

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In this report, we describe (1) strategies that the Departments of Defense (DOD), Interior, Health and Human Services (HHS), Treasury, and National Aeronautics and Space Administration (NASA) used to address section 4 of Executive Order 13170, and (2) the total obligations, the number of contract actions, and the percentage of total obligations represented by these contract actions that each of the five agencies awarded to businesses in the Small Business Administration's (SBA) 8(a) and federal small disadvantaged business (SDB) programs and to minority-owned businesses for advertising-related services. We queried the Federal Procurement Data System-Next Generation (FPDS-NG) using the product service codes for advertising and public relations to identify advertising-related activity.<sup>1</sup> Using these data, we judgmentally selected the four agencies that had obligated the most funds (DOD, Interior, HHS, and Treasury) and one that had a high participation of 8(a), small disadvantaged, and minority-owned businesses (NASA), based on identification in the FPDS-NG of awards to 8(a)s, SDBs, and minority-owned businesses for advertising-related contracts for fiscal years 2001 to 2005. In total, these agencies represented about 92 percent of all federal advertising-related obligations for this 5-year period.

To describe strategies used by the five federal agencies to address section 4 of Executive Order 13170, we obtained documentation from the agencies outlining the actions they planned to take to implement the order, interviewed agency officials regarding their plans and actions taken, and compared both their planned actions as well as actions taken to the requirements presented in the order. We also interviewed officials at SBA and Office of Management and Budget (OMB) regarding the oversight responsibilities each was given in implementing the order. Furthermore, we identified a number of federal statutes and regulations pertaining to executive agency procurement and small business programs, including the Small Business Act and the Federal Acquisition Regulations, that were consistent with the requirements of section 2 of the Executive Order 13170.

To determine the total dollar amount for each of the five agency's advertising-related obligations for fiscal years 2001 through 2005 and the dollar amount and percentage for obligations and contract actions awarded to businesses designated as 8(a)s, SDBs, or minority-owned

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<sup>1</sup>FPDS-NG is the federal government's only database of governmentwide contracting activity.

during that same time period, we extracted key data fields from FPDS-NG. These data fields included contracting department, procurement instrument identifier (contract/order number), advertising-related product or service codes (R701 and R708), SDB firm designation, 8(a) firm designation, minority-owned designation, and funding agency. We then analyzed the data to identify the total amount of advertising-related obligations for each agency for each fiscal year and the amount and percentage of the total for obligations and number of contract actions awarded to 8(a)s, SDBs, and minority-owned businesses. We did not use FPDS data from before fiscal year 2001 because agencies did not consistently report certain data elements important to our analysis, such as minority ownership. Even after the General Services Administration (GSA) upgraded the system to FPDS-NG in 2003 (to capture, among other things, a data element for minority ownership from fiscal year 2004 forward), agencies varied in the extent to which they modified earlier years' data to reflect this information.

In assessing the reliability of federal contracting data, we interviewed officials from GSA, the agency responsible for maintaining FPDS-NG. Additionally, we performed specific steps using the FPDS-NG data. First, we compared FPDS-NG advertising totals to the Federal Procurement Data System, the previous governmentwide contracting system, for the five agencies for fiscal years 2001 through 2003.<sup>2</sup> For the DOD data, we also compared FPDS-NG advertising totals to DD-350 (DOD's internal contracting database) totals for fiscal years 2001 through 2005. In these comparisons, we found some differences between the databases that we determined could be attributed to the fact that FPDS-NG was a real-time system that allowed for editing and updates, such as updates to the primary purpose of a multiple-year contract in later years. FPDS and DD-350 did not allow for such real-time changes. On the basis of this assessment, we concluded that FPDS-NG data were sufficiently reliable for the purposes of our report.

Next, we tested the reliability of the 8(a), SDB, and minority-owned designations in FPDS-NG. To do this, we electronically compared the FPDS-NG designations for 8(a) and SDB to SBA's list of certified 8(a)s and SDBs. We found a small number of certified 8(a) businesses that were not designated as such in FPDS-NG. For DOD contractors that the DD-350 also identified as being 8(a), we modified our data to reflect the certified 8(a)

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<sup>2</sup>In 2003, GSA transferred data from FPDS to FPDS-NG when it upgraded the system.

status. To determine the reliability of the minority-owned data in FPDS-NG, we compared FPDS-NG contractor data for fiscal years 2004 and 2005 to the self-reported minority-owned designations in SBA's Small Disadvantaged Businesses file and the Central Contractor Registration database (the DOD database that also serves as the primary vendor database for the U.S. government). We found that the number of minority-owned businesses that received advertising-related contracts from these five agencies was undercounted in the FPDS-NG for fiscal years 2004 and 2005. We could not determine the degree of undercounting because our analysis was not based on a sample that could be generalized to the population of advertising-related contractors. Other than the minor differences that we found, we determined that the business designations were sufficiently reliable for the purposes of our report.

We conducted our work in Washington, D.C., between October 2006 and June 2007 in accordance with generally accepted government auditing standards.

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# Appendix II: GAO Contact and Staff Acknowledgments

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## GAO Contact

William B. Shear, (202) 512-8678, [shearw@gao.gov](mailto:shearw@gao.gov)

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## Staff Acknowledgments

In addition to the individual named above, Bill MacBlane, Assistant Director; Johnnie Barnes; Michelle Bracy; Emily Chalmers; Julia Kennon; Lynn Milan; Marc Molino; Omyra Ramsingh; and Rhonda Rose made key contributions to this report.

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