



Highlights of [GAO-10-673T](#), a testimony before the Committee on Veterans Affairs, Subcommittee on Economic Opportunity, House of Representatives

Why GAO Did This Study

The Veterans Benefits, Health Care, and Information Technology Act of 2006 (the 2006 Act) requires the Department of Veterans Affairs (VA) to give priority to veteran-owned and service-disabled veteran-owned small businesses (VOSB and SDVOSB) when awarding contracts to small businesses. This testimony discusses preliminary views on (1) the extent to which VA met its prime contracting goals for SDVOSBs and VOSBs in fiscal years 2007-2009, and (2) VA's progress in implementing procedures to verify the ownership, control, and veteran status of firms in its mandated database. GAO obtained and analyzed data on VA's contracting activities, and reviewed a sample of verified businesses to assess VA's verification program.

What GAO Recommends

Because this testimony is based on an ongoing engagement, it does not include recommendations. GAO anticipates making recommendations in its final report.

View [GAO-10-673T](#) or key components. For more information, contact William Shear at (202) 512-8678 or ShearW@gao.gov.

DEPARTMENT OF VETERANS AFFAIRS

Preliminary Observations on Issues Related to Contracting Opportunities for Veteran-owned Small Businesses

What GAO Found

As shown below, VA exceeded its contracting goals with SDVOSBs and VOSBs for the past 3 years, but faces challenges in monitoring agreements with other agencies that conduct contract activity on VA's behalf. The increase of awards to SDVOSBs and VOSBs was associated with the agency's use of the unique veteran preferences authorities established by the 2006 Act. However, GAO's review of interagency agreements found that VA lacked an effective process to ensure that interagency agreements include required language that the other agencies comply to the maximum extent feasible with VA's contracting goals and preferences for SDVOSBs and VOSBs.

VA has made limited progress in implementing its verification program. While the 2006 Act requires VA to use veteran preferences authorities only to award contracts to verified businesses, VA's regulation does not require that this take place until January 1, 2012. To date, VA has verified about 2,900 businesses—approximately 14 percent of businesses in its mandated database of SDVOSBs and VOSBs. Among the weaknesses GAO identified in VA's verification program were files missing required information and explanations of how staff determined that control and ownership requirements had been met. VA's procedures call for site visits to investigate the ownership and control of higher-risk businesses, but the agency has a large and growing backlog of businesses awaiting site visits. Although site visit reports indicate a high rate of misrepresentation, VA has not developed guidance for referring cases of misrepresentation for enforcement action. Such businesses are subject to debarment under the 2006 Act.

VA's Percentage of Contract Dollars to VOSBs and SDVOSBs, FY07-09

