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United States Government Accountability Office  
Washington, DC 20548

June 15, 2011

The Honorable Mary L. Landrieu  
Chair  
The Honorable Olympia J. Snowe  
Ranking Member  
Committee on Small Business and Entrepreneurship  
United States Senate

The Honorable Sam Graves  
Chairman  
The Honorable Nydia M. Velázquez  
Ranking Member  
Committee on Small Business  
House of Representatives

*Subject: Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do Not Require Postagreement Tracking*

A mentor-protégé program is an arrangement in which mentors—businesses, typically experienced prime contractors—provide technical, managerial, and other business development assistance to eligible small businesses, or protégés. In return, the programs provide incentives for mentor participation, such as credit toward subcontracting goals, additional evaluation points toward the awarding of contracts, an annual award to the mentor providing the most effective developmental support to a protégé, and in some cases, cost reimbursement. Overall, mentor-protégé programs seek to enhance the ability of small businesses to compete more successfully for federal government contracts by furnishing them with assistance to improve their performance. We identified 13 federal agencies that currently have mentor-protégé programs including the Department of Homeland Security (DHS), Department of Defense (DOD), Department of Energy (DOE), Department of State (DOS), Environmental Protection Agency (EPA), Federal Aviation Administration (FAA), General Services Administration (GSA), Department of Health and Human Services (HHS), National Aeronautics and Space Administration (NASA), Small Business Administration (SBA), Department of the Treasury (Treasury), United States Agency for International Development (USAID), and the Department of Veterans Affairs (VA).

The Small Business Jobs Act of 2010 required that we conduct a study on federal mentor-protégé programs to determine whether they are effectively supporting the

goal of increasing small business participation in federal government contracting.<sup>1</sup> This letter summarizes a March 2011 briefing we provided to your staff on the results of this work (see enclosure I for the briefing slides). It also includes updated information on the number of active mentor-protégé agreements reported by each agency as of March 2011 and additional audit work we conducted following the briefing on protégé postcompletion information. Our objectives were to (1) describe the policies and procedures for administering and monitoring federal mentor-protégé programs; (2) identify controls used to help ensure that mentor-protégé programs are beneficial to program participants and eligibility requirements are being met; and (3) determine if information is available on whether protégés have become able to compete for federal contracts without the assistance of a mentor.

To address our objectives, we reviewed applicable regulations, policies and procedures, prior GAO and SBA Inspector General reports, and other agency guidance for administering and monitoring the mentor-protégé programs. In addition, we reviewed other documentary information on mentor-protégé agreements, mentor incentives, benefits to protégés, eligibility requirements, agency performance reviews, and measurements of the programs' performance. We interviewed agency officials and select industry-group representatives regarding controls and program oversight, as well as each agency's program objectives, types of mentor-protégé agreements, program requirements, and application review and approval processes. We also reviewed available information provided by agency officials on the extent to which protégés become able to compete for federal contracts without the assistance of a mentor, including any available information on additional protégé contracting and subcontracting opportunities. Finally, we interviewed agency officials and collected available information on what, if any, data is collected and maintained on protégés at the conclusion of the mentor-protégé relationship, as well as any implications and costs for the agencies associated with collecting and maintaining information on protégés after completion of the mentor-protégé program. We determined that the data we obtained from agency officials were reliable for the purposes of this report based on our audit objectives.

In accordance with the statute, we focused on SBA and the 12 other federal agencies we identified as having a mentor-protégé program. As agreed with your offices, we focused on policies and procedures the agencies have put in place to administer and monitor the mentor-protégé programs and controls to help ensure the programs are beneficial to participants. As agreed, we did not conduct testing on how well the program controls were operating because of the number of agencies with a mentor-protégé program and the associated time frame for completing our work to satisfy the mandate requirement.

We conducted this performance audit from October 2010 through June 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>1</sup>Pub. L. No. 111-240, § 1345, 124 Stat. 2504, 2546 (2010).

## Background

The first mentor-protégé program—the DOD Pilot Mentor-Protégé Program—was established by DOD as a pilot under the National Defense Authorization Act for Fiscal Year 1991. Since the pilot program was authorized, it has been continuously extended.<sup>2</sup> The largest program—the SBA 8(a) Mentor-Protégé Program—was established in 1998. It is offered under SBA’s 8(a) Business Development Program, which is one of the federal government’s primary vehicles for developing small businesses owned and controlled by socially and economically disadvantaged individuals. Firms in SBA’s 8(a) program receive SBA technical assistance and management training and may be eligible for contracts that federal agencies set aside for 8(a) firms. SBA’s mentor-protégé program serves as an additional developmental tool for 8(a) participants. Protégés in SBA’s mentor-protégé program must also be participants in its 8(a) program.

In general, the Office of Small and Disadvantaged Business Utilization (OSDBU) at each agency is responsible for mentor-protégé program management and administration, and some agencies also coordinate the program with their contracting offices.<sup>3</sup> The one exception, however, is SBA’s Mentor-Protégé Program, which is administered by its Office of Business Development through SBA’s district offices and does not involve an OSDBU. At agencies other than SBA, mentors and protégés interested in becoming approved program participants submit an application to the OSDBU for review and approval. Upon receipt, the application is evaluated on the extent to which the mentor plans to provide developmental assistance to the protégé. In general, mentors and protégés are responsible for identifying and selecting each other prior to entering the program.

As part of the process, mentors and protégés are required to jointly develop a tailored developmental assistance plan, which is set forth in a “mentor-protégé agreement” that is also submitted to OSDBU officials who, in turn, determine the agreement’s compliance with specific agency requirements. The mentor-protégé agreement authorizes a broad array of developmental assistance, such as (a) training in the areas of production, quality control, manufacturing, engineering, and computer hardware and software; (b) assistance in obtaining production and accounting certifications needed to work on large federal government contracts; (c) contract administration; and (d) overall general business management skills and organizational management. Additionally, some agencies’ programs allow mentors to provide loans and can award subcontracts on a noncompetitive basis.

Generally, the responsible OSDBU officials periodically review the mentor-protégé agreement to help ensure that the terms of the agreement are being fulfilled, developmental assistance is being provided as agreed, and mentors and protégés comply with all agency requirements. The length of the mentor-protégé agreement varies by agency—usually from 1 to 3 years—and some agencies allow the agreement

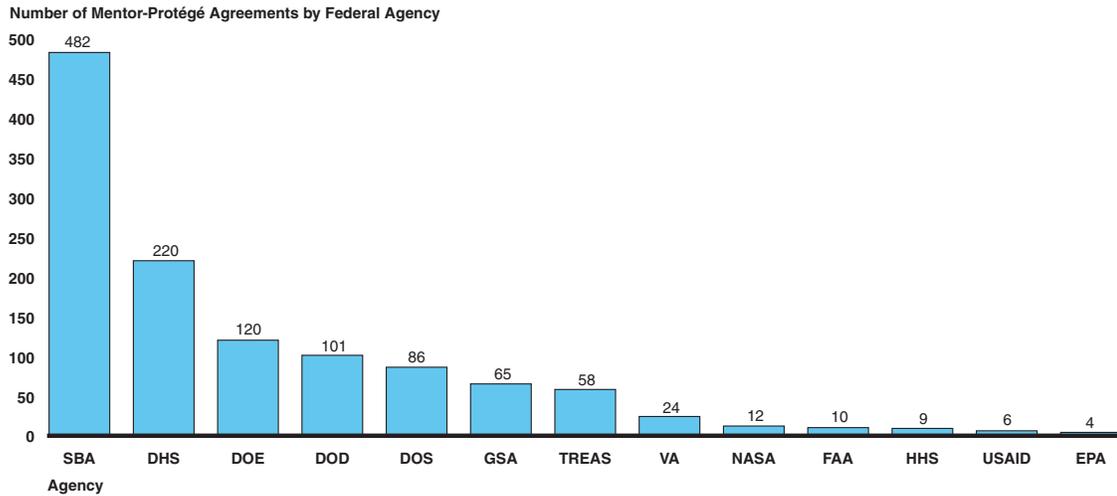
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<sup>2</sup>The Department of Defense and Full-Year Continuing Appropriations Act, 2011, extended the program until September 30, 2011, for approval of new agreements and until September 30, 2014, for only reimbursement of incurred costs or credit toward attainment of a subcontracting goal.

<sup>3</sup>Although some agencies may refer to their offices as the Office of Small Business Programs or Small Business Development Office, for simplicity we use the term OSDBU for all agencies in this report.

to be extended upon approval. However, some agencies have no fixed terms and, instead, limit the term of the agreement through negotiation or by tying the length of the agreement to the length of a contract. Participation in the mentor-protégé program also varies by agency. Figure 1 displays the number of mentor-protégé agreements across the federal government, as of March 31, 2011, which ranged from 482 at SBA to 4 at EPA.

**Figure 1: Number of Mentor-Protégé Agreements by Federal Agency, as of March 2011**



Source: GAO compilation based on information reported by agencies with a mentor-protégé program.

### Similar Policies and Procedures Exist in Most Federal Mentor-Protégé Programs

All 13 federal agencies with mentor-protégé programs have established policies and procedures for administering and monitoring their programs. These policies and procedures are codified in regulatory guidance—such as the Federal Acquisition Regulation (FAR), agency supplemental-acquisition regulations, and program guidance—and are similar across most agencies. For example, all agencies have similar guidance that require the participants to develop a mentor-protégé agreement and to provide regular progress reports on the status of the mentoring agreement. Additionally, most agencies have similar guidance regarding the agency’s noninvolvement in the partnering of mentors with protégés, as well as requirements for agencies to conduct periodic reviews.

Despite similarities in program guidance, some differences exist. For example, different agencies have varying guidance regarding the length of mentor-protégé agreements and whether protégés are allowed to have more than one mentor.<sup>4</sup> Some notable differences in the policies of 3 agencies bear specific mention: DOD, SBA, and FAA.

- The DOD mentor-protégé program is the only mentor-protégé program mandated by law and receiving appropriated funding. DOD’s program

<sup>4</sup>All agencies allow mentors to have multiple protégés, while most agencies do not allow protégés to have more than one mentor.

offers two major types of mentor-protégé agreements—credit and direct reimbursement—and although there are several different participating military services and defense agencies that administer their own mentor-protégé programs separately, they each share DOD regulations and policies.<sup>5</sup> Along with DOE and FAA, DOD’s mentor-protégé program is one of only three programs that offer cost reimbursement as an incentive for mentor participation.

- SBA’s mentor-protégé program permits a waiver of the affiliation rule for joint ventures between mentors and 8(a) protégés, allowing them to jointly pursue 8(a) contracts set aside for small businesses without the two firms being considered “affiliated” for purposes of SBA’s small-business size standards. Additionally, the Small Business Jobs Act of 2010 granted SBA authority to establish new mentor-protégé programs for small businesses owned and controlled by service-disabled veterans and women and for HUBZone small businesses, modeled on SBA’s current program for its 8(a) participants.
- FAA’s mentor-protégé program is the only mentor-protégé program that is not subject to the FAR and other related acquisition and procurement statutes and regulations.<sup>6</sup> As previously noted, FAA’s mentor-protégé program is one of only three programs that offer cost reimbursement as an incentive for mentor participation.

### **Controls Exist to Help Ensure Participants Are Eligible and Benefit from Program Participation**

Controls exist at all 13 federal agencies with mentor-protégé programs to help ensure that mentors and protégés meet eligibility criteria and benefit from participation in the program. Generally, a mentor may be either a large or small business, must be eligible for award of a government contract, and must be able to provide developmental assistance to enhance the capabilities of protégés. Agencies verify that these criteria are met by checking whether the mentor is on the “suspended” or “debarred” list and by requiring that mentors demonstrate their ability to provide the developmental assistance to the protégé upon entry into the program. Additionally, some agencies require their mentors to be current prime contractors or subcontractors with the agency. To qualify as a protégé under the program, all agencies require that the protégé be a small business (based on its primary North American Industrial Classification System code) and also be eligible to receive

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<sup>5</sup>In 2003, the program transitioned from the Office of the Secretary of Defense, OSDBU level to the military services and defense agencies. Services and agencies currently involved include: Army, Navy, Air Force, U.S. Special Operations Command, Joint Ground Robotics Enterprise, National Geospatial Intelligence Agency, National Security Agency, Missile Defense Agency, Defense Contract Management Agency, and Defense Logistics Agency (no current mentor-protégé agreements). Although it had prior involvement, the Defense Information Systems Agency is not currently involved in the program.

<sup>6</sup>The Fiscal Year 1996 Department of Transportation Appropriations Act directed FAA to develop its own acquisition-management system outside of FAR. It developed the FAA Acquisition System Toolset, including the acquisition-management system that consists of acquisition management policy and guidance specific to FAA.

federal government contracts. While some agencies, such as SBA and VA, are specific about the types of small businesses that are eligible to participate in their program, most agencies accept various types of small businesses as protégés.<sup>7</sup>

Each of the mentor-protégé programs also have various reporting requirements that must be met by mentors and protégés during the course of the program which provide information on the protégé's growth, costs and expenditures, and completion of specific developmental activities. Generally, the agencies require that these reports be submitted annually or semiannually, either jointly by both the mentor and protégé or independently by the mentor only or the protégé only. Some agencies also require that the mentor and protégé provide a formal briefing (either interim or at the conclusion of the program) regarding any accomplishments or a "lessons-learned evaluation" upon completion of the program.

To help ensure that protégés benefit from participation in the mentor-protégé program, most agencies conduct periodic annual reviews and compare the progress reported on by the mentor and protégé with the milestones established in the mentor-protégé agreement. By doing so, the agencies can gain assurance that the terms of the agreement are being fulfilled, developmental assistance is being provided as agreed, and protégés are benefiting from their participation in the program. Agencies may also conduct site visits or receive informal protégé reporting on any dissatisfaction with the developmental assistance being provided. If the protégé reports any such dissatisfaction, an agency generally has recourse to withhold approval of the continuation of the mentor-protégé agreement if it finds that the mentor has not provided the agreed-upon developmental assistance or if the assistance has not resulted in any material benefits to the protégé. However, according to agency officials, this rarely occurs.

Moreover, as part of SBA's individual efforts to help ensure that its 8(a) program is beneficial to participants and is not just a mechanism to enable participants (presumably large businesses) that would not otherwise qualify under the program to receive contracts, SBA recently added to its program controls. Specifically, SBA published a final rule on February 11, 2011, that revised its 8(a) program regulations, including those for its mentor-protégé program and joint ventures. Among other things, the revised regulations (1) add consequences for a mentor that does not provide its protégé the assistance required by their agreement, including stop-work orders and potential debarment; (2) require SBA's 8(a) participants in a joint venture to perform at least 40 percent of the work done by the joint venture, including work awarded under a mentor-protégé agreement; and (3) generally prohibit a non-8(a) participant to a joint venture, or its affiliates, from acting as a subcontractor on any 8(a) contracts.

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<sup>7</sup>SBA's mentor-protégé program is limited to participants in the 8(a) program, and VA's mentor-protégé program is limited to small businesses owned by veterans and service-disabled veterans. Most agencies accept various types of small businesses as protégés in their mentor-protégé program, such as small disadvantaged businesses; women-owned, veteran-owned and service-disabled veteran-owned businesses; HUBZone businesses; and historically black colleges and universities and other minority institutions.

## Most Federal Mentor-Protégé Programs Do Not Collect Postagreement Information on Protégé Success

Most federal mentor-protégé programs do not collect information on protégés after the conclusion of their mentor-protégé agreements; therefore, little information is available on the success of protégés after participating in the program.<sup>8</sup> Of the 13 federal agencies we identified with mentor protégé programs, only 3 agencies—DOD, NASA, and USAID—have policies in place to collect information on protégés after their mentor-protégé agreements have terminated.<sup>9</sup> They each require protégés to submit a postcompletion report on their employment and revenue statistics annually for 2 years upon completion of the program. However, only DOD is required by statute to collect such information on protégés after they exit the program. Specifically, under DOD’s program, protégés are required to report its progress annually for 2 years after exiting the program, including any successes that can be attributed to its participation in the program, such as in employment, annual revenue, and annual participation in DOD contracts.<sup>10</sup> DOD is required to conduct annual performance reviews of the postcompletion information reported by protégés.

Additionally, Congress required DOD to report annually on trends in the progress made in employment, revenues, and participation in DOD contracts of both protégés and former protégés.<sup>11</sup> For example, in its annual report to Congress for fiscal year 2009, DOD noted that while the 61 former protégés providing postcompletion reports experienced a cumulative decrease in annual revenue and number of employees (which may have been the result of broader economic conditions), they experienced an average increase in number and dollar amount of DOD prime-contract and subcontract awards. They also experienced an average increase in the dollar amount of total federal subcontract awards following completion of program.<sup>12</sup> Similarly, in its fiscal year 2008 annual report, DOD noted that 33 former protégés experienced a cumulative increase in annual revenue and number of employees and an average dollar increase in DOD prime contracts and subcontracts since program completion.<sup>13</sup>

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<sup>8</sup>As a result, our objective was to determine if information is available on whether protégés have become able to compete for federal contracts without the assistance of a mentor.

<sup>9</sup>According to SBA officials, as a result of protégé firms participating in its 8(a) program, the agency collects information on the firm for a period of 3 years following completion of either the 9-year 8(a) program term or early graduation from the program. However, the information is collected for purposes of the 8(a) program and is not suitably detailed to determine whether protégés have become able to compete for federal contracts.

<sup>10</sup>DOD’s requirement for collecting and maintaining information on the protégé after conclusion of the mentor-protégé program derives from amendments to the program in the National Defense Authorization Act for Fiscal Year 2000, Pub. L. No. 106-65, § 811, 113 Stat. 706 (1999).

<sup>11</sup>DOD is also required to verify that mentors and protégés accurately reported progress and to determine that all costs reimbursed to mentors during the agreement were reasonably incurred.

<sup>12</sup>DOD Office of Small Business Programs, *DOD Mentor-Protégé Program Annual Report to Congress, Fiscal Year 2009*, (Washington, D.C., August 2010).

<sup>13</sup>DOD Office of Small Business Programs, *DOD Mentor-Protégé Program Annual Report to Congress, Fiscal Year 2007 and Fiscal Year 2008*, (Washington, D.C., September 2009).

Congress required that DOD collect and report this information in order to help ensure that its mentor-protégé program is focused on a results-oriented approach to assessing program performance. DOD estimates that it has a total annual cost of about \$51,000 related to the collection of postcompletion information reported to Congress, including one full-time procurement technician to request and maintain information on all protégé postcompletion reports, and a supervisor to review the data for abnormalities such as a significant change in revenue.

As stated earlier, NASA and USAID both have policies in place to collect information on protégés after their mentor-protégé agreements have expired. However, because both NASA's and USAID's mentor-protégé programs are relatively new, information on the protégés' progress in the 2 years following completion of the program is not yet available. Officials from both agencies noted the importance of protégé postcompletion information in helping to determine whether the knowledge and skills obtained by the protégé during the mentoring agreement are sustainable beyond the term of the agreement. For example, USAID officials stated that information on the protégé's progress following completion of the program is important to them, particularly given its procurement timelines, because benefits resulting from the developmental assistance protégés obtain may not always be readily apparent during the life of the agreement.

As noted previously, the remaining 10 federal agencies—DHS, DOE, DOS, EPA, FAA, GSA, HHS, SBA, Treasury, and VA—do not have policies and procedures in place to collect protégé postcompletion information. Most agency officials told us that while the information they currently collect on protégés during the course of a mentor-protégé agreement help to determine the overall success of their program, postcompletion information could also be useful.<sup>14</sup> An official at one agency expressed concern that this information could be misleading because there is no assurance that a protégé's ability to compete and, ultimately, win federal contracts can be attributed to its participation in the mentor-protégé program. While changes in contracts awarded could reflect existing economic or industry conditions upon program completion, this is also true for data collecting during the mentor-protégé agreement as well.

However, the potential benefits would have to be weighed against potential costs. Without having the experience of collecting and maintaining protégé postcompletion information, the officials were largely unable to provide estimates of the cost for implementing a process for collecting and maintaining the information. While some agency officials said that total costs associated with postcompletion reporting were unknown, they said they likely would include increased costs both in funds expended and manpower used. In addition, one official noted that the collection of postcompletion information for protégés could be complicated and time consuming.

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<sup>14</sup>Most agency officials told us they only collect information on protégés during the period in which they are participating in the agency's mentor-protégé program, including data on the increase in number and dollar value of contacts and subcontracts awarded to the protégé. Some agencies also collect information on increases in protégé subcontracting opportunities in areas where the protégé had not traditionally performed—opportunities that would indicate an expansion of its field of expertise. For some agencies, the information gathered on the protégé's progress while it is participating in the program is used as a measure of overall success for their mentor-protégé programs.

Conversely, a small number of agency officials believed the costs for collecting and maintaining protégé postcompletion information would be minimal or negligible, because they viewed the collection of postcompletion information as an extension of their current reporting processes that could be readily implemented with existing resources.

As noted previously, most agencies have policies and reporting requirements to help ensure that protégés are benefiting from participation in their mentor-protégé programs. To determine overall success, the agencies collect information during the term of the agreement. However, postagreement data collection can provide additional information for agencies to use to ensure that their programs are benefiting the protégés as intended.

## **Conclusions**

While mentor-protégé programs have policies, procedures, and controls that aim to help ensure that participants benefit, information on the degree to which protégés are able to compete for contracts without the mentor is generally not available because most agencies do not collect information on protégé progress after the conclusion of their mentor-protégé agreements. Instead, most agencies rely on information collected during the term of the agreement to determine the effectiveness of the program. Specifically, of the 13 federal agencies with mentor-protégé programs, only 3—DOD, NASA, and USAID—have policies in place to collect information on protégé progress after the mentor-protégé agreements have terminated. While NASA and USAID have not yet collected data because their programs are relatively new, both have stated the importance of protégé postcompletion information in helping to determine whether the knowledge and skills obtained by the protégé during the mentoring agreement are sustainable beyond the term of the agreement. Moreover, Congress requires DOD to collect and report on postcompletion performance as one way to better ensure the effectiveness of the program. Although there is some uncertainty surrounding the total costs involved in collecting and maintaining postcompletion information, many agencies thought that, in addition to the information they currently collect on protégés during the course of the agreement, the postcompletion information could also be useful to the overall success of their programs. Without protégé postcompletion information, the agencies may miss the opportunity to obtain additional information that could be used to help them further assess the success of their programs and help ensure that small businesses are benefiting from participation in the programs as intended.

## **Recommendations for Executive Action**

To more fully evaluate the effectiveness of their mentor-protégé programs, we recommend that the OSDBU and Mentor-Protégé Program Directors of DHS, DOE, DOS, EPA, FAA, GSA, HHS, SBA, Treasury, and VA consider collecting and maintaining protégé postcompletion information.

## **Agency Comments and Our Evaluation**

We provided a draft of this letter and the attached briefing slides to each of the 13 agencies we identified as having a mentor-protégé program for their review and

comment: DHS, DOD, DOE, DOS, EPA, FAA, GSA, HHS, NASA, SBA, Treasury, USAID, and VA. Five of the 13—DHS, DOE, DOS, Treasury, and VA—provided written comments, which are reprinted in enclosures II, III, IV, V, and VI respectively. In addition, GSA provided oral comments, while DOD, HHS, and SBA provided their comments electronically. Finally, EPA, FAA, NASA, and USAID stated that they had no comments on our draft letter.

Our recommendation that the OSDBU and Mentor-Protégé Program Directors consider collecting and maintaining protégé postcompletion information was addressed to 10 of the 13 agencies in our review. Six of these 10—DHS, DOE, GSA, HHS, Treasury, and VA—generally agreed with our recommendation:

- DHS concurred with our recommendation, noting that it would consider following the DOD model by requiring protégés to report their progress annually for 2 years after exiting the program, including providing information on annual revenue, number of employees, and participation in DHS and other government contracts. Consistent with our recommendation, DHS stated that the potential benefits of collecting and maintaining this information would have to be weighed against potential costs.
- DOE stated in its written comments that the department believes that protégé postcompletion information may be useful, along with other factors, in determining the success of the program and said that it will collect this information for protégés that are still small in their primary North American Industrial Classification System code when they graduate from the program. However, DOE commented that our conclusions focused only on postagreement data collection, which may lead a reader to assume that the collection of such data is the most important element of assessing a program's success. DOE stated that it, like other agencies, measures success for its mentor-protégé program through a semiannual review process in which it assesses various factors, including the number of contracts received by the protégé at both the prime and subcontract level, a protégé's profit margin, and the mentor's and protégé's overall satisfaction with the mentoring experience. We recognize that federal agencies use various performance measures to determine the success of their mentor-protégé programs. However, most agency officials told us that postcompletion information could also be useful. We clarified our discussion of our findings in this area in response to DOE's comments.
- GSA and HHS generally concurred with our recommendation.
- Treasury concurred with our recommendation, noting that it would implement a postagreement reporting requirement for firms exiting its mentor-protégé program beginning in fiscal year 2012. Treasury stated that protégé firms will be required to submit postagreement reports 24 months after exiting the program and noted that approximately 30 mentor-protégé agreements are due to expire in fiscal year 2012.

- VA generally agreed with our conclusions and concurred with our recommendation, noting that its mentor-protégé program currently requires both the mentor and protégé to prepare an evaluation upon completion of the program. VA stated that it will add in the department's mentor-protégé guidebook a requirement to collect data from the protégé for 1 year after completing the program in order to evaluate the effectiveness of the program and the protégé's ability to compete on federal procurements without the assistance of a mentor.

Although SBA stated in its comments that it agreed with a recommendation to collect and maintain information related to firms' activity following the completion of the mentor-protégé relationship, it did not agree with the recommendation as worded in our draft letter because it thought the recommendation would lead to the conclusion that all mentor-protégé programs have the same objective. SBA stated that its mentor-protégé program is a business-development tool used for the purpose of assisting the protégé in overcoming management and operational deficiencies that hinder its growth, development, and ultimate long-term success. SBA also stated that the ability to obtain contracts under its program is based on a separate joint-venture agreement under the mentor-protégé agreement and is only one form of assistance provided under the mentor-protégé agreement. SBA noted that mentor-protégé agreements based solely on facilitating access to government contracts are not allowed under its program. Our recommendation is not intended to imply that all mentor-protégé programs have the same objective, but rather is based on the fact that most programs currently do not collect information on protégés after the conclusion of the mentor-protégé agreement which could be used to help determine the overall success of these programs. We clarified the wording of our recommendation in response to SBA's comments.

In addition, while DOS partially agreed with our recommendation and stated that it would initiate postprogram monitoring of its former protégé firms if such a policy were to be implemented, it also stated that it recommends against implementing increased reporting requirements at this time. It expressed concerns that postprogram data collection would increase the burden on all parties without adding significant value to the existing program. DOS also expressed concern about the impact that postcompletion reporting could have on the department, mentor firms, and protégé firms. In addition, DOS stated that participating firms would face additional reporting burdens that would be counterproductive and could discourage mentors from serving in its program. DOS also cited budgetary implications that the department would face, as it would have to increase staffing to collect and monitor the collection of protégé postcompletion information. As we note in the letter, agencies would have to weigh the impact of collecting and maintaining protégé postcompletion information against the potential benefits, which were acknowledged by most agencies we spoke with, including an agency that is already required to collect such information. While we understand DOS's concerns, as we note in the letter, without this type of information, agencies may miss the opportunity to obtain additional information that could be used to help them further assess the success of their programs and help ensure that small businesses are benefiting from participation in the programs as intended. Therefore, we continue to believe that DOS should consider collecting postprogram data.

Finally, DOD, which is required to collect postprogram data on its mentor-protégé programs, told us that they concurred with our findings and suggested that the managers for the 13 mentor-protégé programs form an advisory council or working group to meet monthly and examine best practices and lessons learned to improve their agency programs and protégé growth. We encourage DOD's manager to pursue this idea with the other managers as a way to share information, best practices, and lessons learned. Given DOD's experience with postprogram data collection, it may be able to provide valuable insights to the other agencies about its experience.

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We are sending copies of this report to interested members of Congress and agency administrators at DHS, DOD, DOE, DOS, EPA, FAA, GSA, HHS, NASA, SBA, Treasury, USAID, and VA. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov). Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report were Marshall Hamlett, Assistant Director; Michelle Bowsky, Farah Angersola, Edwin Yuen, Tania Calhoun, and Jennifer Schwartz.



William B. Shear  
Director, Financial Markets and  
Community Investment

Enclosures



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# **Federal Mentor-Protégé Programs**

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**Briefing to  
Senate Small Business and Entrepreneurship  
Committee  
and  
House Small Business Committee**

**March 2011**

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## Introduction

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- The Small Business Jobs Act of 2010 (P.L. 111-240) requires that GAO conduct a study of federal mentor-protégé programs to determine whether they are effectively supporting the goal of increasing small business participation in federal government contracting.
- A mentor-protégé program is an arrangement in which mentors—businesses, typically experienced prime contractors—provide technical, managerial, and other business development assistance to eligible small businesses, or protégés. Overall, the programs seek to enhance the ability of small businesses to compete more successfully for federal government contracts by furnishing them with assistance to improve their performance.
- In return, the programs provide incentives for mentor participation, such as credit towards subcontracting goals, additional evaluation points towards the awarding of contracts, annual mentor awards to the mentor providing the most effective developmental support to a protégé, and, in some cases, cost reimbursement.
- Thirteen federal agencies currently have mentor-protégé programs.

## Introduction

### Federal Mentor-Protégé Programs, by Year of Program Implementation

- Department of Defense (DOD), 1991
- Environmental Protection Agency (EPA), 1994
- Department of Energy (DOE), 1995
- National Aeronautics and Space Administration (NASA), 1995\* (Program revamped in 2008)
- Federal Aviation Administration (FAA), 1996
- Small Business Administration (SBA), 1998
- Department of Homeland Security (DHS), 2003
- Department of the Treasury (Treasury), 2003
- Department of State (DOS), 2005
- United States Agency for International Development (USAID), 2007
- General Services Administration (GSA), 2009
- Department of Health and Human Services (HHS), 2009
- Department of Veteran's Affairs (VA), 2010

## Objectives

- Our objectives for this review are to:
  - Describe the policies and procedures for administering and monitoring federal mentor-protégé programs;
  - Identify controls used to help ensure that mentor-protégé programs are beneficial to program participants and eligibility requirements are being met; and
  - Determine if information is available on whether protégés have become able to compete for federal contracts without the assistance of a mentor.

## Scope and Methodology

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To help address our objectives, we took the following actions:

- To address objective 1, we reviewed applicable regulations, policies and procedures, and other agency guidance for administering and monitoring the mentor protégé programs. We interviewed agency officials regarding how the programs are administered and monitored, including each agency's program objectives, types of mentor-protégé agreements, program requirements, and application review and approval processes.
- To address objective 2, we reviewed policies and procedures, agency guidance, prior GAO and inspector general reports, and other relevant documentary information on mentor-protégé agreements, mentor incentives, benefits to protégés, eligibility requirements, agency performance reviews, and measurements of the programs' performance. We also interviewed agency officials and select industry group representatives regarding controls and program oversight.

## Scope and Methodology

- To address objective 3, we reviewed available information on the extent to which protégés are able to compete for federal contracts without the assistance of a mentor, including available information on employment, revenue, and additional protégé contracting and subcontracting opportunities. We also interviewed agency officials on what, if any, information is maintained on protégés at the conclusion of the mentor-protégé agreement.
- In accordance with the statute, we focused on SBA and the 12 other federal agencies we identified as having a mentor-protégé program. As agreed with your offices, we focused on policies and procedures the agencies put in place to administer and monitor the mentor-protégé programs and controls to help ensure the programs are beneficial to participants, but did not conduct testing on how well the program controls were operating.

## Scope and Methodology

- We conducted our work from October 2010 through March 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Background

- The first mentor-protégé program—the Department of Defense (DOD) Pilot Mentor Protégé Program—was established by DOD as a pilot under the National Defense Authorization Act for Fiscal Year 1991. Since the pilot program was authorized, it has been continuously extended.<sup>1</sup>
- The next major program—the Small Business Administration (SBA) 8(a) Mentor-Protégé Program—was established in 1998. It is offered under the 8(a) Business Development Program, which SBA administers for small businesses owned and controlled by socially and economically disadvantaged individuals.<sup>2</sup>

<sup>1</sup>The National Defense Authorization Act for Fiscal Year 2005 extended the program until September 30, 2010 for approval of new agreements, and until September 30, 2013, for only reimbursement of incurred costs or credit toward attainment of a subcontracting goal.

<sup>2</sup>The 8(a) program is one of the federal government's primary vehicles for developing small businesses that are owned and controlled by socially and economically disadvantaged individuals. Firms in SBA's 8(a) program receive SBA technical assistance and management training, and may be eligible for contracts that federal agencies set aside for 8(a) firms. SBA's mentor-protégé program serves as an additional developmental tool for 8(a) participants and protégés must be participants in SBA's 8(a) program.

## Background

- Generally, the Office of Small and Disadvantaged Business Utilization (OSDBU) at each agency is responsible for mentor-protégé program management and administration.<sup>3</sup> In addition, some agencies also coordinate their programs with the contracting offices.
- Mentors and protégés interested in becoming approved program participants must submit a joint application to the OSDBU for review and approval. The application is evaluated on the extent to which the mentor plans to provide developmental assistance to the protégé.
- In general, mentors and protégés are responsible for identifying and selecting each other prior to entering the program.

<sup>3</sup>Unlike other mentor-protégé programs, SBA's Mentor-Protégé Program is administered by the Office of Business Development through SBA's district offices and does not involve the OSDBU.

## Background

- Mentors and protégés are required to jointly develop a tailored developmental assistance plan which is set forth in a “mentor-protégé agreement” that is submitted to OSDDBU officials who determine the agreement’s compliance with specific agency requirements.
- The mentor-protégé agreement authorizes a broad array of developmental assistance, such as:
  - technology transfer, including training in the areas of production, quality control, manufacturing, engineering, computer hardware and software, and assistance in obtaining production and accounting certifications needed to work on large federal government contracts; and
  - overall general business management skills, including financial and personnel management, marketing, and proposal writing; contract administration; and organizational management.
- Additionally, some programs allow mentors to provide loans and can award subcontracts on a noncompetitive basis.

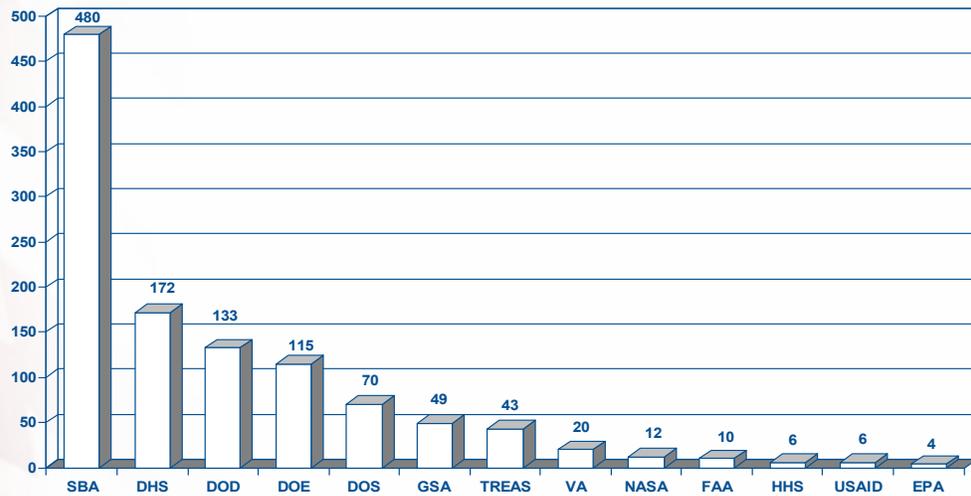
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## Background

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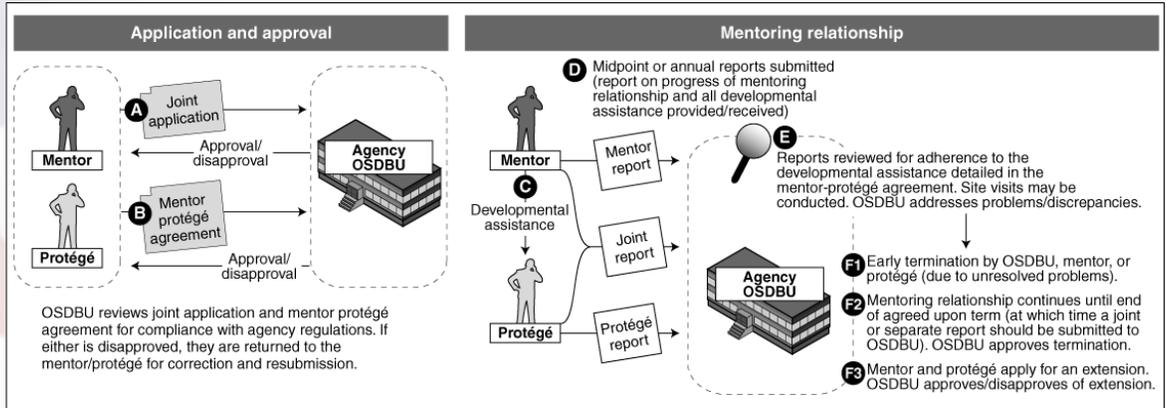
- Generally, the responsible OSDBU officials periodically review the mentor-protégé agreement to ensure that the terms of the agreement are being fulfilled, developmental assistance is being provided as agreed, and mentors and protégés comply with all agency requirements.
- The length of the mentor-protégé agreement varies by agency—usually from 1 to 3 years—and some agencies may allow the agreement to be extended upon approval. However, some agencies have no fixed terms, and instead limit the term of the agreement through negotiation or by tying the length of the agreement to the length of a contract.
- Participation in the mentor-protégé program varies across agencies. For example, SBA, which has the largest program, has 480 current mentor-protégé agreements, whereas the Environmental Protection Agency (EPA) has 4 current agreements in place.

## Number of Mentor Protégé Agreements Across the Federal Government, as of December 2010



Source: GAO compilation based on information provided by agencies with a mentor-protégé program.

# Illustrative Overview of Mentor Protégé Program



Sources: GAO; Art Explosion.

## Objective 1 - Policies and Procedures for Administering Mentor-Protégé Programs

- All 13 federal agencies with mentor-protégé programs have established policies and procedures for administering and monitoring their programs.
- Each agency's policies and procedures consist of regulatory guidance such as the Federal Acquisition Regulation (FAR), agency supplemental acquisition regulations, and program guidance. In most cases, the program guidance is more directly linked to the overall administration and management of the mentor-protégé program.
- The program guidance is similar across most agencies. For example, all agencies have similar guidance regarding the agency's non-involvement in any partnering/teaming of mentors with protégés, the mentor-protégé application process, and approval of potential mentors and protégés for participation in the program.
- Additionally, the agencies each have similar program guidelines requiring the development of a mentor-protégé agreement, semi-annual or annual mentor and protégé reports, and periodic agency program reviews.

# Regulatory and Program Guidance for Mentor-Protégé Programs

<b>DHS</b>	<ul style="list-style-type: none"> <li>•48 CFR Section 3502.219</li> <li>•DHS Mentor-Protégé Program Guide 1.0 – 1.17</li> </ul>	<b>HHS</b>	<ul style="list-style-type: none"> <li>•48 CFR Section 352.219-70</li> <li>•HHS Small Business Program Manual Chapter 14: Mentor Protégé Program</li> </ul>
<b>DOD</b>	<ul style="list-style-type: none"> <li>•48 CFR Subpart 219.71</li> <li>•48 CFR Ch. 2--Defense Acquisition Regulations System, Appendix I</li> </ul>	<b>NASA</b>	<ul style="list-style-type: none"> <li>•48 CFR Subpart 1819.72</li> <li>•NASA Mentor-Protégé Program Guidebook</li> <li>•NASA Mentor-Protégé Program Management Guidebook for Small Business Specialists</li> </ul>
<b>DOE</b>	<ul style="list-style-type: none"> <li>•48 CFR Subpart 919.70</li> <li>•DOE Mentor Protégé Overview and Fact Sheet</li> </ul>	<b>SBA</b>	<ul style="list-style-type: none"> <li>•13 CFR Section 124.520</li> <li>•SBA Mentor Protégé Overview and Fact Sheet</li> </ul>
<b>DOS</b>	<ul style="list-style-type: none"> <li>•48 CFR Section 619.202-70</li> </ul>	<b>TREASURY</b>	<ul style="list-style-type: none"> <li>•48 CFR Section 1019.202-70</li> </ul>
<b>FAA</b>	<ul style="list-style-type: none"> <li>•FAA Acquisition Management System 3.6.1.</li> <li>•FAA Mentor-Protégé Program Guide 1.0 – 1.17</li> </ul>	<b>USAID</b>	<ul style="list-style-type: none"> <li>•48 CFR Subpart 719.273</li> <li>•The USAID Mentor-Protégé Program – A Guide for Mentors and Protégés</li> </ul>
<b>EPA</b>	<ul style="list-style-type: none"> <li>•48 CFR Section 1519.203</li> </ul>	<b>VA</b>	<ul style="list-style-type: none"> <li>•48 CFR Subpart 819.71</li> <li>•VA Mentor-Protégé Program Guidebook</li> </ul>
<b>GSA</b>	<ul style="list-style-type: none"> <li>•48 CFR Subpart 519.70</li> <li>•GSA Mentor-Protégé Program Guidebook</li> </ul>		

## Differences in Policies and Procedures for Administering Mentor-Protégé Programs

- While the program guidance at most agencies is similar, there are some differences. For example, guidelines regarding the allowance of multiple mentors for each protégé and the term length of mentor-protégé agreements differ across agencies (see slide 19).
- The following are additional differences in select mentor-protégé program guidance:

### DOD –

This is the only program mandated by law and the only program that receives appropriated funding. It is one of only three programs which offer cost reimbursement as an incentive for mentor participation. It offers 2 major types of mentor-protégé agreements: 1) credit and 2) direct reimbursement. Several military services and defense agencies are involved in the program. They each administer their own program separately, but share DOD regulations and policies.<sup>4</sup>

<sup>4</sup>Effective October 2003, the program transitioned from the Office of the Secretary of Defense, OSDDBU level to the military services and defense agencies. The following military services and defense agencies are currently involved: Army, Navy, Air Force, US Special Operations Command, Joint Ground Robotics Enterprise, National Geospatial Intelligence Agency, National Security Agency, Missile Defense Agency, Defense Contract Management Agency, and Defense Logistics Agency (no current mentor-protégé agreements). Although it had prior involvement, the Defense Information Systems Agency is not currently involved in the program.

## Differences in Policies and Procedures for Administering Mentor-Protégé Programs

### SBA –

The program permits a waiver of the affiliation rule for joint ventures between mentors and 8(a) protégés whereby the mentor may provide assistance to the protégé without causing the two firms to be considered “affiliated” for purposes of SBA’s small business size standards.

Additionally, the Small Business Jobs Act of 2010 gives SBA authority to establish new mentor-protégé programs for small businesses owned and controlled by service-disabled veterans and by women, and for HUBZone small businesses, modeled on SBA’s current program for 8(a) program participants.

## Differences in Policies and Procedures for Administering Mentor-Protégé Programs

- FAA –  
Unlike all other mentor-protégé programs, the program is not subject to the FAR and other related acquisition and procurement statutes and regulations.<sup>5</sup> Additionally, it is one of only three programs which offer cost reimbursement as an incentive for mentor participation.<sup>6</sup>

<sup>5</sup> The Fiscal Year 1996 Department of Transportation Appropriations Act directed FAA to develop its own acquisition management system outside of FAR. It developed the FAA Acquisition System Toolset, including the Acquisition Management System that consists of acquisition management policy and guidance specific to FAA.

<sup>6</sup> DOD and DOE also allow cost reimbursements for mentors under their mentor-protégé programs.

## Differences in Requirements for Multiple Mentors and Term of Mentor Protégé Agreements

Agency	Multiple Mentors Allowed (within agency)	Term of Mentor-Protégé Agreements
DHS	Yes	3 years
DOD	No	3 years
DOE	No	2 years
DOS	Yes	No fixed term
FAA	Yes	No fixed term
EPA	Yes	No fixed term
GSA	No	No fixed term
HHS	No	3 years
NASA	No	3 years
SBA	Yes (with limitations)	1 year
Treasury	No	1 year
USAID	Yes	3 years
VA	No	3 years

## Objective 2: Controls to Help Ensure Eligibility and Benefits to Protégés

- Controls exist at all 13 agencies with mentor-protégé programs to help ensure that mentors and protégés meet eligibility criteria and protégés benefit from participation in the program.
- Generally, the first control encountered by prospective mentors and protégés is the verification of eligibility to participate in the mentor-protégé program.
- The most common eligibility criterion for both mentors and protégés is an eligibility to receive government contracts. Agencies verify that this criterion is met by checking whether the mentor and protégé are on the “suspended” or “debarred” lists.
- Size restrictions for protégés are verified by checking the protégé firms’ primary North American Industry Classification System (NAICS) code, which is used to classify businesses according to type of economic activity.
- Moreover, all agencies require that only certain types of small business are eligible to participate in the program as protégés (see slide 23).

# Eligibility Requirements for Mentors

Agency	Business Size (Large/Small)	Eligible for Federal Contracts	Ability to Help Protégé	Current Prime or Sub Contractor	Multiple Protégés Allowed	Other Qualifications
DHS	L	✓	✓		✓	
DOD	L/S	✓	✓	Prime	✓	✓
DOE	L/S	✓	✓	Prime	✓	
DOS	L/S	✓	✓		✓	
FAA	L/S	✓	✓		✓	
EPA	L/S	✓	✓	Prime	✓	✓
GSA	L/S	✓	✓	Prime	✓	✓ (for Large)
HHS	L	✓	✓	Prime	✓	✓
NASA	L	✓	✓	Prime	✓	✓
SBA	L/S	✓	✓		✓ (with limitations)	✓
Treasury	L/S	✓	✓		✓	
USAID	L/S	✓	✓		✓	
VA	L/S	✓	✓	Prime or Sub	✓	✓

# Eligibility Requirements for Protégés

Agency	Small by industrial code standard	Eligible for Government Contracts	Multiple Mentors Allowed within agency (Yes/No)	Protégé Self-Certify to Mentors (Yes/No)	Other Qualifications
DHS	✓	✓	Y	Y	
DOD	✓	✓	N	Y (with exceptions)	
DOE	✓	✓	N	Y	✓
DOS	✓	✓	Y	Y (with exceptions)	
FAA	✓	✓	Y	Y	
EPA	✓	✓	Y	Y	
GSA	✓	✓	N	Y (with exceptions)	
HHS	✓	✓	N	Y	
NASA	✓	✓	N	Y (with exceptions)	
SBA	✓	✓	Y (with limitations)	N	✓
Treasury	✓	✓	N (with exceptions)	Y (with exceptions)	
USAID	✓	✓	Y	Y	
VA	✓	✓	N	Y	

## Types of Small Businesses Accepted as Protégés

Agency	Small Business	Small Disadvantaged Business	Women-Owned	Veteran-Owned	Service-Disabled Veteran-Owned	HUBZone	HBCU and Minority Institutions	Other Qualifying Categories
DHS	✓	✓	✓	✓	✓	✓		
DOD		✓	✓		✓	✓		✓
DOE		✓	✓		✓	✓	✓	8(a)
DOS	✓	✓	✓	✓	✓	✓		
FAA	✓	✓	✓		✓		✓	✓
EPA		✓	✓				✓	
GSA	✓	✓	✓	✓	✓	✓		
HHS	✓	✓	✓	✓	✓	✓		
NASA	✓	✓	✓	✓	✓	✓	✓	✓
SBA								8(a)
Treas	✓	✓	✓	✓	✓	✓		
USAID	✓	✓	✓	✓	✓	✓		✓
VA				✓	✓			

## Controls to Help Ensure Benefit to Participants

- For each mentor-protégé program, another control once eligibility has been established is the interim reports that are required of mentors and protégés.
- Generally, the agencies require that these reports be submitted either annually or semiannually, and either by the mentor and protégé jointly or independently. In a relatively few instances, some agencies will also require that the mentor and protégé provide a formal briefing (either interim or at the conclusion of the program) regarding any accomplishments.
- Some agencies (7 of 13) require that the mentor and protégé report semiannually, while another five agencies require that they report annually. Most of the agencies (9 of 13) also require that a report be submitted upon completion of the program, such as a “lessons learned” evaluation.

## Controls to Help Ensure Benefit to Participants

- As part of the required interim reports for mentors and protégés, the agencies generally request data on protégé growth (such as in numbers of contracts, finances, or employees), costs and expenditures, and accomplishment of specific developmental activities.
- Some agencies provide sample reports or templates for these reports on their website.
- Although these reporting requirements exist, we found that some mentors and protégés have not yet submitted the required reports because the mentor-protégé programs were recently implemented and the mentor-protégé agreements have not been in place long enough to meet the requirement for an interim report. To date, HHS and VA have not yet received the required reports from mentors and protégés in their program because their programs were implemented in 2009 and 2010, respectively.

## Mentor and Protégé Reporting Requirements

Agency	Intermediate Reviews and Reports	Intermediate Participant Briefing (Yes/No)	Reports/Presentation at Conclusion (Yes/No)	Post-Agreement Review
DHS	18-month	Y	Y	
DOD	Semi-Annual	N	N	2-Year
DOE	Semi-Annual	N	Y	
DOS	Annual	N	Y	
FAA	Semi-Annual	Y	Y	
EPA	Annual	N	N	
GSA	Semi-Annual	Y	Y	
HHS	Semi-Annual	Y	Y	
NASA	Semi-Annual	N	N	2-Year
SBA	Annual	N	N	
Treasury	Annual	N	Y	
USAID	Annual	N	Y	2-Year
VA	Semi-Annual	Y	Y	

## Controls to Help Ensure Benefit to Participants

- The mentor-protégé agreement itself also serves as a program control within all agencies. The agencies attempt to ensure benefits to protégés by requiring mentors to include descriptions, plans and schedules for developmental assistance in the agreement that is submitted to the agency for approval. Agencies will then compare the reported progress with the published schedule during the periodic reviews of the agreement.
- As an oversight measure, agency officials may also conduct site visits to help ensure that protégés are receiving the benefits agreed to in the mentor-protégé agreement.
- In addition, some agencies rely upon protégés to specifically report to agency officials if the terms of the mentor-protégé agreement are not being fulfilled or if they are dissatisfied with the developmental assistance being provided by the mentor.

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## Controls to Help Ensure Benefit to Participants

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- As an additional program control, each agency periodically conducts annual performance reviews of the mentor-protégé relationship to help ensure that the terms of the mentor-protégé agreement are being fulfilled and the developmental assistance is being provided as agreed.
- Generally, an agency may withhold approval of the continuation of a mentor-protégé agreement if it finds that the mentor has not provided the assistance set forth in the agreement or that the assistance has not resulted in any material benefits to the protégé, as determined by the agency. However, according to agency officials, this occurs very infrequently.

## Controls to Help Ensure Benefit to Participants

- Further, as part of SBA's efforts to help ensure that program benefits are provided to intended recipients and are not just a mechanism to enable participants that would not otherwise qualify under its 8(a) program to receive contracts, on February 11, 2011, SBA published a final rule revising its 8(a) program regulations, including those for its mentor-protégé program<sup>7</sup> and joint ventures.
- Among other things, the revised regulations add consequences for a mentor that does not provide its protégé the assistance required by their agreement, including stop-work orders and potential debarment; require SBA's 8(a) participants to a joint venture to perform at least 40 percent of the work done by the joint venture, including work awarded under a mentor/protégé agreement; and generally prohibit a non-8(a) participant to a joint venture, or its affiliates, from acting as a subcontractor on any 8(a) contracts.

<sup>7</sup>As previously mentioned, SBA's Mentor-Protégé Program is offered under its 8(a) Business Development Program.

## Objective 3 – Information on Protégés After Conclusion of Mentor-Protégé Program

- Information on whether protégés have become able to compete for federal contracts without the assistance of a mentor is generally not available because most agencies do not maintain information on protégés after the conclusion of the mentor-protégé program.
- Most agency officials told us that information is collected and maintained on the protégé only while the protégé is participating in the program.
- For example, most agencies collect information on the increase in number, dollar value, and percentage of contacts/subcontracts awarded to the protégés during the mentoring agreement.

## Information on Protégés After Conclusion of Mentor-Protégé Program

- Some agencies also collect information on any increase in protégé subcontracting opportunities in areas where the protégé had not traditionally performed, thus indicating that the protégé is expanding its field of expertise.
- Additionally, some agencies have established policies and procedures that utilize information collected on the protégé's progress during the mentoring agreement to determine the overall success of their mentor-protégé programs.
- Of the 13 agencies with mentor protégé programs, only 3 agencies—DOD, NASA and USAID— currently have policies and procedures in place to collect information on protégés after they complete the mentor-protégé program.<sup>8</sup>

<sup>8</sup>According to SBA officials, as a result of protégé firms being participants in SBA's 8(a) program, the agency collects information on the firm for a period of 3 years following completion of the 9-year program term or early graduation from the 8(a) program. However, the information is not suitably detailed to determine whether protégés have become able to compete for federal contracts.

## Information on Protégés After Conclusion of Mentor-Protégé Program

- DOD, NASA and USAID require that protégés submit a post-completion report on their employment and revenue statistics for each of the 2 years following conclusion of the program.
- In addition, DOD and NASA require that the post-completion reports include information on all within-agency and other prime contract and subcontract awards to protégés, and subcontract awards from protégés, such as
  - Number/dollar of prime contract awards to protégé;
  - Number/dollar of subcontract awards to protégé from mentor;
  - Number/dollar of subcontract awards to protégé from other sources (other than mentor);
  - Number/dollar of subcontract awards from protégé to mentor; and
  - Number/dollar of subcontract awards from protégé to other sources (other than mentor).

## Information on Protégés After Conclusion of Mentor-Protégé Program

- DOD's requirement for collecting and maintaining information on the protégé after conclusion of the mentor-protégé program derives from amendments to the program in the National Defense Authorization Act for Fiscal Year 2000.<sup>9</sup>
- The statute requires that protégés report to DOD their progress in each of the 2 years following the completion of the program.
- Specifically, protégés are required to report on their progress made since exiting the program, as well as any successes that have been achieved that can be attributed to the program, such as employment, annual revenue, and annual participation in DOD contracts.

<sup>9</sup>National Defense Authorization Act for Fiscal Year 2000, Pub. L. No. 106-65, § 811 (1999).

## Information on Protégés After Conclusion of Mentor-Protégé Program

- Additionally, to ensure that the DOD mentor protégé program is focused on a results-oriented approach to assessing program performance, Congress required DOD to report annually on trends in the progress made in employment, revenues, and participation in DOD contracts of protégés and former protégés.
- DOD is also required to conduct annual performance reviews to verify whether the mentors and protégés accurately reported progress and to determine that all costs reimbursed to mentors were reasonably incurred in accordance with the statute and applicable regulations.
- According to its fiscal year 2009 annual report to Congress, DOD reported that protégés experienced an average increase in the number of DOD prime contract and subcontract awards, and an average dollar increase of all subcontract awards, but a cumulative decrease in revenue and number of employees in the 2 years following completion of the program.<sup>10</sup>

<sup>10</sup>DOD Mentor-Protégé Program Annual Report to Congress, Fiscal Year 2009, Office of Small Business Programs, August 2010.

## Information on Protégés After Conclusion of Mentor-Protégé Program

- NASA and USAID are not required to maintain information on protégés following the completion of the mentor-protégé program. Specifically, with the exception of DOD, none of the other agencies that have a mentor-protégé program are required to maintain information on protégés following completion of the program.
- However, both NASA and USAID have established policies and procedures requiring that the protégé submit information on employment and revenue for each of the 2 years following completion of the program.
- Each agency's reports are due one month after the end of the first and second year following completion of the program.
- According to officials, because the USAID and NASA mentor-protégé programs began operating in 2007 and 2008, respectively, protégés have not yet submitted post-completion reports. As discussed earlier, both USAID and NASA mentor-protégé agreements have a 3-year term.

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### **On the Web**

Web site: <http://www.gao.gov/>

### **Contact**

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## Enclosure II: Comments from the Department of Homeland Security

U.S. Department of Homeland Security  
Washington, DC 20528



**Homeland  
Security**

June 1, 2011

William Shear  
Director, Financial Markets & Community Investment  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Re: Draft Report GAO 11-548R, *Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do Not Require Post-Agreement Tracking*

Dear Mr. Shear:

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO's) work in planning and conducting its review.

The Department is pleased to note GAO's positive acknowledgement of many DHS Office of Small and Disadvantaged Business Utilization efforts related to the mentor-protégé program, such as the controls that have been developed to help ensure that mentors and protégés meet eligibility criteria and protégés benefit from participation in the program. DHS is proud to have the second highest number of mentor-protégé agreements of 13 agencies across the Federal Government and is committed to ensuring its program effectively supports the goal of increasing small business participation in government contracting.

GAO recommended that DHS "consider collecting and maintaining protégé post-completion information" to more fully evaluate the effectiveness of its mentor-protégé program and the ability of small businesses to effectively compete for government contracts. DHS concurs with this recommendation. DHS will consider following the Department of Defense model by requiring protégés to report their progress annually for 2 years after exiting the program, including information on annual revenue, number of employees, and participation in DHS and other federal contracts. However, as GAO acknowledges in its report, the potential benefits of doing this will have to be weighed against potential costs.

Again, thank you for the opportunity to review and comment on this draft report. We look forward to working with you on future Homeland Security issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim H. Crumpacker".

Jim H. Crumpacker  
Director  
Departmental GAO/OIG Liaison Office

## Enclosure III: Comments from the Department of Energy



### Department of Energy

Washington, DC 20585

June 3, 2011

Mr. William Shear  
Director, Financial Markets and Community Investments  
United States Government Accountability Office  
441 G. Street, N.W.  
Washington, D.C. 20548

Dear Mr. Shear:

Thank you for the opportunity to comment on the Government Accountability Office's (GAO) draft report on the Department of Energy's (DOE or Department), Federal Mentor-Protégé Programs (GAO-11-548R).

DOE's concern is that the GAO conclusion focuses only on post-agreement data collection, leading the reader to assume that this objective is the most important to having a successful Mentor-Protégé Program. The conclusion of this report states (beginning at the bottom of page 12): "However, without post-agreement data collection, the ability of these agencies to ensure that their programs are benefiting the protégés as intended is limited." This implies that the success of a mentor-protégé program solely depends on the collection of post mentor-protégé agreement information on protégés.

The report clearly identifies three objectives:

- (1) Describe the policies and procedures for administering and monitoring Federal mentor-protégé programs;
- (2) Identify controls used to help ensure that mentor-protégé programs are beneficial to program participants and eligibility requirements are being met; and
- (3) Determine if information is available on whether protégés have become able to compete for Federal contracts without the assistance of a mentor.

DOE, like other agencies, established objectives for its mentor-protégé program and measures success by the achievement of these objectives through a semi-annual review process. The Department's review process assesses:

- The number of contracts received by the protégé at both the prime and subcontract level;
- The additional employees hired;
- An increase in revenue received;
- A protégé's profit margin; and
- The mentor's and protégé's overall satisfaction with the mentoring experience.

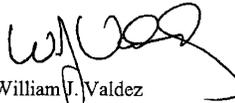


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For DOE, after a 2-year term with an average of a 1 to 2-year extension as a protégé, many of the protégés have grown to an extent that they are no longer classified as a small business in their primary North American Industrial Classification System (NAICS) code, as they have exceeded the size standard limitation. In the end, becoming a large business is a goal of most small businesses, and certainly one of the best measures of success.

The Department believes that post-agreement information may be useful, along with other factors, in determining the success of the program. Therefore, we will collect it for protégés that are still small in their primary NAICSs code when they graduate from the program. We look forward to working with your team on future engagements.

Sincerely,



William J. Valdez  
Acting Director  
Office of Small and Disadvantaged Business Utilization  
Office of Economic Impact and Diversity

Attachment

**Enclosure IV: Comments from the Department of State**



United States Department of State

*Chief Financial Officer*

*Washington, D.C. 20520*

Ms. Jacquelyn Williams-Bridgers  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

JUN 02 2011

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do Not Require Post-Agreement Tracking," GAO Job Code 250602.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Shapleigh Drisko, Director, Bureau of Administration, Office of Small and Disadvantaged Business Utilization at (703) 875-6823.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. Millette".

James L. Millette

cc: GAO – William B. Shear  
A – Will Moser  
State/OIG – Evelyn Klemstine

**Department of State Comments on GAO Draft Report**

**Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do Not Require Post-Agreement Tracking**  
**(GAO-11-548R, GAO Code 250602)**

Thank you for the opportunity for commenting on your report. The Department partially agrees with GAO's recommendation. The Mentor protégé program is a successful tool that allows the Department to expand the capabilities and foster the growth of American small business contractors. We reviewed your findings and recommendations and are concerned about the program implications that post-completion reporting for Mentor-Protégé programs will have on the Department, the protégé firms, and the mentor firms.

If the policy is implemented, the Department would initiate post-program monitoring of its former protégé firms. However, the Department recommends against implementing increased reporting requirements as it would increase the burden on all parties without adding significant value to the existing program. First, it would place additional reporting burdens on participating firms which would be counter productive. The OMB specifically asks agencies to find ways of reducing cost and time burden placed on the public, but this initiative goes in the opposite direction. Experience tells us that large firms are sometimes ambivalent about participation in the program and additional reporting requirements could be enough to discourage them from serving as mentors in the program.

Staffing to manage this program in the Department would consist of one or more technicians and supervisory capacity to monitor their work. This would also have labor and non-labor budgetary implications for the Department.

Given the current success of the program, tentative hold on large firm participation, and possible budget implications in the Department, we feel that the addition of this reporting requirement would be ill-advised at this time.

## Enclosure V: Comments from the Department of the Treasury

### Department of the Treasury Comments on Proposed Correspondence and GAO-11-548R Federal Mentor Protégé Programs

The Department of the Treasury, Office of Small and Disadvantaged Business Utilization, has reviewed the proposed correspondence and briefing slides entitled “Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do Not Require Post-Agreement Tracking.”

The Department of the Treasury is in the process of revising its Mentor-Protégé Program policies and procedures and will include the requirement for post-agreement reporting by the Protégé firms as recommended in GAO-11-548R, Federal Mentor-Protégé Programs. The post-agreement reporting requirement will be implemented for firms exiting the Mentor-Protégé Program beginning in Fiscal Year 2012. Protégé firms will be required to submit post-agreement reports 24 months after exiting the program. Approximately 30 Mentor-Protégé agreements are due to expire in Fiscal Year 2012. Participants in the Mentor-Protégé Program will be informed in writing of the new reporting requirement, including reporting guidelines and due dates.

In the interim, the Department of the Treasury will survey existing Mentor-Protégé teams to assess Program effectiveness and to assist in making quality improvements; and prepare brief case study summaries of each of the dyads, and/or an overall retrospective statistical summary of Treasury’s Mentor–Protégé program. The resulting information will be included in the annual OMWI report to Congress.

Enclosure VI: Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS  
Washington DC 20420

May 31, 2011

William B. Shear  
Director, Financial Markets and  
Community Investment  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Shear:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, ***Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do Not Require Post-Agreement Tracking*** (GAO-11-548R) and generally agrees with GAO's conclusions and concurs with GAO's recommendation.

The enclosure specifically addresses GAO's recommendation on the draft report. VA appreciates the opportunity to comment on your draft report.

Sincerely,

  
John R. Gingrich  
Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Response to  
Government Accountability Office (GAO) Draft Report  
***Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do  
Not Require Post-Agreement Tracking***  
(GAO-11-548R)

**GAO recommendation:** To more fully evaluate the effectiveness of their mentor-protégé programs and the ability of small businesses to effectively compete for government contracts, we recommend that the OSDDBU and Mentor-Protégé Program Directors of DHS, DOE, DOS, EPA, EPA, FAA, GSA, HHS, SBA, Treasury, and VA consider collecting and maintaining protégé post-completion information.

**VA response:** Concur. Currently VA's Mentor-Protégé Program (MPP) requires the mentor and protégé to prepare an evaluation of VA's MPP upon completion of the program. Additionally, VA will add in the VA Mentor-Protégé Guidebook a requirement to collect data from the protégé for one year after completing VA's MPP in order to evaluate the effectiveness of the program and the protégé's ability to compete on Federal procurements without the assistance of a mentor.

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