

GAO Highlights

Highlights of [GAO-16-113](#), a report to congressional requesters

Why GAO Did This Study

Federal obligations under SBA's 8(a) Business Development Program totaled about \$4 billion for 344 ANC-owned firms in 2014. In 2011, SBA updated program regulations to address prior oversight challenges identified by GAO. GAO was asked to follow-up on past reports and examine SBA's current oversight processes. This report discusses, among other things, SBA's ability to (1) enforce regulations prohibiting the award of follow-on, sole-source 8(a) contracts to subsidiaries of the same ANC; (2) limit subsidiaries of the same 8(a) ANC from operating in the same primary line of business, and (3) address challenges, if any, to SBA's oversight of 8(a) ANC-owned firms. To do this work, GAO analyzed fiscal year 2011 through 2014 data from a federal contracting database using separate nongeneralizable samples for each objective, conducted site visits, reviewed 8(a) sole-source contracts, and ANC-owned firm annual updates, and interviewed relevant SBA officials.

What GAO Recommends

GAO recommends that, among other things, SBA asks other federal agencies to specifically identify whether a contract is a follow-on in their letters to SBA; develop plans and timelines for tracking ANC-owned firms' revenues across lines of business; and enable its staff to access and share relevant revenue data. SBA agreed with two recommendations and reported actions taken to implement two others. SBA disagreed with the final two, stating they were unnecessary. Based on a review of actions taken, GAO believes all six recommendations are still warranted.

View [GAO-16-113](#). For more information, contact Seto Bagdoyan at (202) 512-6722 or bagdoyans@gao.gov.

March 2016

ALASKA NATIVE CORPORATIONS

Oversight Weaknesses Continue to Limit SBA's Ability to Monitor Compliance with 8(a) Program Requirements

What GAO Found

GAO has reported in the past that the Small Business Administration's (SBA) ability to enforce regulations prohibiting the award of follow-on, sole-source contracts to 8(a) subsidiary firms of the same Alaska Native Corporation (ANC) relies on contract information from other federal agencies that is sometimes incomplete. SBA's regulations prohibit program participants from receiving an 8(a) sole-source contract that immediately follows another 8(a) contract with the same requirements performed by another participant owned by the same ANC. Other federal agencies offering 8(a) contracts must generally submit offer letters to SBA that include information about a contract's procurement history and name of any prior small business contractors. SBA relies on this information to determine whether a firm is eligible to receive a particular 8(a), follow-on, sole-source contract. However, GAO's analysis of a selection of contracts for this review found that agencies are not required to directly identify whether a sole-source contract is also a follow-on contract in these letters. One SBA office has begun taking action to address this limitation by asking agencies to specifically report whether contracts are follow-on, sole-source awards in offer letters, but the change has not been broadly adopted. SBA would be better positioned to limit the award of follow-on, sole-source contracts by ANC-owned subsidiaries if it requested that other federal agencies specifically state whether contracts are follow-ons in offer letters.

GAO found in past reports and this review and in that SBA's ability to enforce its regulation prohibiting subsidiaries owned by the same ANC from operating in the same primary line of business as reported to SBA is hindered by limited tracking and sharing of information across SBA's 68 district offices. ANC-owned firms must register a primary line of business with SBA, but are allowed to pursue multiple other lines of business. In this review, GAO found 5 of 39 ANCs owned subsidiaries that generated a greater portion of revenues in secondary lines of business than their registered primary line of business. Additionally, those secondary lines of business were the same lines of business as the primary lines for other subsidiaries owned by the same ANC. Such activity could potentially conflict with the regulation's intent. SBA proposed a rule designed to limit and track this activity, but lacks plans and timelines associated with this effort. Regarding limited information-sharing, different district offices service different firms that are subsidiaries of the same ANC. Oversight staff in these offices cannot access or share relevant data from other district offices. Without better data sharing, SBA cannot monitor whether firms owned by the same ANC and serviced by different district offices are complying with program rules.

As GAO reported in the past, SBA's staffing for its data collection and program guidance activities contributed to weak program oversight and monitoring of 8(a) ANC-owned firms. SBA took some recent actions to enhance oversight, such as conducting an accountability review in October 2014 of the Alaska District Office. SBA has established an office to improve compliance with 8(a) rules by verifying self-reported information supplied by firms. However, SBA does not have plans that detail the office's roles and responsibilities for its activities. With the oversight weaknesses GAO identified in this review, SBA has an opportunity to enhance its oversight by finalizing plans for this office.