

GAO Highlights

Highlights of [GAO-16-27](#), a report to congressional committees

Why GAO Did This Study

Since 1990, DOD has been conducting a congressionally directed test program related to how contractors report their subcontracting activities. The purpose of the program is to test whether using comprehensive subcontracting plans that cover multiple contracts across contractor plants, divisions, or entire companies can yield administrative cost savings and enhance small business subcontracting opportunities. Despite the 25-year existence of the program, little is publicly known about its effectiveness.

The National Defense Authorization Act for Fiscal Year 2015 included a provision for GAO to report on the results of the program. This report addresses the extent to which the program (1) reduces administrative costs, and (2) enhances subcontracting opportunities for small businesses. GAO analyzed prior DOD reviews and data on estimates of administrative costs savings; reviewed program participants' performance for enhancing small business subcontracting opportunities for fiscal years 2006 through 2013; and interviewed officials from DOD, program participants, and small business advocacy groups.

What GAO Recommends

Congress should consider making the program permanent. GAO also recommends that DOD work with Congress on the program's status. DOD agreed. DOD disagreed with a recommendation to draft a legislative proposal to make the program permanent. GAO subsequently modified the recommendation and added the matter for Congress.

View [GAO-16-27](#). For more information, contact William T. Woods at (202) 512-4841 or woodsw@gao.gov

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SMALL BUSINESS

Action Needed to Determine Whether DOD's Comprehensive Subcontracting Plan Test Program Should Be Made Permanent

What GAO Found

Reviews commissioned by the Department of Defense (DOD) concluded that the Test Program for Negotiation of Comprehensive Small Business Subcontracting Plans (Test Program) has resulted in the avoidance of millions of dollars in administrative costs for both program participants and DOD. According to the review conducted in 2013, the 12 firms then participating in the program avoided about \$18.5 million in costs through the use of single comprehensive subcontracting plans rather than multiple individual subcontracting plans. Also, a 2007 review estimated that DOD avoided administrative costs of at least \$45 million in fiscal year 2005. GAO reviewed the methodologies used for these reviews and took other steps to validate their findings. According to DOD officials, if the Test Program were terminated or allowed to expire, a significant one-time administrative cost of about \$22 million could result to participants. GAO's analysis confirms this conclusion. Test Program participants and DOD officials GAO interviewed stated that the program also has resulted in non-financial benefits, including greater company-wide awareness of small business subcontracting opportunities. The participants GAO interviewed said that without the program their companies might be less inclined to award subcontracts to small businesses. They emphasized, however, that the program's continuing test status creates uncertainty and inhibits further expansion. The 2007 review recommended that DOD work with Congress to make the Test Program permanent; however, DOD has not acted on this recommendation. Doing so could help eliminate uncertainty with the program.

GAO found that the Test Program enhanced small business subcontracting opportunities, although participants' performance in meeting individual goals has varied. Participants are evaluated on their achievement of negotiated initiatives and goals in their comprehensive subcontracting plans. GAO's analysis of performance reports found that participants made acceptable progress on their initiatives 87 percent of the time, thus providing tangible subcontracting opportunities for small businesses. For example, during fiscal years 2006 through 2013, program participants redirected nearly \$93 million in subcontracts from large businesses to small businesses. Participants also achieved a 72-percent success rate in increasing small business subcontracts in areas such as integrated circuits and information technology, thus addressing a concern among some small businesses that high-end technical work was not being subcontracted under the program. The 2013 DOD review estimated that participant initiatives could amount to as much as \$1.8 billion per year in increased small business opportunities. GAO's analysis found that participants did not always meet individual goals, in part due to the challenging nature of these goals. However, GAO also found that their combined performance from fiscal years 2006 through 2013 resulted in subcontract awards to small businesses that exceeded aggregate goals by about \$5.4 billion. The annual performance reviews of the participants, which take into account performance on both initiatives and goals, have been largely positive.