

Why GAO Did This Study

Certain federal contracts must have a small business subcontracting plan if subcontracting opportunities exist. But recent Department of Defense Inspector General reports raised concerns about agency oversight of subcontracting requirements. GAO was asked to review oversight of subcontracting plans. Among its objectives, this report discusses (1) the extent to which selected agencies (DLA, GSA, NASA, and Navy) oversee small business subcontracting plans, and (2) how SBA encourages agency compliance with subcontracting plan requirements.

GAO reviewed data and documentation for a non-generalizable sample of 32 federal contracts (including 26 contracts with a subcontracting plan) at four agencies, selected to include contracts over \$1.5 million at both civilian and military agencies awarded in fiscal years 2016–2018. GAO also reviewed the Federal Acquisition Regulation, SBA and selected agency documentation, and interviewed agency officials.

What GAO Recommends

GAO is making 10 recommendations for ensuring procedures for PCR reviews are followed, contractor subcontracting reports are monitored and reviewed for accuracy, and SBA compliance reviews are clearly documented and maintained. DLA, GSA, NASA, and Navy concurred with our recommendations. SBA partially concurred with our recommendation. GAO maintains that its recommendation is warranted.

View [GAO-20-464](#). For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

SMALL BUSINESS SUBCONTRACTING

Oversight of Contractor Compliance with Subcontracting Plans Needs Improvement

What GAO Found

GAO found selected agencies did not consistently follow all required procedures for oversight of small business subcontracting plans, both before and after contracts were awarded. GAO reviewed 26 contracts with a subcontracting plan at four agencies—Defense Logistics Agency (DLA), General Services Administration (GSA), National Aeronautics and Space Administration (NASA), and the Department of the Navy (Navy).

- For about half of the 26 contracts, agencies could not demonstrate that procedures for Procurement Center Representative (PCR) reviews were followed. These representatives may review small business subcontracting plans and provide recommendations for improving small business participation. When an agency is awarding a contract that includes a subcontracting plan, contracting officers are required to notify these representatives of the opportunity to review the proposed contract. Without taking steps to ensure these opportunities are provided, agencies may not receive and benefit from suggestions for increasing small business participation.
- For 14 of the 26 contracts, contracting officers did not ensure contractors submitted required subcontracting reports. After a contract is awarded, contracting officers must review reports contractors submit that describe their progress towards meeting approved small business subcontracting goals. In some cases, contracting officers accepted reports with subcontracting goals different from those in the approved subcontracting plans, with no documentation explaining the difference. Without complete and accurate information about a contractor's subcontracting goals, an agency cannot adequately assess a contractor's performance in meeting its subcontracting plan responsibilities.

The Small Business Administration (SBA) encourages agency compliance with small business subcontracting plan requirements by providing training to contracting officers and contractors, and by conducting reviews. For instance, SBA Commercial Market Representatives conduct compliance reviews to evaluate a large prime contractor's compliance with subcontracting program procedures and goal achievement. However, SBA could not provide documentation or information on almost all compliance reviews conducted in fiscal years 2016–2018. SBA has developed new procedures for conducting compliance reviews, but as of mid-March 2020, had yet to fully implement them. SBA has conducted fiscal year 2019 compliance reviews that reflect a first phase of their new procedures. SBA has draft guidance on the new compliance review process, including some specific information regarding what Commercial Market Representatives are to record as part of the compliance review. SBA has begun to conduct compliance reviews in accordance with the guidance, but does not have clearly documented and maintained records for the first phase of these reviews. Without consistent, clear documentation and records that will be maintained going forward, SBA's ability to track contractor compliance and agency oversight efforts will be limited.