

SBA's Business Development Assistance to 8(a) Program Participants

REPORT NUMBER 22-08 | FEBRUARY 14, 2022





EXECUTIVE SUMMARY

SBA'S BUSINESS DEVELOPMENT ASSISTANCE TO 8(A) PROGRAM PARTICIPANTS

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February 14, 2022

What OIG Reviewed

The 8(a) Business Development Program helps small businesses owned by socially and economically disadvantaged individuals gain business skills and access to federal contracting opportunities so that they can better compete in the open marketplace.

Congress authorized the 8(a) program for a business development purpose and approved special 8(a) contracting benefits limiting competition for this purpose.

The objective of this audit was to determine to what extent SBA measures and monitors an 8(a) firm's progress toward achieving individual business development goals. The objective was also to ensure 8(a) firms receive the help needed to meet their goals and if the program adapted during the Coronavirus Disease 2019 pandemic.

We reviewed the business development assistance SBA provided 8(a) program participants from 2011-2020, which included reviewing the files for 40 of the firms assigned to 5 district offices. We also reviewed applicable public laws, regulations, policies, and procedures and interviewed program officials.

What OIG Found

SBA's business development process did not consistently allow for SBA or its stakeholders to determine whether firms met their individual goals to successfully complete the program. There was no mechanism in place to ensure that SBA consistently reviewed business plans and goals and then objectively monitored business development progress.

Consequently, we found that 15 of the 40 firms tested did not have approved business plans, making these firms ineligible to receive \$93 million in 8(a) awards. We also found SBA did not consistently document that its staff assessed the needs, counseled, or conducted field visits with 8(a) firms to ensure they received the assistance needed to be prepared to compete for contracts without further 8(a) assistance.

However, we found SBA program officials offered program flexibilities to all 8(a) participants during the pandemic, adapting business development assistance to help firms stay in business and remain in the program.

OIG Recommendations

We made eight recommendations for the agency to measure, monitor, and better deliver training and other business development assistance to 8(a) firms.

Management's Comments

SBA management fully agreed with five recommendations, partially agreed with two recommendations, and disagreed with one recommendation. Management's planned actions resolved three recommendations.

SBA plans to identify program-level goals that align with the agency's strategic plan. SBA also plans to assess the staffing and resources allocated for SBA district offices to consistently provide business development assistance and improve 8(a) program participants' customer experience.

We did not reach resolution on recommendations 1, 2, 4, 5, and 6. While SBA agreed or partially agreed with four of these recommendations, the proposed actions did not fully address our recommendations. OIG will seek resolution of those recommendations in accordance with our audit resolution policies and procedures.



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

Date: February 14, 2022

To: Isabella Casillas Guzman
Administrator

From: Hannibal "Mike" Ware
Inspector General

A handwritten signature in dark ink, appearing to be "Mike Ware", written over the printed name of the Inspector General.

Subject: *SBA's Business Development Assistance to 8(a) Program Participants*

This report presents the results of our audit of *SBA's Business Development Assistance to 8(a) Program Participants*. We considered management's comments on the draft of this report when preparing the final report. We also reviewed additional documentation that SBA management provided to respond to the draft report.

We revised the number of firms that did not have business plans approved and contract amounts awarded to them after review by the assigned Business Opportunity Specialist. Management agreed with seven of our eight recommendations and disagreed with one. However, five recommendations are pending resolution.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Christina Sweet, Director of Business Development Program Group, or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

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Introduction

This report presents the results of our audit of SBA's business development assistance to 8(a) program participants (Project Number 19012). Our objectives were to determine to what extent SBA

- measured and monitored 8(a) participants' progress in achieving their individual business development goals.
- ensured 8(a) program participants received business assistance to meet individual goals.
- adapted business development assistance for 8(a) program participants during the pandemic to help firms stay in business.

Background

The 8(a) Business Development Program is the key component of the agency's strategy to foster the development of small businesses owned by socially and economically disadvantaged individuals and prepare them to access federal contracting opportunities. Congress established the business development program to help increase the full participation of small businesses in the American economy.

Since its inception in 1978, the intent of the program has been to strengthen the overall state of readiness and ability of small, disadvantaged businesses to compete on an equal basis in the open marketplace. The program provides business development assistance, which consists of management and technical assistance as well as preferential contracting opportunities over a 9-year program term.

Management and technical assistance could be anything from learning how to build a strong online presence to learning how to put together a price proposal to bid on federal contracts. This assistance is provided by the Business Opportunity Specialist assigned to the firm, the management and technical assistance program authorized by section 7(j) of the Small Business Act, and SBA's resource partners.

Contracting opportunities include set-aside contracts, which limit competition to 8(a) firms, and sole-source contracts awarded without competition. As of August 19, 2021, SBA reported 4,906 firms participated in the program. In fiscal year (FY) 2020, the federal government awarded nearly \$34 billion in contracts to 8(a) firms, including \$11 billion in sole-source awards.

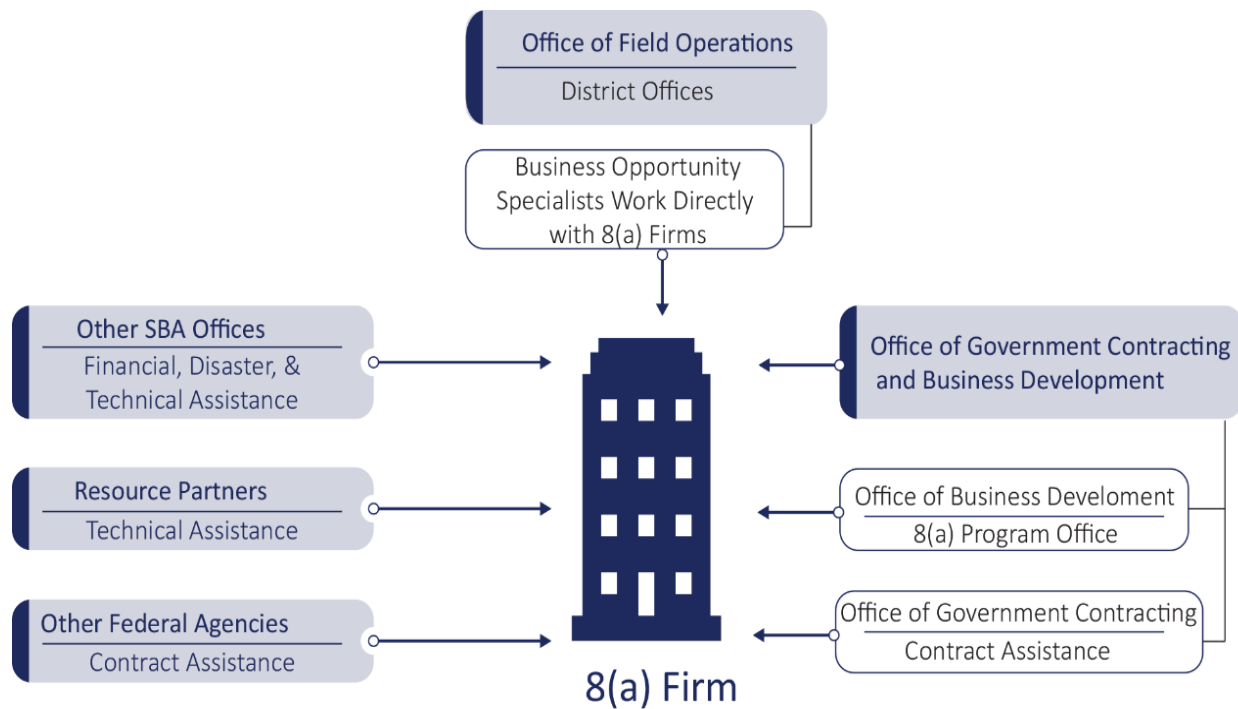
In recent years, SBA has spent an average of \$62 million for the program administration. SBA's FY 2022 budget requested additional staff to meet the President's goal of increasing the share of federal contracts awarded to small, disadvantaged businesses from 5 to 15 percent by 2025.

Roles & Responsibilities

SBA's Office of Government Contracting and Business Development works to maximize participation of small, disadvantaged businesses in federal contracting. The program office is the Office of Business Development within the larger contracting and business development office.

The Office of Business Development has overall management responsibility for the program, but SBA's Office of Field Operations handles the day-to-day activities. Numerous departments in SBA, as well as other federal agencies and SBA's network of independent resource partners, also have a role in small business development (See Figure 1).

Figure 1. Roles in the 8(a) Program



Source: SBA organization charts and standard operating procedures

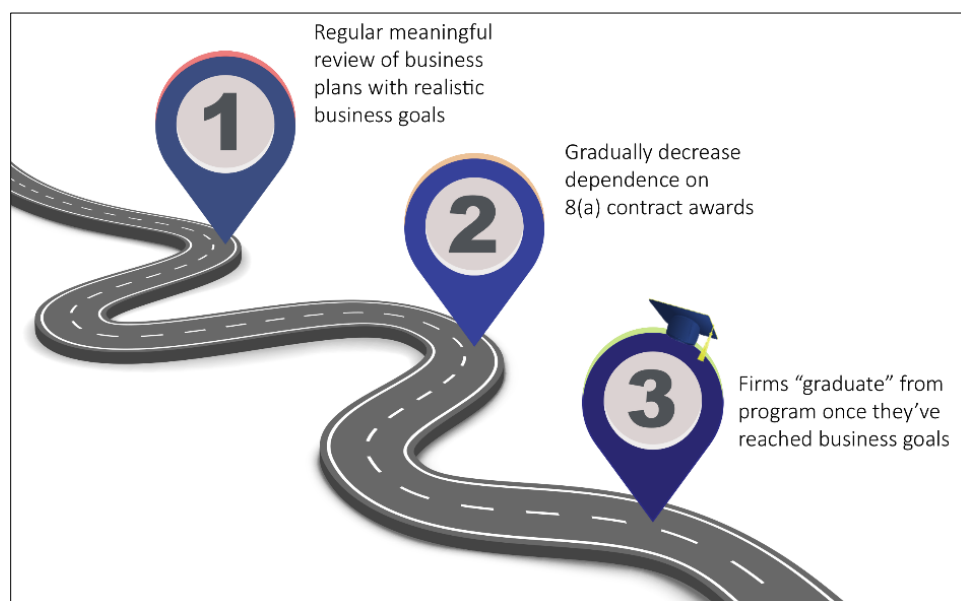
8(a) Business Development Mission

Congress passed the Business Opportunity Development Reform Act of 1988 to make it clear that the program, beyond all other goals, is a business development program. The 8(a) program is set apart from other contracting programs because it emphasizes hands-on business development by assigning a certified specialist to each firm.¹

The law's language essentially gives SBA a roadmap to make sure when companies graduated from the program, they would have the skills necessary to become viable competitors in the federal contracting arena without further federal assistance (See Figure 2). Congress required SBA to collect data and submit an annual report on program operations.

¹ Public Law 100-656, 102 STAT. 3853, *Business Opportunity Development Reform Act of 1988*, §101(a), Notes to 15 U.S.C. §636 (November 15, 1988).

Figure 2. 1988 Business Opportunity Development Reform Act Roadmap for Small Business Success



Source: Section 7(j)(10) of the Small Business Act

Congress authorized special advantages for 8(a) contracts so that more federal agencies would bring contracting opportunities to the program. For example, the U.S. Department of Defense can award 8(a) firms up to \$100 million in sole-source contracts with less paperwork than typically required.² Sole-source 8(a) contracts create an unparalleled opportunity for developing firms to access high-dollar federal contracts without having to compete with other companies.

History of Program Oversight

OIG has identified SBA's ability to measure the program performance and provide business development assistance as a top management challenge for the agency since 2000. OIG and the U.S. Government Accountability Office (GAO) have completed nearly a dozen reviews of the program efforts to implement the 1988 reforms. Both agencies have cited numerous findings that SBA's efforts to track the performance of the program fell short of Congress's expectations (See Appendix III).

To address some of the challenges of providing effective business development assistance, SBA established an 8(a) mentor-protégé program that encouraged developed firms to partner with 8(a) firms to provide critical first-hand experience delivering on federal contracts. This program was later expanded to all small-businesses as the All Small Mentor-Protégé program. For more on SBA's implementation of the All Small Mentor-Protégé program, see [OIG Report 19-17](#).

For years, SBA management said the agency also faced challenges to improve business development in the program because the agency did not have an information technology (IT) solution to capture data that would make it possible. The agency needed an IT system with analytical features that allowed for data collection and reporting, among other capabilities.

However, the agency also has a history of missteps in developing new systems. The agency's most

² *Defense Federal Acquisition Regulation Supplement: Justification and Approval Threshold for 8(a) Contracts*, 85 Federal Register 34528 (June 5, 2020) (revising 48 C.F.R. Parts 206 and 219).

recent attempt, a system called Certify.SBA.gov, was designed to support 8(a) and other contracting programs. The original Certify system cost \$30 million and took 5 years to build, but when launched, did not have the analytical or reporting features promised for the 8(a) program.

The 8(a) program continues to use this system with limited functionality until SBA has a new Certify system in place. For more about the Certify system, see [OIG Report 20-17](#).

Results

We reviewed SBA's business development work with 8(a) firms that were active in the program from October 1, 2018 to September 30, 2020. We selected a judgmental sample of 40 firms to test how SBA monitored progress in achieving individual development goals outlined in their approved business plans.

SBA's approach to monitoring 8(a) firms is more focused on reviewing for program eligibility rather than the progression of the 8(a) firm's business development. Without processes in place to objectively monitor an 8(a) firm's progress and measure program performance, stakeholders cannot determine success of the program.

In addition, we reviewed 5 of the 68 district offices to determine the level of business development assistance (See Appendix I). We found SBA did not have consistent practices in place to ensure program officials assessed the 8(a) firms' development needs, counseled participants, or conducted field visits.

However, in response to the COVID-19 pandemic, SBA adapted its business development assistance and offered flexibility to all the 8(a) firms we reviewed.

Finding 1: SBA Must Improve Processes for Monitoring 8(a) Participant Goal Achievements and for Measuring Program Impact

SBA did not establish an effective process for program officials to monitor 8(a) firms' business development as specifically required by the Small Business Act. Consequently, the agency did not consistently monitor 8(a) firms' progress in achieving their individual business development goals.

Also, SBA did not establish outcome-based performance measures for the program or its leaders to determine the success of the program. In addition, SBA regularly missed mandated deadlines to report to Congress on program performance and operations because of data reliability issues with the 8(a) program's current system of record, Certify.

Further, 15 of the 40 firms we reviewed did not have approved business plans that identified the firms' goals, making those firms ineligible to receive 8(a) set-aside or sole-source contracts. We question \$93 million of 8(a) set-aside or sole-source contracts that 4 of the firms were awarded (see Appendix II).

Without procedures to monitor the firms' progress toward achieving business goals and outcome-based performance measures, SBA is unable to assess and report on 8(a) participants' overall state of readiness to compete in the open economy.

Procedures Needed to Better Monitor Business Development

SBA did not establish standardized procedures for Business Opportunity Specialists to use to monitor program participants. Standardized procedures would provide the framework to ensure Business Opportunity Specialists consistently

- review business plans with each firm and document approvals for changes to the business plan;
- document a firm's progress in meeting its goals;
- determine graduation; and
- follow through on defined business development initiatives.

Individual Business Plans and Goals

The 1988 Business Opportunity Development Reform Act emphasized the business development objective of the program and required SBA to help 8(a) firms develop comprehensive business plans with realistic business development goals.³ The goals would address identified weaknesses and help firms overcome economic disadvantage to be competitive in the marketplace. Congress intended SBA to monitor progress against goals in finance, marketing, and management to effectively help businesses develop.⁴

³ Public Law 100-656, 102 STAT. 3853, *Business Opportunity Development Reform Act of 1988*, §205 Business plans. (November 15, 1988) amended Public Law 85-536, *Small Business Act*, §7(j)(10)(A), 15 U.S.C. §636(j)(10)(A).

⁴ U.S. House. Committee on Small Business. Report. (100 H. Rpt. 460) to accompany Public Law 100-656, 102

The Act also required Business Opportunity Specialists to review business plans every year with each participant to ensure the plan appropriately reflected the firm's condition and to approve any changes to the plan.⁵ However, the agency had no standardized procedures to accomplish this.

Thirty-one of the 40 participant files, or 78 percent, did not have sufficient support to show specialists provided regular and meaningful feedback during annual business plan reviews. We also did not find evidence they reviewed performance toward business goals as intended by Congress. During our audit, specialists shared a variety of practices they used to annually review 8(a) firms' business plans, but the practices were inconsistent, and the specialists did not share specific steps for approving changes to firms' business plans.

In addition, 15 of 40 files, or 37 percent, did not have sufficient support showing specialists had reviewed and approved the firms' initial business plans. SBA's standard operating procedures require specialists to follow a standard business plan evaluation form to ensure consistent reviews when firms enter the 8(a) program.⁶ Under the Small Business Act, firms are ineligible for 8(a) contracts if they do not have approved business plans.⁷ Congress's intent was that goals established in the business plan serve as a benchmark for SBA to monitor a firm's progress.

Based on data from the Federal Procurement Database System, we noted that SBA awarded 8(a) set-aside or sole-source contracts to 4 of the 15 firms even though they did not have approved business plans on file, as required by the Act. As a result, we questioned \$93 million in 8(a) contracts because these 4 firms were not eligible to receive contracts if they did not have business plans approved after review by their assigned Business Opportunity Specialist (See Appendix II).

Program officials in the Office of Government Contracting and Business Development should have updated and enforced procedures for consistent reviews. Without consistent review procedures, it is unclear what role the required business plans currently play in how SBA carries out the 8(a) business development objective, even though Congress structured the program around business plans.

Management directives from the Office of Government Contracting and Business Development and the Office of Field Operations did not require tracking the individual business development goals in a firm's business plan. During our discussions, program officials downplayed the role of the goals, saying they were often unrealistic, subject to change, and sometimes not followed even by the firms. However, the annual business plan review is supposed to be the means for agency specialists to track progress and approve changes while 8(a) firms still have the flexibility to set and work toward their own business goals.

Monitoring Developmental Progress

Most of the sampled firms, when surveyed, indicated they discussed their goals with their assigned Business Opportunity Specialist at least once a year. However, 30 of 40 participant files, or 75 percent, did not have sufficient evidence that Business Opportunity Specialists monitored the firms'

STAT. 3853, *Business Opportunity Development Reform Act of 1988* (November 15, 1988).

⁵ Public Law 85-536, *Small Business Act*, §7(j)(10)(D)(iii) (July 18, 1958), as amended, 15 U.S.C. §636(j)(10)(D)(iii).

⁶ SBA Standard Form 1714, *8(a) Business Plan Evaluation* (October 1990).

⁷ Public Law 85-536, *Small Business Act*, §7(j)(10)(D)(i) (July 18, 1958), as amended, 15 U.S.C. §636(j)(10)(D)(i).

progress toward individual business development goals.

SBA's written policies state that specialists will assess a firm's progress by reviewing business plan goals, discussions with the business owner, and site visits, but there are no effective procedures in place for objectively making this assessment.

The specialists assigned to the firms whose files we reviewed told us they were unclear how to track and document a firm's performance against established goals. As a result, these specialists did not consistently assess 8(a) firms' progress toward the goals defined in their approved business plans.

Statutory Definition of Program Graduation

In the 1988 law, Congress clearly defined graduation in context of the 8(a) program. For a successful graduation to take place, SBA had to recognize whether a firm had substantially achieved its goals, thereby demonstrating its ability to compete.⁸ In 2011, to address the management challenge, SBA issued regulations that required the program to differentiate between firms that successfully graduated and those that merely completed the 9-year program term.

However, the program office did not make the distinction and program officials were not able to determine how many firms graduated from the program. They provided data that showed 550 firms completed the program in FY 2019 and 457 firms completed it in FY 2020. However, there is no data to confirm whether any firms met the statutory definition of graduating.

Program officials said identifying the number of graduates based on specific criteria would be challenging since individual goals varied significantly. In addition, a firm's goals could have changed while the firm was in the program. Leaders in the Office of Government Contracting and Business Development also said tracking business goals would not affect the program because regardless of results, firms would not be able to stay in the program for more than nine years.

During interviews, several Business Opportunity Specialists said they considered graduation and completion to be the same, and they did not document whether 8(a) firms had met their original goals. In December 2020, program officials removed the requirement for SBA to determine whether firms had substantially achieved their individual business development goals from the agency's standard operating procedures, despite the existing statutory requirement.

Program officials said the agency only tracks early graduations, which occurs when 8(a) firms exceed the size standard or owner's capital withdrawal limits. However, the agency's practice is at odds with the statute's definition of graduation as the successful completion of the program. As a result, SBA did not distinguish between graduated and completed firms in reports to Congress and there is no way to determine the success or effectiveness of the program.

Incomplete Business Development Initiatives

For years, SBA has embarked on business development initiatives only to have each one end over time, sometimes due to limited management commitment and turnover. Examples of previous initiatives include

- In 2006, SBA defined "business success" as meeting objective and measurable benchmarks that were required to be specified in business plans. To graduate, a firm's financial ratios

⁸ Public Law 100-656, 102 STAT. 3853, Business Opportunity Development Reform Act of 1988, §208 Termination and Graduation Standards. (November 15, 1988) amended Public Law 85-536, Small Business Act, §7(j)(10)(H), 15 U.S.C. §636(j)(10)(H).

had to be above average for at least four out of seven categories when compared to other small businesses in the same industry. This definition was incorporated into each participation agreement, which then served as a contract between the firm and SBA. However, SBA never fully implemented these requirements and removed the benchmarks from the participation agreement in 2016 over OIG objections.

- In response to OIG and GAO's concerns about the Agency's ability to identify business development needs and connect firms with the help they needed, SBA officials promised in 1999 and again in 2009 to develop a business development assessment tool. Despite promising signs, both attempts failed amid management turnover and unresolved IT initiatives.

Program officials did not have any documentation on lessons learned from any of the past attempts. Current program officials, including those who led current efforts to monitor business development progress, said they were unaware of the past initiatives or why they failed.

The original Certify system left program officials with no way to determine the program's effectiveness or participant development. As a result, program officials reported they will not use the Certify system to monitor 8(a) business development assistance. Instead, the agency has begun efforts to build a separate system.

This separate system relies on an Excel spreadsheet that Business Opportunity Specialists can use to determine continuing eligibility and summarize the current financial condition for each firm.

The Washington Metropolitan Area District Office management said they have no plans to use the workbook because it is time consuming for their large portfolio. The Washington Metropolitan Area District Office oversees nearly a quarter of all 8(a) firms.

Program officials created the Business Opportunity Specialist Analysis Workbook as an interim solution to meet needs originally promised for the Certify system. Officials in the Office of Field Operations who helped create the spreadsheet stated they were informed that the Certify system would eventually incorporate all the features developed for the workbook. As a result, the workbook was not designed to document progress from year-to-year or to report results to agency management.

SBA Needs to Align Performance Measures to Assess Program Impact

The Government Performance and Results Act Modernization Act of 2010 requires federal agencies to establish a balanced set of performance measures to assess progress toward each performance goal, including customer service, efficiency, output, and outcome indicators.⁹ The Office of Management and Budget (OMB) established the Federal Performance Framework in Circular A-11 to implement this Act in federal agencies.

OMB required agencies to clearly tie performance measures to identified programs that contribute to each strategic objective because programs are the principal structure for organizing the funding requests, efforts, and personnel to achieve agency objectives.¹⁰ According to OMB, outcome

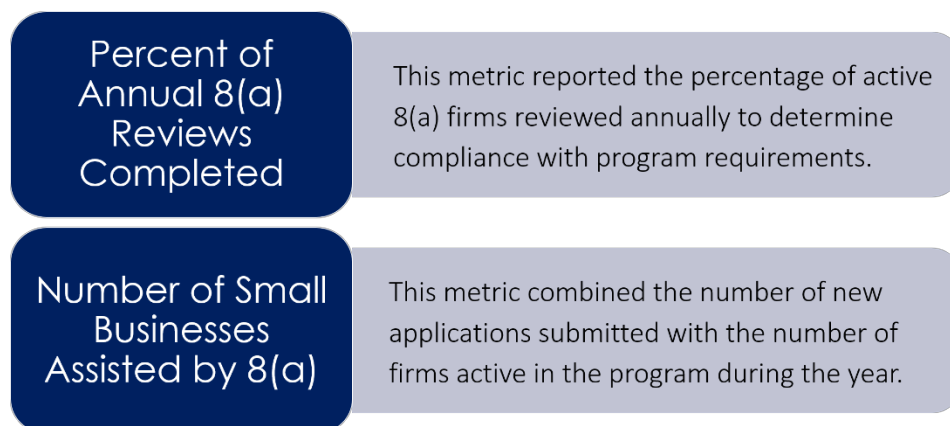
⁹ Public Law 111-352, 124 STAT. 3866, *GPRA Modernization Act of 2010*, §3, 31 U.S.C. §1115(b)(6) (January 2011).

¹⁰ OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, Part 6 – The Federal Performance Framework for Improving Program and Service Delivery, §210.21 and §240.6, Office of Management and Budget (July 2020).

indicators attempt to measure progress against achieving intended results, while output indicators describe the level of activity over a period of time.

We found SBA did not establish a balanced set of performance measures that reflected the program's business development objectives and intended outcomes in order to understand program effects on small businesses. Instead, SBA reported only on the 1) percentage of annual reviews completed and the 2) number of small businesses assisted by the 8(a) program (See Figure 3).

Figure 3. Reported 8(a) Performance Measures for FY 2020



Source: SBA FY 2022 Congressional Budget Justification and FY 2020 Annual Performance Report

Neither of the two current 8(a) performance measures are directly related to intended program outcomes or reflect program effectiveness as required by OMB's Federal Performance Framework.

Although SBA reported that annual reviews measured 8(a) firms' progress toward meeting the goals in their business plan, the specialists' reviews were predominately focused on the firm meeting eligibility requirements to continue participating in the program. As reported earlier, SBA did not have data to show how an 8(a) firm's progress in meeting its individual development goals were measured during the annual review.

Additionally, the measure, "number of small businesses assisted by 8(a)" combined the number of applications firms submitted online with the number of small businesses active in the program. For example, in FY 2020, SBA reported that 11,150 small businesses were assisted by the program. However, 7,669 of the small businesses included in that number had submitted an application to participate in the program, of which SBA had approved only 591 to participate. Most of the businesses included in this performance measure did not receive business development assistance. Instead, the remaining 7,078 businesses received assistance only in the form of initial application reviews for program eligibility.

SBA should have reported the number of firms that exited the program and were able to compete on an equal basis without being overly reliant on 8(a) contracts, as intended by the Business Opportunity Development Reform Act.¹¹ The statute further defined graduation as the successful completion of the program by demonstrating the ability to compete without further 8(a) assistance. Therefore, reporting the number of firms that SBA determined to have graduated from the program

¹¹ Public Law 100-656, 102 STAT. 3853, *Business Opportunity Development Reform Act of 1988*, §101(b), Notes to 15 U.S.C. §636 (November 15, 1988).

is necessary to fulfill this Congressionally mandated measure of success.

For FYs 2018-19, SBA set an agency priority goal for the number of firms awarded federal contracts from the FY 2017 8(a) portfolio. This indicator was directly tied to one program outcome related to the agency's strategic goals and objectives. However, SBA did not establish the federal awards indicator as a permanent program performance measure and did not report this measure in FY 2020.

The Foundations for Evidence-Based Policymaking Act of 2018 established processes for agencies to use the best available research and data on program results to guide decisions when making policy.¹² OMB's performance framework was expanded to provide an integrated and coordinated government-wide approach aimed at improving performance and management in federal agencies. The framework set the expectation that agency leaders at all levels are accountable for identifying program goals and relevant indicators through careful analysis of what outcomes advance the agency's mission.¹³

To encourage accountability, OMB recommended SBA align leadership's personal performance plans with outcome-oriented performance measures.¹⁴ However, SBA did not put appropriate performance measures in place to effectively conduct performance reviews and hold agency leaders accountable for improving program data quality, identifying effective practices, and validating promising initiatives.

We reviewed FY 2020 performance plans for agency leaders in the Office of Government Contracting and Business Development. Senior leaders were evaluated on their effectiveness in improving governmentwide contracting goal performance and reducing program fraud. However, we found senior leaders were not evaluated against personal performance goals specifically aligned with improving 8(a) business development assistance.

In the Office of Business Development, program managers had to achieve several personal performance goals partially related to 8(a) business development, but only one of them was tied to any program performance indicator. That goal stemmed from the agency priority goal, which SBA discontinued as a program indicator in FY 2020.

Without appropriate outcome-based performance measures, Congress and SBA senior leaders are unable to determine whether the program is achieving its mission to foster business ownership and development in targeted communities and promote the competitive ability of small, disadvantaged businesses.

¹² Public Law 115-435, 132 STAT. 5529, *Foundations for Evidence-Based Policymaking Act of 2018*, 5 U.S.C. 311-315 (Jan 2019).

¹³ OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, Part 6 – The Federal Performance Framework for Improving Program and Service Delivery, §200.5, Office of Management and Budget (July 2020).

¹⁴ OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, Part 6 – The Federal Performance Framework for Improving Program and Service Delivery, §200.18, Office of Management and Budget (July 2020).

SBA Needs to Improve Program Data Collection to Meet Reporting Requirements

Congress found that SBA needed a useful and accurate data collection system to establish clear, objective, and measurable success indicators for the program and undertake frequent reviews of its ability to reach those standards in 1987.¹⁵ Congress established requirements for SBA to systematically collect and annually report program data in the Business Opportunity Development Reform Act.¹⁶

However, SBA consistently missed annual deadlines for reporting to Congress on the current 8(a) portfolio and the business status of former participants who recently completed the program. We found the program office was several years behind in reporting this information and had never met the reporting deadline in recent years. Program officials told us they missed reporting deadlines because of data reliability problems. In addition, the Certify system did not collect the same data as previous systems. The most recent report SBA submitted was for the 2017 program year.

District office personnel echoed the complaint of not having useful program data. Our testing also found data reliability problems in the data now stored in the Certify system, which is still the program's system of record. Program officials confirmed they were aware of ongoing data reliability problems. For example, program officials took several weeks to manually reconcile program data for this audit.

Without up-to-date and accurate information, there is no way for decision makers to draw timely conclusions about program performance and identify program areas to strengthen.

Recommendations

We recommend the Administrator direct the Associate Administrator of the Office of Government Contracting and Business Development, in collaboration with the Associate Administrator of the Office of Field Operations, to do the following:

1. Implement a standard process to approve initial business plans and monitor to ensure that business plans are reviewed annually, to include appropriate updates for specific targets, objectives, and goals for the business development of program participants, in accordance with 13 CFR 124.403(a) and section 7(j)(10)(D) of the Small Business Act.
2. Implement a standard process to capture, track, and recognize substantial achievement of the specific targets, objectives, and goals for the areas of finance, marketing, and management on 8(a) program participant business plans, in accordance with 13 CFR 124.112(f) and section 7(j)(10)(A) of the Small Business Act.
3. Establish outcome-based performance goals and measurements to assess whether the program achieved business development objectives, including the number of graduated 8(a) firms in accordance with the measure of success in section 101(b)(2) of the Business Opportunity Development Reform Act of 1988.

¹⁵ U.S. House. Committee on Small Business. Report. (100 H. Rpt. 460) to accompany Public Law 100-656, 102 STAT. 3853, *Business Opportunity Development Reform Act of 1988* (November 15, 1988).

¹⁶ Public Law 100-656, 102 STAT. 3853, *Business Opportunity Development Reform Act of 1988*, §408 Data collection. (November 15, 1988) amended Public Law 85-536, *Small Business Act*, §7(j)(16), 15 U.S.C. 636(j)(16).

4. Implement a process that uses outcome-based performance goals for regular data-driven reviews and align program leaders' personal performance plans with the goals so program office leaders are held accountable for improving program data quality, identifying effective practices, and validating promising initiatives, that aligns with OMB Circular A-11 Part 6 – The Federal Performance Framework for Improving Program and Service Delivery guidance.
5. Implement a process to ensure the systematic collection of accurate and complete data on program results and operations to make sure all program reporting requirements are met, in accordance with section 7(j)(16)(A) of the Small Business Act and Standards for Internal Control in the Federal Government Principles for Information and Communication.

Finding 2: SBA Should Improve Its Business Development Efforts to Help Firms Succeed

SBA's practices did not ensure that program participants consistently received business development assistance. SBA's standard operating procedures require that Business Opportunity Specialists document assistance provided to the 8(a) firms. However, the agency did not have consistent practices in place to ensure program officials assessed the program participants' development needs, counseled participants, or conducted field visits (See Table 1).

In addition, SBA did not ensure that firms were being serviced by specialists having a Level I Federal Acquisition Certification in Contracting or that staffing levels were consistent with established expectations designed to balance program objectives with available resources.

Without consistent practices in place and optimal staff resources, 8(a) firms owned by socially and economically disadvantaged individuals may not get the development assistance needed to be competitive in the mainstream business environment after graduating or completing the nine-year program.

SBA Needs Improved Procedures for Providing Business Development Assistance

The Small Business Act required Business Opportunity Specialists to annually review current business plans with program participants, paying particular attention to correcting any conditions likely to prevent the firm from receiving federal contracts.¹⁷ In 2017, Congress amended the Small Business Act to emphasize existing requirements for specialists to comprehensively assess 8(a) firms, including identifying their strengths and weakness.¹⁸

Program officials told us that Business Opportunity Specialists should hold discussions to assess the specific needs of each firm so they can make training recommendations for courses provided by SBA resource partners and the 7(j) Management and Technical Assistance program. Specialists can also point to other SBA programs for additional business development assistance, such as gaining access to surplus government property and SBA-backed loans. Congress intended for a coordinated approach to help firms overcome economic disadvantage conditions to improve their chances for success.

However, we found Business Opportunity Specialists did not consistently document when they counseled firms or made annual field visits. Field visits are a key activity for specialists to discuss business plan goals, progress on those goals, and SBA's plan to help the firm accomplish them.¹⁹ After field visits, Business Opportunity Specialists are required to provide a letter to the firm summarizing the meeting. Documented assessments make sure that discussions are taking place, and that 8(a) firms can be served without disruption in the event of staff turnover.

¹⁷ Public Law 85-536, *Small Business Act*, §7(j)(10)(D) (July 18, 1958), as amended, 15 U.S.C. 636(j)(10)(D).

¹⁸ Public Law 115-91, 131 STAT. 1283, *National Defense Authorization Act for FY 2018*, §1704 Responsibilities of Business Opportunity Specialists. (December 12, 2017) amended Public Law 85-536, *Small Business Act*, §4(g)(1)(A)(iii), 15 U.S.C. 633(g)(1)(A)(iii).

¹⁹ SBA Standard Operating Procedures 80 05 6, *Standard Operating Procedures for the Office of Business Development*, Ch. 3, sec. 10, SBA Office of Business Development (May 15, 2019).

Our review of 40 firms found most of the files did not document that the Business Opportunity Specialist assessed needs, counseled, or conducted field visits as required by standard operating procedures (See Table 1).²⁰ The Business Opportunity Specialists we interviewed were not consistently aware of documentation requirements.

Additionally, we sent questionnaires to all firms in our sample selection regarding the business development assistance provided by their assigned district office. Feedback from the firms generally noted low satisfaction with the counseling, assessment of needs, and in-person visits provided by their assigned specialist. Most firms also stated their assigned specialist did not help them learn more about opportunities for surplus government property or SBA's lending programs.

Table 1. Results of 8(a) Firm Sample File Review

Development Areas	Areas Not Documented	Files Reviewed	Percent Out of Compliance
Annual Assessment to Identify Strengths and Weaknesses	33	40	82
Counseling Sessions	27	40	67
Annual Field Visits	32	40	80

Source: OIG analysis of business development assistance documentation for the 40 selected firms

Overall, we found that program officials did not monitor whether Business Opportunity Specialists provided the business development assistance needed by firms to learn, develop, and succeed. As a result, there was no assurance that the firms were made stronger in the areas of finance, marketing, and management to be better prepared to compete on an equal basis in the open marketplace.

SBA Needs to Balance Staff Resources

We found that Business Opportunity Specialists at 14 out of 68 of district offices were assigned more than 40 firms to monitor and assist (See Appendix IV). These 14 district offices serviced more than half of all 8(a) firms.

Program officials told us that 40 firms per one Business Opportunity Specialist is an ideal benchmark, which they based on an internal study performed in 2010. However, program officials could not provide us with any details on how they applied the results of these studies to support the business development objectives of the program. On a practical level, the agency's current benchmark does not balance workloads and resources across field offices.

For example, the Washington Metropolitan Area District Office has the largest 8(a) portfolio. Program officials said the office has consistently been understaffed, with each Business Opportunity Specialist averaging at least 70 firms. However, 3 of the Business Opportunity Specialists were managers and did not have assigned firms. In reality, the average Washington specialist often had to get to know, counsel, and oversee nearly 90 firms.

In our testing, we found that this district office did not consistently maintain supporting detail to document business development assistance provided to firms. In contrast, we found one district office, which only had 12 firms assigned to one specialist, consistently documented the business

²⁰ SBA Standard Operating Procedures 80 05 6, *Standard Operating Procedures for the Office of Business Development*, Ch. 5A(i), sec. 5 and Ch. 3, sec. 9-10, SBA Office of Business Development (May 15, 2019).

development assistance they provided.

In addition to the documented support, the feedback from our selected sample showed there was a strong inverse relationship between the specialist workload and the overall satisfaction with the business development assistance received.

Also, in 2017, Congress mandated that Business Opportunity Specialist have a Level I Federal Acquisition Certification in Contracting.²¹ This certification supports the Business Opportunity Specialist in performing exclusive duties assigned to that role by law, such as advising firms on complying with contract regulations and contract administration.

Although all the Business Opportunity Specialists we interviewed had the appropriate certification, we identified 15 district offices that did not have a Business Opportunity Specialist assigned to the firms they serviced. As a result, those firms received services from employees with other job roles that did not require a Level I Federal Acquisition Certification in Contracting and were not being serviced by certified specialists as required by the law.

Managers of one district office said they recruit Business Development Specialists to do the work of Business Opportunity Specialists positions that are vacant specifically because the business development level position does not require a Level I Federal Acquisition Certification in Contracting. In that office, both certified and uncertified specialists handled business development for 8(a) firms.

District office managers also noted it is hard to find and retain Business Opportunity Specialists. During interviews, specialists stated that the primary role of their job is to provide business development assistance to their firms. However, they voiced concerns about feeling overwhelmed by the amount of time spent on compliance-related tasks with no streamlined process to carry out business development responsibilities.

Program officials set up monthly calls for all Business Opportunity Specialists, but specialists we interviewed noted these calls were usually filled with program announcements. They did not provide much opportunity for active collaboration and sharing of best practices.

One district office manager also stated that the staffing model was constantly changing and guidance from the Office of Field Operations was not clear on how many specialists they could hire. Office of Field Operation leadership was aware that inconsistencies in district office staffing were a problem. However, they said they cannot shift specialists between district offices.

Inconsistent workloads for the Business Opportunity Specialists at the district offices indicate an imbalance in staffing resources that may cause significant disparities in the level of service that 8(a) firms receive.

Recommendations

We recommend the Administrator direct the Associate Administrator of the Office of Government Contracting and Business Development, in collaboration with the Associate Administrator of the Office of Field Operations, to:

6. Implement requirements for management to monitor that Business Opportunity Specialists

²¹ Public Law 115-91, 131 STAT. 1283, *National Defense Authorization Act for FY 2018*, §1704 Responsibilities of Business Opportunity Specialists (December 12, 2017) amended Public Law 85-536, *Small Business Act*, §4(g)(2), 15 U.S.C. 633(g)(2).

consistently assess program participant's development needs, counsel participants, conduct annual field visits, and maintain required documentation, as required by standard operating procedures.

We also recommend the Administrator direct the Associate Administrator of the Office of Field Operations, in collaboration with the Associate Administrator of the Office of Government Contracting and Business Development, to:

7. Ensure all employees performing Business Opportunity Specialist duties maintain a current Federal Acquisition Certification in Contracting Level 1 Certification within a year of appointment in accordance with section 4(g) of the Small Business Act.
8. Use lessons learned from servicing 8(a) firms in an entirely virtual environment to coordinate district office resources and share best practices in order to equitably serve all 8(a) program participants. Align assigned Business Opportunity Specialist staffing levels accordingly to be consistent with ideal workload ratios as determined by the program office.

Finding 3: SBA Offered Program Flexibilities to Assist Small Firms During the Pandemic

During the Coronavirus Disease 2019 (COVID-19) pandemic, SBA offered program flexibilities to all 8(a) participants, adapting business development assistance to help firms stay in business and remain in the program.

During interviews, SBA officials informed us they were unaware of any 8(a) program participant that went out of business because of COVID-19. In our sample, we verified that all 40 selected firms were either still active in the program or taking advantage of program flexibilities. Overall, the program did not suffer an unusual increase in firms leaving the program, despite the significant challenges of COVID-19 pandemic.

SBA Adapted Business Development Assistance

Program officials quickly shifted communications to an entirely virtual environment when the pandemic led to government requirements to limit in-person contact. District offices put out guidance for government contractors affected by COVID-19, including information on SBA's COVID-19 capital assistance programs.

Program officials relaxed requirements to physically visit 8(a) firms, authorizing completely virtual annual reviews. SBA also limited actions to terminate firms from the program if reasons for removal related to challenges from the pandemic.

SBA Introduced Program Flexibilities for 8(a) Participants

In January 2021, SBA issued new regulations implementing new changes authorized by Congress that allowed 8(a) participants affected by COVID-19 to participate in the program for an extra year.

Program officials also reported that 396 of 4,523 program participants, or nearly 9 percent, had to take advantage of existing regulations that allowed them to temporarily suspend their time in the program if experiencing hardship.

Majority of 8(a) Firms Received COVID-19 Relief Financial Assistance

The government's pandemic relief programs provided nearly a trillion dollars in capital assistance to small businesses affected by COVID-19. SBA program officials encouraged 8(a) participants who were adversely affected to apply for these relief programs.

SBA loan data showed 3,500 8(a) active participants received Paycheck Protection Program assistance, with 45 percent of those firms also receiving a second loan. In addition, 8(a) program participants also were able to apply for and receive relief through COVID-19 Economic Injury Disaster Loans.

Analysis of Agency Response

SBA management responded to our draft report with formal comments (see Appendix V). Management fully agreed with five of our recommendations, partially agreed with two recommendations, and disagreed with one recommendation. We found the agency's planned actions are sufficient to resolve three of the eight recommendations.

However, management's proposed corrective actions for the remaining five recommendations did not fully address them. In accordance with our audit follow-up policy, we will attempt to reach agreement with SBA management on the unresolved recommendations within 60 days after the final date of this report. If we do not reach agreement, OIG will notify the audit follow-up official of the disputed issues.

In their response, SBA management included a section entitled "Other Considerations" expressing, among other things, disagreement with the costs we questioned. Management agreed with \$24 million in questioned costs based on sole-source and set-aside 8(a) contracts awarded to four firms before their initial annual review. SBA management determined 8(a) contracts awarded to the four firms after their first annual review were allowable. Management's response said the control weaknesses we identified are related to retaining documentation during information system data migrations, not to the review and approval of business plans.

We maintain our position that firms without approved business plans were ineligible for 8(a) awards. Section 7(j)(10)(D)(ii) of the Small Business Act requires assigned specialists to review the market analysis, strength and weakness analysis, and specific targets for next and succeeding years found in the business plan during the annual review. We found SBA's annual review practices did not meet the minimum requirements of the Act.

When we originally reviewed the sample files of firms, we identified six that were awarded 8(a) contracts without documented business plan approval. As a result of our draft report, SBA management reviewed the six firms and found support demonstrating the business plans were approved by the assigned Business Opportunity Specialists for two of the six firms.

After reviewing the additional documentation agency managers provided, we reduced the number of firms questioned from 17 to 15 of the 40 sample files (37 percent). As a result, we question \$93 million in 8(a) contracts because 4 of these 15 firms were not eligible to receive 8(a) awards without documentation that the assigned Business Opportunity Specialist approved the firm's business plan.

SBA management also included concerns that our sample was not representative and influenced the questioned cost amount. They mentioned that the sample size was "exceedingly small" and mentioned that because we judgmentally selected a sample of firms with the highest amounts in 8(a) contracts the amount of potential questioned costs was influenced.

The size of our sample does not change our finding that SBA did not design a process to monitor business development over the course of a firm's participation in the program. Although we limited our sample size based on our internal resources, we still identified significant issues that warrant the agency's attention. In addition, our sample included firms with the most federal awards as well as firms with no awards (See Appendix I).

SBA also noted that most of the past recommendations from reports highlighted in Appendix III were closed and considered it inflammatory to revisit these old reports. However, as we discuss in

finding 1, many of the business development initiatives used to close these recommendations have fallen short of expectations. As our findings demonstrate, there are still areas that require improvement to ensure the program meets its intended purpose.

Summary of Actions Necessary to Close the Recommendations

The following section summarizes the status of our recommendations and the actions necessary to close them:

Recommendation 1

Implement a standard process to approve initial business plans and monitor to ensure that business plans are reviewed annually, to include appropriate updates for specific targets, objectives, and goals for the business development of program participants, in accordance with 13 CFR 124.403(a) and section 7(j)(10)(D) of the Small Business Act.

Status: Unresolved

SBA management partially agreed with this recommendation. Management's comments acknowledged the benefits of having a standard process to initially approve and annually review business plans, and stated they have instituted a greater emphasis on the review of a participant's business plan during its annual review. In addition, management added several questions to the Business Opportunity Specialist Analysis Workbook to target certain aspects of the participant's business plan.

However, management stated the workbook was not mandated in every district office, but each district office's annual reviews should capture the same content. Management did not explain how each district office's practices would capture all the required information during the annual review, when the workbook was not mandated in every district office.

Management also plans to update standard operating procedures and desk guide to clarify business plan review requirements, including that business plans do not need to be approved before receiving 8(a) contracts. Management plans to complete final action by December 1, 2022. However, we maintain that firms without approved business plans are ineligible for 8(a) awards under the Small Business Act.

Management did not agree that the annual review of a participant's business plan must include new specific targets, objectives, and goals for the business development of program participants. The management response said the Small Business Act specifically calls for an annual review of the business plan and modifications to such plan as appropriate.

OIG agrees with management that revisions to a participant's targets, objectives, and business development goals should be approved by the Business Opportunity Specialist when appropriate. However, we found that SBA did not ensure that Business Opportunity Specialists approved revised goals, when needed. Management's proposed actions do not satisfy the intent of the recommendation, and we will work with SBA management to reach resolution.

This recommendation can be closed when program officials provide evidence that they have established and are monitoring a process for assigned specialists to initially approve and annually review current business plans with each program participant. The procedures should include requirements for approving updates to specific targets, objectives, and goals for the business development of program participants, as determined appropriate, to maintain compliance with requirements listed in section 7(j)(10)(D)(ii).

Recommendation 2

Implement a standard process to capture, track, and recognize substantial achievement of the specific targets, objectives, and goals for the areas of finance, marketing, and management on 8(a) program participant business plans, in accordance with 13 CFR 124.112(f) and section 7(j)(10)(A) of the Small Business Act.

Status: Unresolved

SBA management partially agreed with this recommendation and repeated plans to add greater emphasis on reviewing business plans. Management will require assigned specialists review each participant's previous-year business plan to be aware of the firm's annual achievements. Management plans to complete final action by December 1, 2022.

However, management disagreed that the Small Business Act specifically requires targets for finance, marketing, and management, or a process to capture and track targets, objectives, and goals in the business plan. Management's response said the burden of collecting the data would outweigh any benefit.

We maintain our position that the business development objectives of this program are firmly tied to whether program participants substantially achieve specific business development targets. SBA should actively monitor business plans to meet the program's business development objectives as Congress mandated in 1988.²² In addition, business plans should include targets for finance, marketing, and management objectives, as Congress intended.²³ Such targets are critical to SBA's ability to measure the participant's progress toward their business development goals.

This recommendation can be closed when program officials provide evidence that they established a standard process to capture, track, and recognize substantial achievement of the specific targets, objectives, and goals for the areas of finance, marketing, and management in 8(a) program participants' business plans.

Recommendation 3

Establish outcome-based performance goals and measurements to assess whether the program achieved business development objectives, including the number of graduated 8(a) firms in accordance with the measure of success in section 101(b)(2) of the Business Opportunity Development Reform Act of 1988.

Status: Resolved

SBA management agreed with this recommendation and will identify program-level goals that align with the agency's strategic plan. Management also agreed to include the number of graduated 8(a) firms as a performance goal and plans to complete final action on this recommendation by December 1, 2022.

This recommendation can be closed when management provides evidence that they established outcome-based performance goals and measurements to assess whether the program achieved

²² Public Law 100-656, 102 STAT. 3853, *Business Opportunity Development Reform Act of 1988*, §205 Business plans. (November 15, 1988) amended Public Law 85-536, *Small Business Act*, §7(j)(10)(A)(iv), 15 U.S.C. §636(j)(10)(A)(iv).

²³ U.S. House. Committee on Small Business. Report. (100 H. Rpt. 460) to accompany Public Law 100-656, 102 STAT. 3853, *Business Opportunity Development Reform Act of 1988* (November 15, 1988).

business development objectives, including the number of graduated 8(a) firms, as defined in 13 CFR 124.112(f).

Recommendation 4

Implement a process that uses outcome-based performance goals for regular data-driven reviews and align program leaders' personal performance plans with the goals so program office leaders are held accountable for improving program data quality, identifying effective practices, and validating promising initiatives, that align with OMB Circular A-11 Part 6 – The Federal Performance Framework for Improving Program and Service Delivery guidance.

Status: Unresolved

SBA management disagreed with this recommendation. Although program officials agree that using outcome-based performance goals for regular data-driven reviews would benefit the program, they do not agree that individual performance plans need to include or align with program performance goals to hold leaders accountable.

We maintain our position that OMB guidance requires establishing a performance management system that holds senior executives accountable for organizational performance. Following OMB guidance, SBA should have aligned individual performance plans for the Associate Administrator and Deputy Associate Administrator for the Office of Government Contracting and Business Development with outcome-based performance goals supporting their assigned agency strategic objective, which includes the objective strategy of strengthening business development opportunities in emerging market communities.

OMB guidance also encouraged SBA to design program performance reviews that hold leaders accountable for knowing the quality of program data and having a plan to improve it, identifying effective processes, and validating promising practices.

This recommendation can be closed when management implements a performance review process that uses outcome-based performance goals for regular data-driven reviews that hold leaders accountable for improving program data quality, identifying effective practices, and validating promising initiatives.

Recommendation 5

Implement a process to ensure the systematic collection of accurate and complete data on program results and operations to make sure all program reporting requirements are met, in accordance with section 7(j)(16)(A) of the Small Business Act and Standards for Internal Control in the Federal Government Principles for Information and Communication.

Status: Unresolved

SBA management agreed with this recommendation and acknowledged the importance of systemic collection of accurate and complete data. Management stated they established a process for a specialist to track and validate all program data using a master spreadsheet to collect program operations data, such as entrance and exit dates, adverse actions taken, and demographic information.

Management also stated they instituted greater emphasis on the review of business plans during annual reviews and solidified the requirement to maintain documentation of the review. They also added questions on the Business Opportunity Specialist Analysis Workbook for business plan reviews and counseling, but had not mandated the use of the workbook. Management plans to

complete final action on this recommendation by December 1, 2022. However, management's proposed actions did not address how they will systematically collect program results or enforce reporting requirements. Nor did they explain how the agency will consistently collect performance data when managers had not yet mandated that specialists use the Annual Review Workbook.

This recommendation can be closed when program officials provide evidence of the systematic collection of accurate and complete data on both program results and program operations, including data required to meet program reporting requirements and data showing how the program's business development objectives are being met.

Recommendation 6

Implement requirements for management to monitor that Business Opportunity Specialists consistently assess program participant's development needs, counsel participants, conduct annual field visits, and maintain required documentation, as required by standard operating procedures.

Status: Unresolved

SBA management agreed with this recommendation and stated District office managers are responsible for overseeing the Business Opportunity Specialists that provide services to 8(a) program participants. However, management's proposed actions deferred responsibility to the 68 district office managers but did not specify how program officials would ensure that staff adequately provided business development assistance.

Management's response restated the plan to improve the Business Opportunity Annual Review Workbook with additional questions for business plan reviews and counseling, and again noted that the use of the workbook was not mandatory in each district office.

Management did not explain how each district office's practices would capture all required information during the annual review when they had not mandated the use of the workbook. Management plans to complete final action on this recommendation by December 1, 2022.

This recommendation can be closed when SBA provides evidence that program officials are monitoring Business Opportunity Specialists to ensure they consistently assess program participants' development needs, counsel participants, conduct annual field visits, and maintain required documentation.

Recommendation 7

Ensure all employees performing Business Opportunity Specialist duties maintain a current Federal Acquisition Certification in Contracting Level 1 Certification within a year of appointment in accordance with section 4(g) of the Small Business Act.

Status: Resolved

SBA management agreed with this recommendation and stated they were studying whether district offices have the appropriate skills and staffing available to service their 8(a) portfolios. Management further stated they will ensure that any personnel performing specific duties outlined for a Business Opportunity Specialists in the National Defense Authorization Act of 2013 have a Federal Acquisition Certification in Contracting Level 1. Management plans to complete final action on this recommendation by December 1, 2022.

This recommendation can be closed when management provides evidence that they have implemented procedures to ensure staff members performing the exclusive duties of a Business

Opportunity Specialist maintain a current Federal Acquisition Certification in Contracting Level 1 Certification within a year of appointment in accordance with section 4(g) of the Small Business Act.

Recommendation 8

Use lessons learned from servicing 8(a) firms in an entirely virtual environment to coordinate district office resources and share best practices in order to equitably serve all 8(a) program participants. Align assigned Business Opportunity Specialist staffing levels accordingly to be consistent with ideal workload ratios as determined by the program office.

Status: Resolved

SBA management agreed with this recommendation. Management stated they will assess resources allocated to district offices and develop a portfolio realignment strategy. Afterwards, management plans to reallocate resources accordingly to ensure program requirements are performed consistently and improve 8(a) program customer service. Management plans to complete final action on this recommendation by December 1, 2022.

This recommendation can be closed when management provides the results of the portfolio realignment strategy and demonstrates how the overall workplan aligns resources to equitably serve all 8(a) program participants.

Appendix I: Additional Information

Objective, Scope, and Methodology

Our objectives were to determine the extent to which SBA 1) monitors and measures 8(a) participants' progress on achieving their individual business development goals; 2) ensures 8(a) program participants receive business assistance to meet their individual goals; and 3) adapted assistance provided to 8(a) program participants during the COVID-19 pandemic.

The scope of our audit included business development assistance provided by SBA to participants active in the 8(a) program from October 1, 2018, to September 30, 2020. Our scope of work covered aspects of business development assistance provided by SBA to these participants from 2011 to 2020 because the 8(a) program typically spans 9 years.

We did walk-throughs at five selected district offices to determine how officials achieve program objectives. The walk-throughs were conducted with leaders from all SBA offices involved in the 8(a) program, including the offices of Government Contracting and Business Development, Office of Field Operations, Office of the General Counsel, and senior Business Opportunity Specialists.

The agency demonstrated for us how district offices use SBA's information systems, including Certify.SBA.gov (still the system of record for the 8(a) program). We also examined documentation supporting the business development assistance provided to program participants that were not in the system of record but were maintained on shared and local drives within the selected district offices. This allowed us to understand how business development activities and information was documented and stored.

We reviewed training documents for Business Opportunity Specialist personnel and interviewed management of the Office of Field Operations who created the Business Opportunity Specialist Analyst Workbook.

We judgmentally selected 5 of 68 district offices based on the district office 8(a) portfolio size, Business Opportunity Specialist to firm ratio, and known risks identified by SBA's internal compliance measures. District offices with low-risk indicators were also included to observe desk procedures that may be characteristic of district offices with fewer Business Opportunity Specialist related activities. These five district offices serviced nearly 30 percent of all 8(a) firms.

We judgmentally selected 40 of 4,523 firms that were individually owned and active in the 8(a) program from the five district offices to determine whether SBA's current policies and practices sufficiently measure and monitor firms' progress on the 8(a) program. The selection was made with consideration for identified risk factors for materiality and sensitivity, as well as ensuring for a representative cross-section of firms in both developmental and transitional phases of the program. We used contract data to make determinations for materiality since contract awards are tied to one program outcome in the absence of other data available for gauging success of 8(a) firms.

We tested whether

- required activities were completed, such as orientations and business plan assessments.
- needs for management and technical assistance were identified and recommended to firms.
- targets, objectives, and goals were defined by firms and progress monitored by SBA.

We based our findings on the 40 participant files reviewed. The files may have had different

documentation requirements depending on the developmental stage in the program that each of the firms were in. Also, some documentation requirements may not have been applicable if a firm elected to suspend program participation temporarily because of COVID-19.

We interviewed eight Business Opportunity Specialists from the selected district offices to follow-up on our review of documents. We also interviewed selected participants (32 of 40 response rate) by using a questionnaire to gain an understanding of business development assistance they received and corroborate evidence we noted during the file review. This sample is not a statistical sample of the total of all 8(a) program participants and the results of our findings cannot be generalized to the entire 8(a) portfolio.

We conducted this performance audit 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.

Use of Computer-Processed Data

We relied on computer-processed data SBA provided. We used the list of all 8(a) program firms in active status as of September 30, 2020. We analyzed that list to determine the number of firms active in FYs 2019 and 20 and the assigned district office for each firm. We cross-referenced the list and contract data from the Federal Procurement Data System to judgmentally choose our sample of five district offices and 40 firms to analyze.

We were granted direct access to Certify.SBA.gov and our testing identified reliability problems with the data stored in Certify. We made a recommendation in this report to address these data issues. However, for documentation review purposes, we verified the status of selected firms directly with their assigned district office. We also relied on local shared files maintained outside of the Certify system. We determined the computer-processed information SBA provided is reliable for the purposes of this audit.

Assessment of Internal Controls

For this audit, we identified the following internal control components and underlying internal control principles as significant to the audit objectives:

Internal Control Component	Internal Control Principle
Control Environment	• Establish Structure, Responsibility, Authority • Enforcing Accountability
Risk Assessment	• Define Objectives and Risk Tolerances • Identify, Analyze, and Respond to Risk
Control Activities	• Design Control Activities • Implement Control Activities
Information and Communication	• Use of Quality Information
Monitoring	• Perform Monitoring Activities

Source: OIG analysis

We assessed the operating effectiveness of the internal controls and identified deficiencies we believe could affect SBA's ability to determine the effectiveness of the 8(a) Business Development Program and correctly report performance of the business development assistance provided to program participants.

The internal control deficiencies we found are discussed in the Results section of this report. However, because our review was limited to aspects of these internal control components and underlying principles, it may not identify all internal control deficiencies that may have existed when this audit took place.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
Evaluation of Certify.SBA.Gov	Determine whether Certify improved SBA's certification processes.	SBA OIG 20-17	July 30, 2020	N/A
Evaluation of SBA's All Small Mentor-Protégé Program	Determine whether SBA implemented effective controls to ensure it measured program success.	SBA OIG 19-17	September 17, 2019	N/A
SBA's District Offices' Customer Service	Determine whether SBA's Office of Field Operations has a process in place to assess customer service effectiveness.	SBA OIG 19-06	December 19, 2018	N/A
SBA – Government Contracting and Business Development Processes and Rule-Making Activities	Examine the field-office and reporting structure the SBA uses to implement government contracting and business development and the benefits and challenges posed by these structures.	GAO-17-573	June 30, 2017	N/A

Appendix II: Monetary Impact

Recommendation Number	Impact Category	Amount
1	Questioned Costs	\$93 Million
Total		\$93 Million

Source: OIG analysis

Under the Small Business Act, firms are ineligible for 8(a) contracts if they do not have approved business plans. According to data in the Federal Procurement Data System, of the 15 firms in our sample without approved business plans, 4 were awarded 8(a) set-aside or sole-source contracts totaling \$93 million. As a result, we question \$93 million in 8(a) contracts because these 4 firms were not eligible to receive contracts without business plans approved and in place.

Appendix III: Historical Findings Related to 8(a) Business Development Assistance

Over the course of 33 years, OIG and the U.S. Government Accountability Office (GAO) have completed a long list of reviews and inspections related to 8(a) business development assistance. Both agencies repeatedly found SBA's efforts to track the business development performance of the program fell short of Congressional instructions and expectations.

The following table identifies specific findings that alerted agency officials to business development assistance concerns over the years, that we also found to be relevant for this review:

Report	Related Findings
SBA OIG 20-17 , <i>Evaluation of Certify.SBA.Gov</i> (July 30, 2020)	OIG found SBA's new IT system for the 8(a) program did not have the features promised to monitor business development assistance
GAO-17-573 , <i>SBA – Government Contracting and Business Development Processes and Rule-Making Activities</i> (June 30, 2017)	GAO found SBA's reporting structure for Business Opportunity Specialists may result in inconsistent business development program delivery
GAO-09-16 , <i>SBA – Agency Should Assess Resources Devoted to Contracting and Improve Several Processes in the 8(a) Program</i> (November 21, 2008)	GAO found SBA's focus on annual reviews cut time for Business Opportunity Specialists to deliver business development assistance
SBA OIG 4-22 , <i>Business Development Provided by SBA's 8(a) Business Development Program</i> (June 2, 2004)	OIG found SBA had no criteria for delivering or measuring business development assistance to 8(a) firms
SBA OIG 4-15 , <i>SACS/MEDCOR: Ineffective and Inefficient</i> (March 9, 2004)	OIG found SBA's current IT system for the 8(a) program was ineffective and did not provide the data needed to meet reporting requirements
SBA OIG 1-11 , <i>Results Act Performance Measurement for the Minority Small Business and Capital Ownership Development Program</i> (March 27, 2001)	OIG found SBA was still not measuring success as required by the Business Opportunity Development Reform Act of 1988
GAO/RCED-00-196 , <i>Small Business – SBA Could Better Focus Its 8(a) Program to Help Firms Obtain Contracts</i> (July 20, 2000)	GAO found SBA still had no method of tracking the management and technical assistance provided to 8(a) firms
SBA OIG 95-3 , <i>8(a) Competitive Business Mix Requirements</i> (September 29, 1995)	OIG found SBA did not measure success as required by the Business Opportunity Development Reform Act of 1988
GAO/RCED-93-145 , <i>Small Business – Problems Continue with SBA's Minority Business Development Program</i> (September 17, 1993)	GAO found SBA could not determine the program's overall effectiveness in developing 8(a) firms and did not annually review business plans as required

Report	Related Findings
GAO/RCED-92-68 , <i>Small Business – Problems in Restructuring SBA’s Minority Business Development Program</i> (January 31, 1992)	GAO found SBA had difficulty implementing the changes mandated by the Business Opportunity Development Reform Act of 1988 and did not track the management and technical assistance provided to 8(a) firms
GAO/RCED-88-148 , <i>SBA – Status, Operations, and Views on the 8(a) Procurement Program</i> (May 24, 1988)	GAO found many firms were not prepared for the competitive market at the end of the program and district offices routinely exceeded what SBA determined to be an ideal caseload of 10-15 firms per Business Opportunity Specialist

Appendix IV: Ratio of District Office Business Opportunity Specialists to 8(a) Firms as of September 30, 2020

District Office	8(a) Firms Assigned to District Office	Business Opportunity Specialists Assigned	Average Business Opportunity Specialist Firm Caseload
NEW JERSEY	79	1	79
RICHMOND	225	3	75
SEATTLE	145	2	73
WASHINGTON METRO AREA	990	14	71
GEORGIA	172	3	57
SAN FRANCISCO	57	1	57
NEW YORK	55	1	55
NEW MEXICO	54	1	54
BALTIMORE	214	4	54
SACRAMENTO	44	1	44
SAN ANTONIO	132	3	44
ILLINOIS	86	2	43
ORANGE COUNTY / INLAND EMPIRE	84	2	42
ALASKA	201	5	40
OKLAHOMA	80	2	40
FRESNO	36	1	36
ARIZONA	70	2	35
SOUTH FLORIDA	140	4	35
UTAH	35	1	35
MICHIGAN	69	2	35
TENNESSEE	34	1	34
PUERTO RICO / U.S. VIRGIN ISLANDS	67	2	34
ST. LOUIS	33	1	33
LOUISIANA	91	3	30
PHILADELPHIA	60	2	30
PORTLAND	30	1	30
SAN DIEGO	88	3	29
MISSISSIPPI	29	1	29
NORTH CAROLINA	58	2	29
NORTH FLORIDA	116	4	29
COLORADO	86	3	29
LOS ANGELES	83	3	28
DALLAS / FT. WORTH	79	3	26
CLEVELAND	25	1	25
HAWAII	71	3	24

District Office	8(a) Firms Assigned to District Office	Business Opportunity Specialists Assigned	Average Business Opportunity Specialist Firm Caseload
EL PASO	22	1	22
INDIANA	22	1	22
COLUMBUS	42	2	21
ALABAMA	58	3	19
HOUSTON	58	3	19
MINNESOTA	19	1	19
LOWER RIO GRANDE VALLEY	18	1	18
MASSACHUSETTS	36	2	18
BOISE	35	2	18
BUFFALO	12	1	12
MONTANA	12	1	12
WISCONSIN	24	2	12
SYRACUSE	10	1	10
WICHITA	10	1	10
SOUTH CAROLINA	26	3	9
WEST VIRGINIA	8	1	8
SOUTH DAKOTA	7	1	7
PITTSBURGH	12	2	6
KANSAS CITY	45	0	--
NEVADA	21	0	--
NEBRASKA	19	0	--
CONNECTICUT	15	0	--
KENTUCKY	15	0	--
NORTH DAKOTA	13	0	--
DES MOINES	12	0	--
ARKANSAS	11	0	--
NEW HAMPSHIRE	6	0	--
RHODE ISLAND	6	0	--
WYOMING	6	0	--
MAINE	3	0	--
LUBBOCK	1	0	--
VERMONT	1	0	--
DELAWARE	0	0	--
TOTAL	4,523	117	38

Source: OIG analysis

Appendix V: Management Comments

SBA Management Response



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date: December 13, 2021

To: Hannibal “Mike” Ware
Inspector General
Office of Inspector General (OIG)

From: Dr. Donna L. Peebles
Associate Administrator
Office of Business Development (BD)

Victor Parker
Acting Associate Administrator
Office of Field Operations (OFO)

Subject: Response OIG Project 19012
SBA’s Business Development Assistance to 8(a) Program Participants

SBA appreciates the role OIG plays in working with management in ensuring that SBA’s programs are administered effectively, and for the feedback provided in this draft report. We have carefully considered each recommendation and understand the importance of the work you do to support the invaluable implementation of the agency’s service to small businesses.

This draft report presents the results of OIG's audit of the SBA’s Business Development Assistance to 8(a) Program Participants (Project 19012), in which OIG sought to determine the extent to which SBA monitors and measures 8(a) participants’ progress on achieving individual business goals; ensures 8(a) program participants receive business assistance to meet their individual goals; and adapted assistance provided to 8(a) program participants during the COVID-19 pandemic. In your report, you questioned \$148 million in 8(a) contracts from six firms that you identified as not eligible to receive contracts due to not having approved business plans. As indicated below, SBA concurs with only \$24 million of these questioned costs.

While SBA generally appreciates the spirit of OIG’s recommendations, we would like to acknowledge the prodigious and diligent work of the Office of Business Development (OBD) and the Office of Field Operations (OFO). In our view, the results of the audit validate the challenges that are associated with a vastly popular program, including the tremendous amount of work that business opportunity specialists (BOSs) must complete and the BOSs’ continued motivation to ensure that program participants comply with program requirements while simultaneously providing business assistance.

OIG made the following eight recommendations, and Management's responses to the recommendations in the draft report are noted as follows:

OIG Recommendation 1: Implement a standard process to approve initial business plans and monitor to ensure that business plans are reviewed annually, to include appropriate updates for specific targets, objectives, and goals for the business development of program participants, in accordance with 13 CFR 124.403(a) and section 7(j)(10)(D) of the Small Business Act.

Due Date: 12/1/2022

SBA's Response to Recommendation 1: SBA partially concurs with the recommendation. We agree that a standard process to initially approve and annually review business plans would be beneficial. To that end, SBA intends to clarify and enhance the established processes for initial approval and annual review of 8(a) business plans. Specifically, OFO and OBD will coordinate a consistent approach to documentation of initial approval and annual review of business plans. In August 2021, SBA instituted a greater emphasis on the review of a participant's business plan during its annual review. Explicitly, SBA added multiple questions in its BOS Annual Review Workbook that target specific aspects of the participant's business plan including any updates, progress toward short-term and long-term goals, and feasibility to support business growth and profitability of operation following the participant's completion of the 8(a) program. While the BOS Annual Review Workbook is not yet mandated for all district offices, the content for all district offices is consistent. Additionally, SBA Standard Operating Procedure (SOP) 80 05 808 Chapters 3 and 5 will be updated to clarify the required business plan reviews. Likewise, the 8(a) Desk Guide will be updated to clarify that initial business plans do not need to be approved prior to the award of any 8(a) contract award but must be submitted within 60 days after program admission and subsequently reviewed in accordance with 8(a) program eligibility requirements.

SBA does not agree that an annual review of a participant's business plan must necessarily include updates for new specific targets, objectives, and goals for the business development of program participants. While SBA acknowledges that an initial business plan must include specific targets, objectives, and business development goals pursuant to section 7(j)(10)(D)(ii)(III) of the Small Business Act (Act), 15 U.S.C. § 636(j)(10)(D)(ii)(III), applicable requirements in section 7(j)(10)(D)(iii) of the Act specifically call for an annual review of the business plan and modifications to such plan *as may be appropriate* (emphasis added). Implementing SBA regulations likewise provide that updates need only occur when they are appropriate and that business plans that have not changed do not require annual approval. 13 C.F.R. § 124.403(a) (requiring an annual review of the business plan and *modifications as appropriate* (emphasis added)). As such, revised targets, objectives, and business development goals need only be incorporated into the business plan if, at the time of annual review, SBA and the 8(a) Participant believe that such modifications to the plan are appropriate.

OIG Recommendation 2: Implement a standard process to capture, track, and recognize substantial achievement of the specific targets, objectives, and goals for the areas of finance, marketing, and management on 8(a) program participant business plans, in accordance with 13 CFR 124.112(f) and section 7(j)(10)(A) of the Small Business Act.

Due Date: 12/1/2022

SBA's Response to Recommendation 2: SBA partially concurs with the recommendation.

SBA does not agree that the criteria used to support the recommendation align with the actions included in the recommendation. The regulation outlined in 13 CFR 124.112(f) mandates that SBA determine whether the 8(a) participant has met the targets, objectives and goals set forth in the business plan in order to determine if a participant will be considered to have graduated from the 8(a) program or completed its program term. Section 7(j)(10)(A)(iv) of the Small Business Act requires SBA to establish regular performance monitoring and reporting systems for 8(a) participants to assure compliance with business plans. Section 7(j)(10)(A)(ii) and (iii) require SBA to provide for *services* necessary for the establishment, preservation, and growth of program participants including loan packaging, financial counseling, accounting, and bookkeeping, marketing and management assistance (emphasis added). While the Small Business Act requires 8(a) program participants to develop targets, objectives, and goals, it neither requires targets specific in the areas of finance, marketing, and management nor a process to capture and track all targets, objectives, and goals on the business plans of every 8(a) program participant. SBA contends that the burden of this level of data collection would greatly outweigh any benefit derived from the action.

As indicated in Recommendation 1, SBA intends to clarify and enhance the established annual review of business plans. In August 2021, SBA instituted a greater emphasis on the review of a participant's business plan during its annual review. Explicitly, SBA added multiple questions in its BOS Annual Review Workbook that target specific aspects of the participant's business plan including any updates, progress toward short-term and long-term goals, and feasibility to support business growth and profitability of operation following the participant's completion of the 8(a) program. While the BOS Annual Review Workbook is not yet mandated for all district offices, all district offices collect and review the same information to assess a participant's achievements during the immediately preceding program year. Additionally, SBA Standard Operating Procedure (SOP) 80 05 808 Chapters 3 and 5 will be updated to clarify the required business plan reviews. Likewise, the 8(a) Desk Guide will be updated to clarify that business plans do not need to be approved prior to the award of any 8(a) contract award but must be submitted within 60 days after program admission and as a part of the annual review.

OIG Recommendation 3: Establish outcome-based performance goals and measurements to assess whether the program achieved business development objectives, including the number of graduated 8(a) firms in accordance with the measure of success in section 101(b)(2) of the Business Opportunity Development Reform Act of 1988.

Due Date: 12/1/2022

SBA's Response to Recommendation 3: SBA concurs with the spirit of this recommendation, but we do not believe such goals and measurements are statutorily required under section 101(b)(2) of the Business Opportunity Development Reform Act of 1988, Public Law 100-656. We agree that establishing program-level outcome-based performance goals and measurements is a worthwhile action. SBA leadership has already begun the process of identifying program-level goals that align with the Agency's Strategic Plan and plans to complete this process by December 1, 2022. While SBA agrees to include the number of graduated 8(a) firms as a performance goal, as we have discussed in conversations leading to this report, we strongly contend that graduation from the 8(a) program, as defined in 13 CFR 124.112(f) is not the only measure of success for the program. Program participants have numerous motivations and purposes for joining the program therefore business development success is measured in individual ways.

OIG Recommendation 4: Implement a process that uses outcome-based performance goals for regular data-driven reviews and align program leaders' personal performance plans with the goals, so program office leaders are held accountable for improving program data quality, identifying effective practices, and validating promising initiatives, that aligns with OMB Circular A-11 Part 6 – The Federal Performance Framework for Improving Program and Service Delivery guidance.

Due Date: N/A

SBA's Response to Recommendation 4: SBA does not concur with the recommendation. Within the recommendation, OIG implies that OMB Circular A-11 Part 6 requires that program leaders' individual and personal performance plans reflect program performance goals. While OMB Circular A-11 Part 6 acknowledges that one of the most important aspects of an effective performance management system is ensuring active leadership engagement, it does not require that individual performance plans include or align with program performance goals. Further, SBA SOP 39 25 Senior Executive Service (SES) Performance Management System states that performance plans must be developed jointly between the SES member and the rating official. The SES's performance requirements shall align with the Agency's Strategic Plan and organizational goals. All SES members are assessed and rated on each of the five critical elements which are based on the Executive Core Qualifications. All critical elements, with the exception of one, contain one mandatory OPM pre-populated performance requirement that cannot be changed. Final authority for establishing the performance requirements rests with the rating official.

SBA agrees that a process that uses outcome-based performance goals for regular data-driven reviews will be beneficial for the program. To that end, following SBA's identification of program-level goals that align with the Agency's Strategic Plan, as outlined in Recommendation 3, SBA will conduct quarterly reviews of program data to measure progress toward the identified goals and measurements.

OIG Recommendation 5: Implement a process to ensure the systematic collection of accurate and complete data on program results and operations to make sure all program reporting requirements are met, in accordance with section 7(j)(16)(A) of the Small Business Act and Standards for Internal Control in the Federal Government Principles for Information and Communication.

Due Date: 12/1/2022

SBA's Response to Recommendation 5: SBA concurs with the recommendation. SBA acknowledges the importance of systematic collection of accurate and complete data. In March 2020, SBA began tracking data regarding 8(a) program participants in a Master Tracking Spreadsheet. The spreadsheet is the process to ensure the systematic collection of accurate and complete data on program operations and includes information such as entrance and exit dates, adverse actions taken, and demographic information (e.g., state, disadvantage claim, parent entity, Federal recognition status). A BOS is responsible for tracking and validating data on the spreadsheet and all entries made by the BOS are researched and validated against data in Certify.SBA.gov and other source documents. The BOS reviews the OFO Business Development folder in SharePoint weekly to identify if any updates are required from OFO. This process has been implemented.

In order to ensure the systemic collection of data on program results, in August 2021, SBA instituted a greater emphasis on the review of a participant's business plan during its annual review and solidified the requirement to maintain documentation of the review. In addition to enhanced questions related to the business plan, SBA added questions that inform the BOS of areas needed for additional services or counsel. While the BOS Annual Review Workbook is not yet mandated for all district offices, the content for all district offices is consistent. Additionally, SBA Standard Operating Procedure (SOP) 80 05 808 Chapters 3 and 5 will be updated to clarify the required business plan reviews and maintenance of the documentation of the review.

OIG Recommendation 6: Implement requirements for management to monitor that Business Opportunity Specialists consistently assess program participant's development needs, counsel participants, conduct annual field visits, and maintain required documentation, as required by standard operating procedures.

Due Date: 12/1/2022

SBA's Response to Recommendation 6: SBA concurs with the recommendation.

BOSs conduct annual reviews for 8(a) program participants. District Office managers are responsible for the management and oversight of the BOSs who provide services to 8(a) participants. The services provided by BOSs include annual reviews, business development assistance, annual field visits and site visits. As indicated in Recommendations 1, 2 and 5, annual reviews are conducted in the BOS Annual Review Workbook referenced in SOP 80 05 8. In August 2021, SBA instituted a greater emphasis on the review of a participant's business plan during its annual review and solidified the requirement to maintain documentation of the review. In addition to enhanced questions related to the business plan, SBA added questions that inform

the BOS of areas needed for additional services or counsel. While the BOS Annual Review Workbook is not yet mandated for all district offices, as noted above the content for all district offices is consistent. Site and Field visit reports are and will continue to be housed in District Offices. Additionally, SBA Standard Operating Procedure (SOP) 80 05 808 Chapters 3 and 5 will be updated to clarify the required business plan reviews and maintenance of the documentation of the review.

OIG Recommendation 7: Ensure all employees performing Business Opportunity Specialist duties maintain a current Federal Acquisition Certification in Contracting Level 1 Certification within a year of appointment in accordance with section 4(g) of the Small Business Act.

Due Date: 12/1/2022

SBA's Response to Recommendation 7: SBA concurs with the recommendation. Per the National Defense Authorization Act of 2013, BOSs who service an 8(a) portfolio are required to obtain their FAC-C Level 1 certification. OFO has worked with the Office of Human Resources Services to ensure that this requirement is a part of the Position Description for all BOSs hired by SBA. Upon hire, a BOS has one year to obtain the certification and must maintain the certification as a requirement of the position. SBA emphasizes that a number of duties performed by BOSs are not duties that require a FAC-C Level I certification. OFO is conducting a portfolio analysis of the 8(a) portfolio distribution to evaluate any District Office that does not have a BOS to ensure that the appropriate skills and staffing are available to service their 8(a) portfolio. Appropriate staffing will include staff members with FAC-C Level 1 certification to perform duties outlined for a BOS in the National Defense Authorization Act of 2013 and staff members with the knowledge and skills to perform duties not included in the Act. OFO intends to complete the portfolio analysis by June 30, 2022 and, as further described in Recommendation 8, plans to begin a pilot stage of realigning BOSs by September 30, 2022 with final implementation by December 1, 2022.

OIG Recommendation 8: Use lessons learned from servicing 8(a) firms in an entirely virtual environment to coordinate district office resources and share best practices in order to equitably serve all 8(a) program participants. Align assigned Business Opportunity Specialist staffing levels accordingly to be consistent with ideal workload ratios as determined by the program office.

Due Date: 12/1/2022

SBA's Response to Recommendation 8: SBA concurs with the recommendation. OFO has begun a portfolio analysis of the 8(a) portfolio distribution for the purpose of evaluating District Offices that do not have a BOS to ensure that appropriate skills and staffing are available to service their 8(a) portfolio. Following the completion of the analysis, SBA will assess the staffing and resource allocation to District Offices and will develop a Portfolio Realignment Strategy to ensure fair and equitable servicing of 8(a) program participants. The goals of the realignment are to: align SBA's 8(a) BD program portfolio with OFO resources; ensure compliance and business development requirements are completed in a consistent manner and in accordance with statutory guidelines; and improve 8(a) program participant customer experience

including accessing business development resources. The Portfolio Realignment Strategy will be developed, and a pilot stage by September 30, 2022, with final implementation by December 1, 2022.

Other Considerations: SBA also finds it important to address other matters identified in the report. First, within the Objective, Scope and Methodology section of the report, OIG indicated that audit results were based on a judgmental sample of 8(a) program participants and District Offices. SBA highlights that the number of 8(a) firms sampled, 40 of 4,523 firms that were individually owned and active in the 8(a) program during the scope of the audit, represents fewer than 1% of 8(a) program participants. Additionally, with this exceedingly small sample size, OIG disclosed to SBA that the sample was specifically chosen from firms with the highest amount in 8(a) contracts, therefore influencing the amount of potential questioned costs.

Next, in the History of Program Oversight and in Appendix C, OIG states that, “OIG and the U.S. Government Accountability Office (GAO) have completed a long list of reviews and inspections” and that, “Both agencies repeatedly found SBA’s efforts to track the business development performance of the program fell short of Congressional instructions and expectations.” In addition to finding this statement inflammatory, SBA contends that within the 33 years of reports cited, OIG fails to acknowledge that all but two recommendations have been closed.

Finally, SBA strongly refutes the questioned costs included in the report. OIG confirmed that the questioned costs were based on calculations of contracts received by six 8(a) program participants for whom OIG did not find documentation of an approved business plan in the participants’ files. OIG concluded that the lack of documentation of the business plan approval constitutes noncompliance with the Small Business Act’s mandate that business plans be approved prior to a contract award. First, SBA highlights that the Small Business Act does not mandate a *written* approval of business plans. Next, SBA contends that OIG has mischaracterized the conclusions drawn from the finding. Specifically, SBA acknowledges a weakness related retaining documentation during information system data migrations, as opposed to a current weakness in controls related to the review and approval of business plans. Once the firms in question were identified by OIG, SBA located business plan approval letters showing that 2 of the 6 firms were clearly eligible for all contract awards related to costs questioned by OIG. For the remaining four firms, SBA’s documentation supports the approval of the firms’ business plans during annual reviews. Collectively, these firms were awarded \$24 million in sole-source and set-aside 8(a) contracts prior to approval of their business plans. SBA also located similar evidence in Certify for all 17 firms identified by OIG as not having business plans.