

EVALUATION REPORT

Improvements Needed in SBA's Management of the Women Owned Small Business Federal Contracting Program





EXECUTIVE SUMMARY

Report 15-10

May 14, 2015

IMPROVEMENTS NEEDED IN SBA'S MANAGEMENT OF THE WOMEN-OWNED SMALL BUSINESS FEDERAL CONTRACTING PROGRAM

What OIG Reviewed

The Small Business Administration's (SBA) Women-Owned Small Business Federal Contracting Program (WOSBP) provides greater access to Federal contracting opportunities for firms who are women-owned small businesses (WOSBs) and economically-disadvantaged women-owned small businesses (EDWOSBs) that meet the WOSBP requirements.

Our objectives were to determine whether (1) WOSBP awards complied with set-aside requirements, and (2) firms that received set-aside awards conformed to self-certification requirements. We reviewed a judgmental sample of 34 awards between October 1, 2013, and June 30, 2014. This consisted of 17 WOSB awards totaling \$6.6 million (over 70 percent of the WOSBP set-aside awards) and 17 EDWOSB awards totaling \$7.9 million (nearly 90 percent of the WOSBP set-aside awards).

What OIG Found

Federal agencies' contracting officers awarded 15 of 34 set-aside awards without meeting the set-aside requirements of WOSBP. These firms received approximately \$7.1 million of fiscal year (FY) 2014 set-aside awards that may be improper. Specifically, 10 of 34 WOSBP set-aside awards were for ineligible work. In addition, 9 of these 34 were awarded to firms that did not provide required documentation to prove they were eligible for WOSBP.

Of the 34 WOSBP awards we reviewed, only 25 had documentation in the WOSBP repository. We found that 13 of 25 firms in our sample did not upload all of the required documentation to the repository, and 12 firms did not provide sufficient documentation to prove that a woman or women controlled the day-to-day operations of the firm. Firms that may be ineligible accounted for approximately \$8 million in WOSBP set-aside awards.

WOSBP will undergo some major programmatic changes based on the National Defense Authorization Acts for FY 2013 and 2015. The FY 2015 Act will grant authority to contracting

officers to award sole-source awards to WOSBP firms, will remove firms' ability to self-certify, and will require certification. We believe these changes will considerably increase SBA's oversight role. Since SBA is still determining how it will implement these mandated changes, we encourage SBA officials to use the results in this report to assist them in creating a more robust WOSBP.

OIG Recommendations

We recommended that SBA provide additional, updated training and outreach to Federal procuring agencies' contracting officers, WOSBP firms, and potential WOSBP firms on the set-aside requirements and on documentation requirements. We also recommended that SBA revise the self-certification form to include the name of the individual who is in control of day-to-day operations, if different than the owner. Further, we recommended that SBA update Form 413 to ensure it properly provides financial information in accordance with the program requirements and that SBA perform eligibility examinations of the firms OIG identified as potentially ineligible for WOSBP.

Agency Comments

SBA agreed with our findings and recommendations.

Actions Taken

SBA plans to provide WOSBP-specific training to the Federal contracting community and to potential WOSB and EDWOSBs firms. Additionally, SBA plans to update the self-certification forms as well as SBA Form 413. Lastly, they will complete eligibility reviews for firms that OIG identified as potentially ineligible.



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

Final Report Transmittal
Report Number: 15-10

DATE: May 14, 2015

TO: Maria Contreras-Sweet
Administrator, Small Business Administration

John Shoraka
Associate Administrator, Office of Government Contracting and Business
Development

SUBJECT: *Improvements Needed in SBA's Management and Administration of the
Women-Owned Small Business Federal Contracting Program*

This report presents the results of our evaluation of the Small Business Administration's (SBA) Women-Owned Small Business Federal Contracting Program (WOSBP). The objectives of our evaluation were to determine whether (1) WOSBP awards complied with set-aside requirements and (2) firms that received set-aside awards conformed to self-certification requirements.

The report contains five recommendations that SBA agreed to implement. Please provide us within 90 days your progress in implementing the recommendations.

We appreciate the courtesies and cooperation extended to us during this audit.

/s/
Troy M. Meyer
Assistant Inspector General for Auditing

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Introduction

The Small Business Administration (SBA) has a number of programs that provide benefits and assistance to help small and disadvantaged businesses grow and develop. These benefits allow participating firms to receive set-aside Federal awards so that small businesses do not need to compete with large businesses that may have an industry advantage. One of these SBA programs is the Women-Owned Small Businesses Federal Contract Program (WOSBP). If a firm meets the requirement of WOSBP, the program provides greater access to Federal contracting opportunities for firms who are women-owned small businesses (WOSBs) and economically-disadvantaged women-owned small businesses (EDWOSBs).

The Small Business Act establishes the requirement for the Federal Government to achieve certain goals for awards to small businesses. The women-owned small business contracting goal is composed of awards made to:

- small women-owned firms; and
- WOSBP firms, which are composed of WOSB and EDWOSB firms.¹

The goal for WOSBs was 5.0 percent of prime and subcontract awards.² In fiscal year (FY) 2013, the Federal Government reported awarding approximately \$15.4 billion, or 4.3 percent, of Federal contracting dollars to small women-owned firms, including those in WOSBP. According to SBA personnel, WOSB and EDWOSB awards for FY 2013 totaled \$101.1 million—approximately 0.7 percent of the achieved goaling dollars for women-owned small firms, while 99.3 percent of the awards went to women-owned small firms that were not in WOSBP.

The Small Business Reauthorization Act of 2000 authorized contracting officers to set-aside awards and restrict competition to eligible WOSBs and EDWOSBs in certain industries in which women-owned firms are underrepresented.³ SBA uses industry studies to determine which industries and areas of work—or North American Industry Classification System (NAICS) codes—are underrepresented WOSBs and EDWOSBs, then SBA maintains a list of these NAICS codes. Currently, SBA has identified 133 NAICS codes where WOSB firms are substantially underrepresented and 197 NAICS where EDWOSB firms are underrepresented.

WOSB Federal Contract Program Set-Aside Award Process

WOSBP increases Federal contracting opportunities for WOSBs and EDWOSBs through set-aside awards, which restrict competition to only WOSBs and EDWOSBs in order to gain access to awards they may not otherwise be considered for in a full and open competition situation. Firms seeking WOSB consideration must be 51 percent owned and controlled by a woman (or women) who is a U.S. citizen. In addition to meeting WOSB requirements, firms seeking EDWOSB consideration must also qualify as economically disadvantaged, which generally means the firm's ability to compete in the market is lower than competitors due to less capital and credit.⁴

¹ Joint ventures of these firms are identified as Joint Venture WOSB and EDWOSB Joint Venture.

² FY 2014 goaling report has not been released to date.

³ Substantially, underrepresented and underrepresented industries are identified by North American Industry Classification Systems (NAICS) code.

⁴ 13 CFR 127.203 provides the dollar thresholds defining economic disadvantage.

Firm Responsibilities

Currently, in order to receive a WOSBP set-aside award, a firm must either upload its supporting eligibility documents, including a self-certification, into the WOSBP repository, or use an SBA-approved, third-party certifier to review its documentation.^{5,6} When a firm uses an approved third-party certifier, the certifier reviews the firm's eligibility documents and ensures the firm meets eligibility requirements. In such cases, the firm is required to upload the self-certification and the certifier's eligibility determination to the WOSBP repository. Once the firm has uploaded its documentation into the repository, it then uses the System for Award Management (SAM) to provide a certification statement that asserts that (1) the firm meets WOSBP requirements, (2) it has provided all the required documents to the WOSBP repository, and (3) no changes have occurred that would affect the firm's eligibility for the program.⁷

Agency Contracting Officers Responsibilities

Once a WOSB or EDWOSB firm has submitted documentation into the WOSBP repository, the contracting officer at the requesting agency will review the submitted offers, select a firm, and contact that firm to request access to the firm's documents in the repository. The contracting officer then accesses the repository to ensure all documents are present—but not that they actually support the firm's eligibility. If all documentation is present, the contracting officer awards the contract. If it is not, the contracting officer files a protest, which SBA reviews.

SBA Responsibilities

SBA is responsible for determining which NAICS codes are substantially, underrepresented for WOSBs and underrepresented EDWOSBs. SBA approves third-party certifiers who review a firm's eligibility documentation and determine if the firm is eligible for WOSBP. Additionally, SBA performs eligibility examinations on a sample of firms who receive WOSBP set-aside awards, or firms that have received protests from agency contracting officers. In these reviews, SBA does not certify the firms, but instead verifies that the documentation uploaded to the WOSBP repository supports that the firm is eligible for the program.

NDAA Changes and Impact

WOSBP is set to undergo some major programmatic changes based on the National Defense Authorization Acts (NDAA) for FY 2013 and FY 2015. The NDAA for 2013 amended the Small Business Act and removed previously existing contract caps on set-aside awards for which WOSB and EDWOSB firms were able to compete.⁸ Eliminating the pre-existing contract caps will potentially increase the amount of set-aside awards available for women and spur greater market participation from women-owned small businesses.

⁵ SBA Form 2413 or 2414 is required by all WOSBP firms and is where the owner self-certifies she meets the eligibility requirements of the program.

⁶ The documents required vary depending on if the firm uses a third-party certifier to verify its eligibility. This requirement will be modified in the future based upon changes proposed in the National Defense Authorization Act for FY 2015.

⁷ SAM is a Federal database that consolidated various Federal procurement systems.

⁸ Under previous rules, WOSB and EDWOSB set-aside awards could not exceed \$5 million for manufacturing awards and \$3 million for all other awards.

Subsequently, the NDAA for FY 2015 will add further incentive for contracting officers to use WOSBP by adding the authority to award sole-source awards to participating firms.⁹ The NDAA for FY 2015 will remove a firm's ability to self-certify by simply uploading supporting documentation to the WOSBP Repository; it will require firms be certified by a Federal agency, a State government, the Administrator, or a national certifying entity approved by the Administrator. These added incentives to WOSBP should over time increase the number of Federal awards set aside and awarded to WOSBP firms.

Because we started our evaluation before the NDAA for FY 2015 rule changes were issued, the results discussed in this report are based on the existing WOSBP policies and regulations. However, the changes mandated in the NDAA for FY 2015 could take SBA several years to implement. Therefore, WOSBP will continue to be governed by rules established before the NDAA for FY 2015. SBA is still determining how it will implement these mandated changes. We believe that SBA officials should use the results in this report to assist in creating a more robust WOSBP.

Prior Work

A recent Government Accountability Office (GAO) report found that SBA did not have adequate procedures to oversee third-party certifiers or reasonable assurance that only eligible businesses are obtaining WOSB set-aside awards. GAO recommended that SBA establish measures to ensure that the Agency is properly assessing third-party certifiers' performance. GAO also recommended that SBA develop standard operating procedures for conducting firm eligibility examinations, begin analyzing examinations results, and implement "ongoing reviews of a sample of all business that have represented their eligibility to participate in the program."¹⁰

Objectives

This evaluation determined whether (1) WOSBP awards complied with set-aside requirements and (2) firms that received set-aside awards conformed to self-certification requirements.¹¹

⁹ Sole-source authority applies to awards up to \$6.5 million for manufacturing and \$4 million for all other types of awards.

¹⁰ *Women-Owned Small Business Program, Certifier Oversight and Additional Eligibility Controls are Needed* (GAO-15-54, October 2014).

¹¹ See Appendix I for a detailed discussion of our audit scope and methodology.

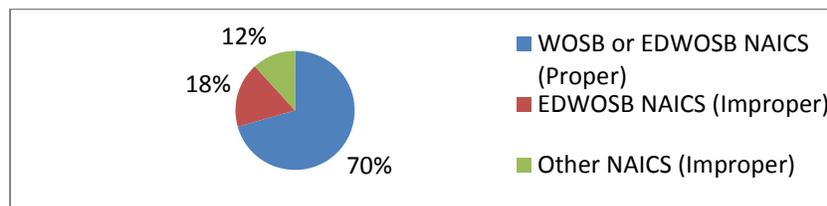
Finding 1: Approximately \$7.1 Million Inappropriately Set-Aside for the WOSBP

We analyzed 34 awards—17 WOSB set-aside awards and 17 EDWOSB set-aside awards—and found that Federal agencies’ contracting officers awarded 15 of 34 set-aside awards without meeting WOSBP’s set-aside requirements. These firms accounted for WOSBP set-aside awards valued at approximately \$7.1 million during FY 2014.¹² Specifically, contracting officers awarded 10 of 34 WOSBP set-aside awards for work that was not eligible to be set aside for the program. In addition, 9 of the 34 awards went to firms that did not provide necessary documentation to prove they were eligible for WOSBP.¹³ This occurred because agencies’ contracting officers did not comply with the regulations prior to awarding these awards and SBA did not provide enough outreach or training to adequately inform them of their responsibilities and the program’s requirements.

10 WOSB Set-Aside Awards were Improperly Awarded under Invalid NAICS Codes

The Federal Acquisitions Regulations (FAR) states that when acquiring products through WOSBP, contracting officers must use a NAICS code, which shows the type of product or service being acquired, that SBA has determined as eligible for WOSBP.¹⁴ However, contracting officers from various Federal agencies improperly set-aside 10 of the 34 WOSBP set-aside awards. Four of the awards were improperly set-aside using NAICS codes that SBA had not identified as being substantially, underrepresented or underrepresented by women-owned businesses.¹⁵ The other six awards should have been set aside for an EDWOSB but were misclassified as WOSB set-aside awards (See Figure 1). This put EDWOSBs at a further disadvantage, as they then had to compete with WOSBs for awards that should have been non-competitively awarded solely to EDWOSBs.

Figure 1. NAICS Codes Used for 34 Set-Aside Awards



Within WOSBP, NAICS code errors may be due to contracting officers’ uncertainty on WOSBP NAICS code requirements. WOSBP is structured differently than other SBA-run Federal contracting programs. While other programs generally apply to all NAICS codes, WOSBP is limited to specific NAICS codes—and not all program-eligible NAICS codes are eligible for both EDWOSBs and WOSBs. SBA managers stated that they were generally aware of the NAICS code errors we identified and felt that continuing to reach out to the contracting community with updated training would be its best avenue to remedy the situation. However, even after multiple requests, SBA did not specify the amount and type of program outreach SBA performed during FYs 2013 and 2014.

¹² If a firm was identified as possibly ineligible for WOSBP, we reviewed FPDS-NG for any additional WOSBP original awards they received after the award in our scope.

¹³ Four awards had both invalid NAICS codes and no documentation in the WOSBP repository.

¹⁴ FAR Part 19.1505 and 13 CFR Part 127.101 state, “...in those NAICS codes in which the SBA has determined that WOSB firms eligible under the WOSB program are substantially, underrepresented or underrepresented in Federal procurement...”

¹⁵ Three of these awards were to WOSB firms and one was to an EDWOSB firm.

We encourage SBA program officials to ensure that any outreach and training on WOSBP sufficiently covers NAICS codes requirements for this program. NAICS codes are essential in ensuring that awards—and award recipients—are eligible for WOSBP. Not following NAICS code specifications could potentially undercut the purpose of the program by opening up competition for awards to wider groups than intended. Therefore, for this program to operate effectively, contracting officers must understand their responsibilities and the difference between eligible and ineligible NAICS codes, as well as WOSB-eligible and EDWOSB-eligible NAICS codes.

9 WOSBP Firms Received Awards with No Documentation in the WOSBP Repository

In order for a firm to receive a set-aside award, it must (1) self-certify in SAM that it meets the WOSB or EDWOSB requirements, and (2) upload the required documents, including the self-certification, into the WOSBP repository. When a firm identifies an award it wants to submit a proposal for, the firm must have its eligibility documents in the WOSBP repository.^{16, 17} Examples of these types of documents include, but are not limited to:

- citizenship documentation;
- signed copy of the women-owned small business certification;
- corporate by-laws, if applicable; and
- front and back copies of all issued stock certificates.

If a contracting officer determines that a firm has represented itself as a WOSB or EDWOSB but did not provide all the required documents to verify its eligibility, the CFR directs the contracting officer to file a status protest with SBA.¹⁸

Despite these requirements, we found that contracting officers at various Federal agencies improperly set aside 9 of 34 WOSBP awards, or 26 percent, to firms that did not have any documentation in the WOSBP repository. This included 7 of the 17 WOSB set-aside awards, or 41 percent, and 2 of the 17 EDWOSB set-aside awards, or 12 percent.

We attempted to determine if any contracting officers filed a status protest for any awards in our sample, as required. However, since the nine awards were set aside to firms not in the repository, it appears contracting officers are not following the set-aside procedures.

In order for this program to operate effectively, both firms and contracting officers must understand their responsibilities. If firms do not provide the required documentation to the repository, then the contracting officer has no evidence that the firm meets program requirements. Additionally, if contracting officers move forward to award firms without the proper documentation, they risk undermining the purpose of the program, which is to offer WOSBs and EDWOSBs the opportunity to benefit from a smaller competitive pool. Although SBA has a limited role in the oversight of this program, it needs to increase outreach and training so that contracting officers and participating firms understand their responsibility when contracting with the WOSB set-aside preference.

¹⁶ FAR 19.1503 and 13 CFR 127.300(f).

¹⁷ If a firm is certified by an SBA approved third-party certifier or by SBA under the 8(a) Business Development Program, the firm is only required to submit the certifying letter and the WOSB self-certification to the WOSBP repository.

¹⁸ In FY 2014, SBA received five status protests concerning firms in WOSBP. We could not determine if any of these were from contracting officers because, although requested, SBA did not provide us the details of the protests.

Recommendations

We recommend that the Associate Administrator for Government Contracting and Business Development:

1. Provide additional, updated training and outreach to the contracting community explaining that program set-aside requirements are for awards within certain NAICS codes in which women-owned firms have been identified as being substantially underrepresented or underrepresented.
2. Provide additional, updated training to WOSBP firms, potential WOSBP firms, and contracting officers on current repository and documentation requirements.

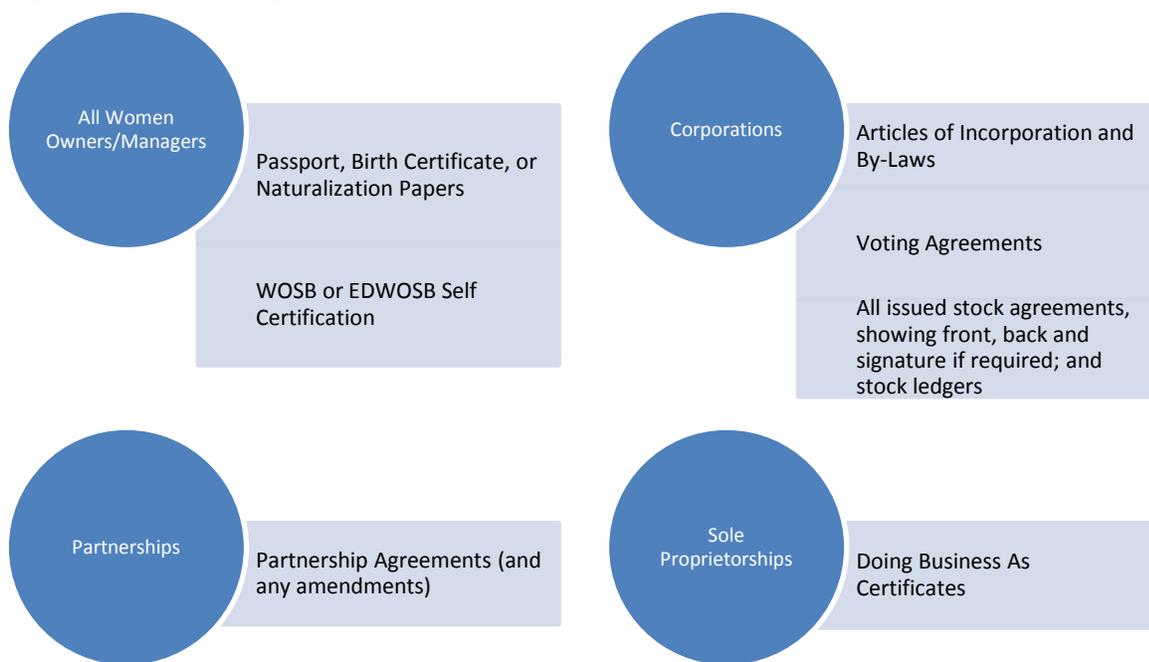
Finding 2: \$8 Million Awarded to Potentially Ineligible Firms Based on Documentation in the WOSBP Repository

Of the 34 WOSBP awards we reviewed, only 25 had documentation in the WOSBP repository. Of these, we found that 13 did not provide all of the required documentation to the repository, and 12 did not provide sufficient documentation to prove that the firm was controlled by women.¹⁹ This occurred in part because the contracting officers and WOSBP firms did not always comply with regulations. Additionally, WOSBP regulations do not require sufficient underlying documentation to prove that firms are economically disadvantaged or primarily controlled by women. As a result, for FY 2014 alone, \$8 million in WOSBP set-aside awards went to firms that may have been ineligible.²⁰

13 Firms that Received \$7.1 Million Were Missing Required Documentation

Firms claiming WOSB or EDWOSB preference must have certain documentation uploaded in the WOSBP repository by the time a contracting officer receives an offer (See Figure 2).²¹ Contracting officers are also required to verify that this documentation is present in the repository when selecting a firm for an award. However, they are not required to verify the information or the firm's eligibility for the program.²² If the firm fails to provide all the required documents, contracting officers must file a protest with SBA for verification of the firm's eligibility.²³

Figure 2. WOSB Program Documentation Requirements



¹⁹ See Appendix II for agencies associated with these awards.

²⁰ If a firm was identified as possibly ineligible for WOSBP, we reviewed the Federal Procurement Data System-Next Generation (FPDS-NG) for any additional WOSBP original awards it received after the award in our scope.

²¹ 13 CFR 127.300(a).

²² A firm may provide the required documentation directly to the contracting officer, but it is still required to upload it to the WOSBP repository.

²³ 13 CFR 127.301(b).

However, 13 of the 25 firms that uploaded documents to the repository—or 52 percent—were missing required documentation in the repository and therefore may not be eligible for the program.²⁴ The following are examples of the missing documents:

- birth certificates or passports,
- corporate by-laws,
- back of stock certificates, and
- stock ledgers.

These documentation issues may have occurred because contracting officers are not ensuring the documentation is present when awarding firms these awards. For 18 of the 25 firms with documentation in the repository, or 72 percent, there was no record of a contracting officer accessing the firms' documentation stored in the WOSBP repository.²⁵

Documentation Requirement for EDWOSBs Does Not Sufficiently Demonstrate Eligibility

We found that required documentation may not adequately demonstrate that WOSBP firms actually meet the eligibility requirements. For a firm to qualify for an EDWOSB status, in addition to meeting WOSB requirements, the owner must also have:

- a net worth less than \$750,000,
- an adjusted gross income (averaged over 3 years prior to certification) less than \$350,000, and
- assets less than \$6 million.²⁶

However, we found that even though EDWOSB firms must submit a personal financial statement (Form 413), which captures various income, net worth, and financial data for 1 year, this is not sufficient to determine if the owner meets the 3-year adjusted gross income requirement.²⁷ Additionally, firms are not required to provide any documentation to support their personal financial statement in the WOSBP repository. Because of these documentation issues, we were unable to determine whether EDWOSB firms were eligible for the program based on economic disadvantage.

All WOSBP firms are also required to update their repository documents as needed to be kept current, accurate, and complete.²⁸ This is particularly important for EDWOSB firms, whose eligibility is based on their economic position; however, six of the nine EDWOSB firms had not updated their personal financial statement in over a year.^{29, 30} One firm had not updated its Form 413 in over 4 years.

12 Firms that Received \$4.5 Million May Not Be Controlled by Women Day-to-Day

To be eligible for WOSBP, one or more U.S. citizen women must manage and control the firm's daily business operations. A woman must also hold the highest officer position within the firm and must

²⁴ Of the 34 WOSBP awards we reviewed, only 25 had documentation in the WOSBP repository.

²⁵ We reviewed the access log for the firms' documents in the repository. However, we were unable to determine if a contracting officer reviewed the individual documents in the repository.

²⁶ 13 CFR 127.203 (b)(1), (c) (3) (i), and (c) (4).

²⁷ 13 CFR 127.300 (e) (8)(i).

²⁸ 13 CFR 127.300(f).

²⁹ One of the six forms was undated and was uploaded in 2011; based on that date, we consider it over a year old.

³⁰ Of the 17 awards in our EDWOSB sample, 6 were eligible with their 8(a) certification, so they were not required to submit a Form 413, and two awards did not have documentation in the repository.

have management experience to the extent and complexity needed to run the business. She does not need to have a license, even if it is required in the field, as long as she controls the firm. However, if a man possesses the required license and has an equity interest in the concern, he may be considered as controlling the firm. Additionally, WOSBP includes a limitation on outside employment and requires the woman who holds the highest position to also manage the business on a full-time basis and devote full time to the business concern during the normal working hours of firms in the same or similar lines of business.³¹

Despite these requirements, we could not determine who was controlling the firms' day-to-day operations for 12 of 18 firms in our sample where control could be assessed.³² These firms received WOSBP set-aside awards valued at approximately \$4.5 million during FY 2014. This occurred because firms are not required to state specifically who is in control of the firm in their documentation. Based on the documentation the firms provided, we question whether the women owners controlled 12 of the 18 firms we reviewed. The following are some examples of firms we question the day-to-day control:

- The sole proprietorship owner's LinkedIn account states that at the time of contract performance, she was completing a 1-year, 2,000 hour intern position (which averages to 38.5 hours a week). In light of these facts, we question her ability to manage the business day-to-day operations during the normal working hours.
- One woman-owned corporation appears to have a possible, unreported affiliation with a company of the same name based in India. The Indian company's website lists and discusses one of its locations in the United States, which has the same location and contact information as this WOSB. We question whether the firm is a small, independent entity or part of a larger corporate structure. Additionally, while all the corporate documentation details that the owner has the required percentage ownership and titles, the woman-owner's husband is a full-time employee of the firm and has worked at the firm since it was established. He also is listed on several sites, including SBA's, as the President and Chief Executive Officer of the firm which, according to its corporate by-laws, would make him the person in control of the firm. If this is true, the firm would not be eligible for WOSBP.
- One partnership was purportedly between a husband and wife. However, the repository did not contain a partnership agreement or a statement by the owners on the percentages of ownership. Additionally, the wife did not provide valid evidence of citizenship. Finally, on her 2013 taxes, the woman partner stated she materially participated in the operation of another, unrelated business in that year, which leads us to question if she or her husband is in fact in control.

As part of this evaluation, we wanted to assess the quality of SBA's eligibility examinations of firms in WOSBP. While we were reviewing documentation in the repository for the WOSBs and EDWOSBs in our sample, several firms appeared to have undergone an SBA eligibility examination. SBA officials stated that they completed 119 eligibility exams in FY 2013 and 125 eligibility exams in FY 2014. On several occasions, we requested that SBA officials provide us pertinent information on the completed eligibility examinations. However, as of May 2015, SBA had not provided us with all of the firm names or the outcomes of the examinations. As a result, we were unable to review how SBA evaluated the firms in our sample—if at all.

³¹ 13 CFR 127.202 (c).

³² We could not assess control for the 9 firms without documentation in the WOSBP repository or for the 7 awards to firms in the 8(a) Program.

The NDAA of FY 2015 will require certification by a Federal agency, a State government, the Administrator, or a national certifying entity approved by the Administrator in order for a firm to be eligible for WOSBP. Therefore, SBA's oversight role will likely increase and eligibility reviews will be a critical key for SBA to accomplish this function. Consequently, we have concerns with SBA's ability to perform the eligibility examinations or monitor others performing them.

Identifying who is controlling a WOSB or EDWOSB is a key eligibility requirement for WOSBP. If a man is controlling the business, the firm is ineligible. Similarly, it is taking away opportunities from eligible firms. When firms receive WOSB and EDWOSB set-aside awards without meeting the minimum documentation requirements, they may be ineligible for the program and for the set-aside award. Set-aside awards made to firms that do not meet the eligibility requirements of the program are taking away Federal contracting dollars from legitimate WOSBP firms. Since changes brought on by the NDAA for FY 2013 will remove the award thresholds and the NDAA for FY 2015 will add sole-source capability, ensuring awards go to eligible firms is crucial to safeguarding Federal funds and to providing growth in underutilized or underrepresented industries. SBA needs to address how it will ensure eligible participants are controlling these firms.

Recommendations

We recommend that the Associate Administrator for Government Contracting and Business Development:

3. Revise the self-certification forms (SBA Forms 2413 and 2414) to include the name of the individual who is in control of day-to-day operations if different than the owner.
4. Revise the SBA Financial Form 413 to ensure it properly provides financial information in accordance with the WOSB Program requirements.
5. Perform eligibility examinations on WOSB and EDWOSB firms identified in this report as potentially ineligible.

Analysis of Agency Response

SBA management provided formal comments, which are included in their entirety in Appendix III. The following provides a summary of management's comments and the actions necessary to close the report.

Agency management agreed with all five of our recommendations, but noted that the timing of the OIG review overlapped with the Government Accountability Office (GAO) review of WOSBP. As such, management stated that while the OIG recommendations were different, OIG did not identify new issues not already addressed by GAO.

While the two reviews were conducted during an overlapping period, we worked closely with GAO to minimize any duplication of audit effort. Specifically, GAO's review focused on (1) how businesses were certified as eligible for WOSBP, (2) SBA's oversight procedures of WOSBP certifications, and (3) the effect WOSBP has had on Federal contracting opportunities available to WOSBs or EDWOSBs. Our review examined whether WOSBP awards complied with set-aside requirements, and whether WOSB and EDWOSB firms that received set-aside awards conformed to self-certification requirements.

Summary of Actions Necessary to Close the Report

- 1. Provide additional, updated training and outreach to the contracting community explaining that program set-aside requirements are for awards for goods and services within certain NAICS codes in which women-owned firms have been identified as being substantially, underrepresented or underrepresented.**

The Office of Government Contracting and Business Development (GCBD) stated that training is an ongoing process, and it will reach out to the over 2,800 buying activities in the Federal government and offer training during the “1st Wednesday” series of webinars. GCBD will use a WOSB-specific module to address the uniqueness of the program. Additionally, the webinars will be recorded allowing on-demand access to other contracting officers. GCBD proposed implementing this recommendation by September 30, 2016. This recommendation can be closed upon GCBD providing evidence supporting that the training module has been developed and training is being provided to the Federal government contracting community.

- 2. Provide additional, updated training to WOSBP firms, potential WOSBP firms, and contracting officers on current repository and documentation requirements.**

GCBD stated that training is an ongoing process, and it will establish a series of webinars specifically for potential WOSB and EDWOSB firms. Additionally, the webinars will be recorded allowing on-demand access to other small businesses and contracting officers. GCBD proposed to implement this recommendation by September 30, 2016. This recommendation can be closed upon GCBD providing evidence supporting that the webinars have been established and training is being provided to potential WOSB and EDWOSB firms.

- 3. Revise the self-certification forms (SBA Forms 2413 and 2414) to include the name of the individual who is in control of day-to-day operations if different than the owner.**

GCBD proposed to implement this recommendation by September 30, 2016. This recommendation can be closed upon GCBD providing evidence of the updated SBA Forms 2413 and 2414.

- 4. Revise the SBA Financial Form 413 to ensure it properly provides financial information in accordance with the WOSB Program requirements.**

GCBD proposed to implement this recommendation by September 30, 2016. This recommendation can be closed upon GCBD providing evidence of the updated SBA Financial Form 413.

- 5. Perform eligibility examinations on WOSB and EDWOSB firms identified in this report as potentially ineligible.**

GCBD stated it will schedule the eligibility reviews upon receipt of the specific firms from OIG. GCBD proposed to implement this recommendation by September 30, 2016. This recommendation can be closed upon GCBD providing evidence of completion of the eligibility examinations for the identified firms.

Appendix I: Scope and Methodology

This report presents the results of whether (1) WOSBP awards complied with set-aside requirements and (2) firms that received set-aside awards conformed to self-certification requirements.

To answer our objectives, we reviewed the Small Business Act, United States Code Title 15, Section (637)(m), the Code of Federal Regulations Title 13, the Federal Acquisitions Regulation subpart 19.15, the Federal Register Volume 75, and the NDAA for FYs 2013 and 2015. Additionally, we reviewed the WOSBP website and documents such as the WOSB Compliance Guide and the WOSBP NAICS code lists. Further, we met with SBA officials to discuss WOSBP.

We selected and reviewed a judgmental sample of 34 awards by querying FPDS-NG for WOSB and EDWOSB original awards between October 1, 2013, and June 30, 2014. We identified 169 WOSB set-aside awards that met our parameters and we selected all the awards over \$100,000 for our sample. This resulted in a sample of 17 WOSB awards totaling \$6.6 million, over 70 percent of the approximately \$9 million in WOSB set-asides for this time period. Similarly, we identified 50 EDWOSB set-aside awards that met our parameters and we selected all the awards over \$100,000 for our sample. This resulted in a sample of 17 EDWOSB awards totaling \$7.9 million, nearly 90 percent of the approximately \$9 million in EDWOSB set-aside awards for this time period. As a result, we had a total of 34 set-aside awards in our sample.

Of these 34 awards, 27 were to firms who qualified for the program by self-certifying to their eligibility and providing documentation to the WOSBP repository. The other 7 awards in our sample were to firms who did not use an independent third-party approver, but used their SBA 8(a) Business Development Program participant status as their third-party certifying authority.³³ We reviewed the sample by first determining if each award was in a NAICS code identified as substantially underrepresented for WOSB or underrepresented for EDWOSB firms and then we determined if the firm selected for the set-aside award had documentation in the WOSBP repository. Then, for firms with documentation in the WOSBP repository, we reviewed to determine if all the required documents were uploaded, current, and sufficiently demonstrated that firm met the requirements of the program.

We conducted our review in accordance with the Council of Inspectors General on Integrity and Efficiency quality standards for inspection and evaluations. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objectives.

Use of Computer-Processed Data

We relied on the data we obtained from FPDS-NG to select our sample of awards for review. This is the best source of information on Federal contracting and so for the purposes of our review, we deemed it sufficient. In addition to FPDS-NG, we also used SAM and the WOSBP repository, which is more of a file storage system. Throughout our work, we looked for errors in data but did not have any issues that arose that called into question the validity of information contained in FPDS-NG,

³³ One award was a WOSB set-aside and six awards were EDWOSB set-asides. Of the six EDWOSB set-aside awards, three were to one firm.

SAM, or the WOSBP repository. We believe the information is reliable for the purposes of this review.

Prior Coverage

*U.S. Senate Committee on Small Business and Entrepreneurship Report
21st Century Barriers to Women's Entrepreneurship* (Majority Report, July 23, 2014).

*U.S. Government Accountability Office Report
Certifier Oversight and Additional Eligibility Controls Are Needed* (Audit Report GAO-15-54, October 8, 2014).

*National Aeronautics and Space Administration (NASA) Report
Review of NASA's Internal Controls for Awards with Small Businesses* (Audit Report IG-13-010, February 28, 2013).

Appendix II: Agencies with Potential Improper WOSBP Set-Aside Awards

Agency	No. of Improper awards
Bureau of Land Management	1
Department of Agriculture	1
Department of the Air Force	1
Department of the Army	8
Department of Defense	4
Department of Justice	1
Department of the Treasury	2
Forest Service-GMUG National Forest	1
General Services Administration	2
Health and Human Services	1
National Oceanic And Atmospheric Administration	1
National Park Service	1
United States Coast Guard	1
	25

Appendix III: Agency Comments



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

30 April 2015

MEMORANDUM

To: Troy M. Meyer
Assistant Inspector General for Auditing

SUBJECT: *Response to Draft Evaluation Report – Improvements Needed in SBA’s Management and Administration of the Women Owned Small Business (WOSB) Federal Contracting Program*

The Office of Government Contracting and Business Development (GCBD) has completed its review of the subject draft report and provides this memorandum as its response to the findings and recommendations identified in final report. GCBD appreciates the engagement of the OIG office in this important matter affecting the successful execution of the WOSB program. This response will address an overall summary of the report followed by the specific five recommendations individually.

SUMMARY:

GCBD appreciates OIGs review but notes that this report was conducted during an overlapping period when the WOSB Program was also examined by the Government Accountability Office (GAO) which released its findings on 31 October 2014. While the recommendations are different, OIG did not identify new issues from that which was identified by GAO.

RESPONSE TO RECOMMENDATIONS:

1. *Provide additional, updated training and outreach to the contracting community explaining that program set-aside requirements are for awards for goods and services within certain NAICS codes in which women-owned firms have been identified as being underrepresented or substantially underrepresented.*

Response: SBA concurs that additional training is necessary. SBA also recognizes that training is an ongoing process. To address the immediate recommendation of OIG, the Office of Government Contracting will reach out to the over 2,800 buying activities in the federal government and offer training through the highly successful “1st Wednesday” series of webinars. A specific module addressing the unique nature of the WOSB program will be provided and invitations to participate

will be provided to the buying activities. The webinar will be recorded in order to make it available on demand to other contracting officers.

2. *Provide additional, updated training to WOSBP firms, potential WOSBP firms, and contracting officers on current repository and documentation requirements.*

Response: SBA concurs that additional training is necessary. SBA also recognizes that training is an ongoing process. To address the immediate recommendation of OIG, the Office of Government Contracting will establish a series of WOSB webinars specifically for potential WOSB and EDWOSBs. The webinars will be recorded in order to make it available on demand to other small businesses and contracting officers.

3. *Revise the self-certification forms (SBA Forms 2413 and 2414) to include the name of the individual who is in control of day-to-day operations if different than the owner.*

Response: SBA concurs with this recommendation.

4. *Revise the SBA Financial Form 413- WOSB Program to ensure it properly provides financial information in accordance with the program requirements.*

Response: SBA concurs with this recommendation.

5. *Perform eligibility examinations on WOSB and EDWOSB firms identified in this report as potentially ineligible.*

Response: SBA concurs with this recommendation and will schedule the eligibility reviews upon receipt of the specific firms from the OIG.

A. John Shoraka
AA/GCBD