



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S SMALL BUSINESS UTILIZATION PRACTICES

AUDIT REPORT NO. 9-000-12-005-P
SEPTEMBER 27, 2012

WASHINGTON, D.C.



Office of Inspector General

September 27, 2012

MEMORANDUM

TO: OSDBU/MRC, Director, Mauricio Vera
M/OAA, Director, Aman Djahanbani

FROM: IG/A/PA Director, Steven Ramonas /s/

SUBJECT: Audit of USAID's Small Business Utilization Practices
(Report No. 9-000-12-005-P)

This memorandum transmits our final report on the subject audit. In finalizing the audit report, we considered your comments and included your response in Appendix II.

The final report contains ten recommendations to help USAID strengthen its small business utilization program. Based on your response to the draft report, we determined that management decisions have been reached on all ten recommendations. Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close the recommendations.

Thank you for the cooperation and courtesy extended to the audit staff during this audit.

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Abbreviations

The following abbreviations appear in this report:

- ADS Automated Directives System
- AIDAR USAID Acquisition Regulation
- eSRS Electronic Subcontracting Reporting System
- FAR Federal Acquisition Regulation
- FPDS Federal Procurement Data System–Next Generation
- FY fiscal year
- GLAAS Global Acquisition and Assistance System
- HUBZone historically underutilized business zone
- NAICS North American Industry Classification System
- OAA Office of Acquisition and Assistance
- OIG Office of Inspector General
- OMB Office of Management and Budget
- OSDBU Office of Small and Disadvantaged Business Utilization
- PSC personal services contract
- SBA Small Business Administration

SUMMARY OF RESULTS

The Small Business Act declared “that the Government should aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns, . . . to insure that a fair proportion of the total purchases and contracts or subcontracts for property and services for the Government . . . be placed with small business enterprises” (Public Law 85-536, as amended). The Small Business Act did the following:

- Created the Small Business Administration (SBA), which has the authority to establish small business utilization goals for other federal agencies annually.
- Required each federal agency to establish an Office of Small and Disadvantaged Business Utilization (OSDBU).
- Made the head of each agency responsible for implementing the small business programs.
- Required that all federal contracts worth more than \$500,000 (or more than \$1 million in construction contracts for public facilities) be accompanied by a formal subcontracting plan containing separate goals for small businesses.

SBA annually issues a small business procurement scorecard that (1) measures how well federal agencies reach their small business goals, (2) provides accurate, transparent contracting data, and (3) reports on agency-specific progress. Every 2 years, agencies and SBA negotiate prime contracting and subcontracting goals for small businesses. In addition to these, agencies set goals for categories of minority businesses: women-owned small businesses, small disadvantaged businesses,¹ service-disabled veteran-owned small businesses, and small businesses located in historically underutilized business zones (HUBZones). Goals for minority businesses are fixed at either 3 or 5 percent and not negotiable.

According to USAID Acquisition Regulation (AIDAR) 719.271, OSDBU is responsible for enhancing the use of small businesses and for “developing policies, plans, and procedures for a coordinated Agency-wide small business and minority business enterprise procurement program.” OSDBU is required to cooperate with SBA, train and educate Agency staff on the small business program, and act as a liaison between the Agency and the small business community.

USAID’s Office of Acquisition and Assistance (OAA) in the Management Bureau oversees procurement for the Agency. The office develops and maintains USAID’s policies, regulations, and standards on acquisition and assistance. OAA also collects and reports acquisition data to the Federal Procurement Data System–Next Generation database (FPDS),² as required by the Federal Acquisition Regulation (FAR); SBA uses these data to monitor federal agencies’ progress on reaching their small business utilization goals.

¹ Small disadvantaged businesses are owned and controlled at least 51 percent by socially and economically disadvantaged individuals.

² FPDS is the chief repository of acquisition information for the U.S. Government.

USAID's Office of Inspector General (OIG), Performance Audits Division conducted this audit as part of its fiscal year (FY) 2012 audit plan to determine whether USAID was achieving its small business utilization goals agreed upon with the SBA.

Overall, USAID significantly increased its obligations to small businesses from FY 2009 to FY 2011. The Agency steadily improved its scorecard grade from an F in FY 2009 to a C in FY 2010 and to an A in FY 2011. Furthermore, from FY 2009 to FY 2011, obligations to small businesses and to most minority businesses outpaced the 29 percent increase in the value of eligible USAID contracts awarded during that time.³ USAID increased its obligations by:

- 105 percent to small businesses
- 74 percent to women-owned small businesses
- 560 percent to small disadvantaged businesses
- 1,270 percent to service-disabled veteran-owned small businesses

During this time, obligations to HUBZone businesses increased by only 7 percent.

The audit disclosed the following:

- USAID has not met all of its small business utilization goals (page 4). Because prime contracting and subcontracting goals for small businesses are weighted heavily on the scorecard, the Agency has steadily improved its grade while underperforming in relation to some minority businesses. In FY 2011, the Agency met only two of the five goals for prime contracting and had the same results for subcontracting. An Agency official expressed concern over small business utilization in FY 2012 because the Agency was still lagging on some goals.
- Internal controls over subcontracting plans were not sufficient (page 6). USAID could not review contractors' proposed subcontracting plans or monitor and enforce approved subcontracting plans effectively because of weak internal controls and lack of clear Agency-wide policies and procedures. The Agency also had no mechanism to effectively track active prime contracts with approved subcontracting plans, and poor data entry made it difficult to monitor approved plans.
- Data quality in acquisition reporting was problematic (page 9). USAID's Global Acquisition and Assistance System (GLAAS) has improved the overall quality of data reported to external sources. However, data used by SBA is still inaccurate and incomplete.
- Guidance on the small business program was outdated (page 12). USAID's guidance on managing the small business utilization programs are either no longer applicable or nonexistent.

To address these problems and strengthen USAID's small business utilization program, we make the following recommendations:

³ This value is the total dollars obligated on all prime contracts awarded using funds that are subject to the FAR. This excludes contracts not covered by the FAR and those awarded with nonappropriated funds. Examples of excluded contracts are awards used abroad and acquisitions made by agencies on behalf of foreign governments or international organizations.

1. OSDBU implement a plan to continually engage and educate the program and technical offices and contracting officers in the design phase of an acquisition activity (page 6).
2. OSDBU establish small business utilization goals by bureau and office (page 6).
3. OSDBU and OAA issue guidance that defines key areas of authority and strengthens policies and procedures over the review of proposed subcontracting plans and on monitoring and enforcing approved subcontracting plans (page 8).
4. OSDBU and OAA train procurement personnel on the review of proposed subcontracting plans and on monitoring and enforcing approved subcontracting plans (page 8).
5. OSDBU and OAA implement an Agency-wide mechanism to track active prime contracts that have approved subcontracting plans (page 9).
6. OAA fix the external reporting configuration error in GLAAS and document the result. In addition, actions that are not reported to the federal procurement data system must be identified and recorded according to Office of Management and Budget policies (page 11).
7. OAA correspond with the appropriate agencies to resolve how data on personal services contracts (PSCs) are reported in the federal procurement data system and document the resolution (page 11).
8. OAA reassess data entry and validation controls over key small business data elements and make the necessary adjustments to strengthen the controls in the information technology systems and document the results (page 11).
9. OSDBU and OAA implement guidance to reflect current operating policies and procedures for the small business utilization program (page 13).
10. OSDBU and OAA implement a plan to assess and strengthen controls over OSDBU's automated screening of solicitations so that all required actions are routed appropriately, and document the results (page 13).

Detailed findings follow. Appendix I contains information on the audit's scope and methodology. Management comments appear in their entirety in Appendix II, and our evaluation of them is on page 14.

AUDIT FINDINGS

USAID Has Not Met All Small Business Utilization Goals

The SBA annual procurement scorecard measures an agency's performance toward reaching established goals for using small businesses. SBA's grade is based on numerical values assigned to three attributes: prime contracts (80 percent), subcontracts (10 percent), and the Agency's annual progress plan for meeting its small business utilization goals (10 percent).

USAID scored an A in FY 2011,⁴ whereas in FY 2009 it scored an F.⁵ Table 1 shows that in FY 2011, USAID exceeded its small business and small disadvantaged business prime contracting goals, marginally missed its goals for women-owned small businesses and service-disabled veteran-owned small businesses, and did not meet its prime contracting goal for HUBZone businesses.

Table 1. Prime Contracting Goals and Achievements for FYs 2009-2011 (Percent)

Category	FY 2009		FY 2010		FY 2011	
	Goal	Achieved	Goal	Achieved	Goal	Achieved
Small Business	19.60	8.66	11.00	9.60	11.00	13.74
Women-Owned Small Business	5.00	3.47	5.00	4.27	5.00	4.67
Small Disadvantaged Business	5.00	1.50	5.00	5.54	5.00	7.67
Service-Disabled Veteran-Owned Small Business	3.00	0.25	3.00	1.26	3.00	2.65
HUBZone Business	3.00	0.71	3.00	0.28	3.00	0.58

Table 2 shows that in FY 2011, USAID exceeded its subcontracting goals for small businesses and women-owned small businesses. However, it did not meet its goals for small disadvantaged, service-disabled veteran-owned, and HUBZone businesses.

Table 2. Subcontracting Goals and Achievements for FYs 2009-2011 (Percent)

Category	FY 2009		FY 2010		FY 2011	
	Goal	Achieved	Goal	Achieved	Goal	Achieved
Small Business	40.30	12.84	22.30	45.20	22.30	22.90
Women-Owned Small Business	5.00	1.95	5.00	18.60	5.00	5.50
Small Disadvantaged Business	5.00	0.88	5.00	3.40	5.00	3.20
Service-Disabled-Veteran-Owned Small Business	3.00	0.04	3.00	0.10	3.00	0.00
HUBZone Business	3.00	0.20	3.00	0.60	3.00	0.30

⁴ The FY 2011 SBA Small Business Procurement Scorecard for USAID appears in Appendix III.

⁵ Through negotiations with SBA from FY 2009 to FY 2010, the Agency got its prime contracting goal reduced by 44 percent and its subcontracting goal reduced by 45 percent.

The Agency did not meet all of its small business component utilization goals for the following reasons:

1. SBA excludes from its calculations funds spent overseas. Therefore, only funds obligated in the United States count toward SBA's procurement scorecard. This limits USAID since most of its budget is spent overseas. In addition, between 50 and 60 percent of USAID/Washington's budget consists of Global Health Bureau funds for pharmaceutical products, an industry that has very few small businesses.
2. USAID traditionally has awarded contracts to large contractors such as Chemonics International, Partnership for Supply Chain Management, and John Snow Inc.⁶ This pattern compelled Congress to require USAID to issue congressional notifications for proposed acquisitions and assistance actions worth more than established amounts. The Conference Report on the Consolidated Appropriations Act, 2010,⁷ states:

USAID's increased reliance on sole source contract awards, indefinite quantity contracts, and large umbrella awards undermines competitive processes, inhibits the participation of small organizations with niche expertise, limits creative and innovative approaches to programming, and is neither cost effective nor consistent with sustainable development. The conferees endorse the notification requirements in the House Report and the reporting requirement in the Senate Report, and require the USAID Administrator to consult with the Committees on Appropriations on steps that will be taken to reduce reliance on these mechanisms in the future.

3. AIDAR 719.271-5.a⁸ states:

Since the procurement process starts with the establishment of a requirement, the actions of the cognizant technical officers [contracting officer's representatives] can affect the opportunity of small business to participate equitably; therefore, each cognizant technical officer [contracting officer's representative] shall, during the formulation of activities which will require contractual implementation: (a) consult with SDB [OSDBU] on the availability and capabilities of small business firms to permit making a tentative set-aside determination where appropriate.

However, Agency officials whom the audit team interviewed stated that some USAID employees perceive that small businesses are unable to perform international development work. Therefore, they continue working with the same large businesses they have worked with previously, instead of pursuing and developing opportunities with small businesses.

4. Before FY 2011, USAID could not determine how its individual bureaus and offices contributed to the small business utilization goals. Therefore, OSDBU hired a contractor to implement a dashboard (a Web-based, interactive tool for compiling and displaying data graphically). This dashboard allows OSDBU to monitor how individual bureaus and offices

⁶ These were the top three contractors in terms of obligations for FY 2011 (<http://www.usaid.gov/work-usaid/get-grant-or-contract/usaid-implementing-partnerships>).

⁷ H.R. Rep. No. 111-366 (2009) (Conf. Rep.).

⁸ AIDAR uses the term cognizant technical officer, which was formally changed to contracting officer's representative effective January 1, 2012. AIDAR also uses SDB and OSDBU interchangeably.

are performing on small business utilization. However, OSDBU officials said that they could not establish small business utilization goals for USAID's Washington bureaus and offices because of concerns about the quality of data (discussed in the finding on page 9).

OSDBU cannot compel Agency employees to contribute to meeting small business utilization goals because the existing goals are not customized for bureaus and offices. OSDBU does communicate the Agency-wide small business utilization goals annually to contracting officer's representatives and contracting officers. However, employees need goals tailored to their office and bureau to effectively assist the Agency in meeting its goals. By not meeting small business goals, USAID might not be allowing small businesses to obtain their fair share of USAID's purchases, contracts, and subcontracts. Therefore, we make the following recommendations.

Recommendation 1. We recommend that the Office of Small and Disadvantaged Business Utilization implement a plan to continually engage and educate the program and technical offices and contracting officers in the design phase of an acquisition activity.

Recommendation 2. We recommend that the Office of Small and Disadvantaged Business Utilization establish small business utilization goals by bureau and office.

Internal Controls Over Subcontracting Plans Were Not Sufficient

According to the Government Accountability Office's *Standards for Internal Control in the Federal Government*:

A good internal control environment requires that the agency's organizational structure clearly define key areas of authority and responsibility and establish appropriate lines or reporting. The environment is also affected by the manner in which the agency delegates authority and responsibility throughout the organization. . . . Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives.

According to FAR 19.702:

Any [prime] contractor receiving a contract for more than the simplified acquisition threshold must agree in the contract that small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns will have the maximum practicable opportunity to participate in contract performance.

Moreover, FAR 19.7 says that contracting officers are responsible for reviewing proposed subcontracting plans, monitoring small business subcontracting, and enforcing small business subcontracting requirements associated with awards to larger prime implementing partners. FAR 19.706 further states, "The administrative contracting officer is responsible for assisting in evaluating subcontracting plans, and for monitoring, evaluating, and documenting contractor

performance under the clause prescribed in 19.708(b) and any subcontracting plan included in the contract.”

In addition, AIDAR 719.271 outlines the responsibility of contracting officers to include applicable subcontracting clauses in all contracts in which they are required and for OSDDBU to “cooperate with contracting officers in administering the performance of contractors subject to the . . . clauses.”

Finally, prime contractors are responsible for submitting two reports—the Individual Subcontract Report and the Summary Subcontract Report—using the Electronic Subcontracting Reporting System (eSRS). FAR 19.704 specifies how frequently these reports are to be submitted. While contracting officers are required to acknowledge receiving these reports, FAR 19.705-6(h) further notes:

Acknowledging receipt does not mean acceptance or approval of the report. The report shall be rejected if it is not adequately completed, for instance, if there are errors, omissions, or incomplete data. Failure to meet the goals of the subcontracting plan is not a valid reason for rejecting the report.

During our audit, we found that OAA and OSDDBU did not have proper internal controls to review proposed subcontracting plans and to monitor approved subcontracting plans. The problems are outlined below.

Subcontracting Plans Not Reviewed, Monitored, or Enforced. Neither OAA nor OSDDBU is formally assigned authority and responsibility for reviewing proposed subcontracting plans or monitoring and enforcing approved subcontracting plans. The audit team made the following observations about oversight of subcontracting plans:

- OAA does not routinely monitor or verify how prime contractors report on their subcontractors. In fact, OAA officials could not identify which office was responsible for monitoring subcontracting plans.
- OAA is responsible for training contracting officers on their responsibilities for subcontracting plans. However, an OIG survey of Washington-based contracting officers revealed that only 40 percent of respondents had a “High” knowledge of subcontracting requirements for prime contractors. This lack of clear guidance and training has hindered contracting officers from properly managing prime contracts with approved subcontracting plans.
- Neither OSDDBU nor OAA monitored subcontracting plans before OSDDBU hired a senior small business specialist in 2011.

Contracting officers rely on AIDAR and Automated Directives System (ADS) for guidance; however, neither states whether OSDDBU or OAA is responsible for monitoring approved subcontracting plans. AIDAR simply states that OSDDBU is responsible for “cooperating with contracting officers in administering the performance of contractors subject to the . . . subcontracting program clauses.” ADS does not cover the review of subcontracting plans or their monitoring. Agency officials have referenced the FAR as guidance; however, the Agency does not have policies and procedures to implement subcontracting plan reviews or the monitoring of approved plans to implement the FAR.

In the past, OSDBU officials said the office could not implement procedures and processes to review proposed subcontracting plans and could not monitor approved subcontracting plans because it did not have the resources to do so. Consequently, USAID's procurement reform initiative provided OSDBU with additional funds to hire a senior small business specialist in 2011 to oversee subcontracting plan compliance and perform other duties. Since then, OSDBU has improved its subcontracting compliance review and has told the acquisition community about this change by e-mail. However, the Agency's guidance still does not cover OSDBU's subcontracting compliance review.

Absent effective monitoring, the Agency cannot determine whether prime contractors are making all efforts to subcontract with small businesses. Small businesses interested in working with USAID could be adversely affected, as they may not be able to obtain experience working on contracts directly with the Agency. As a result, the Agency's grade on SBA's scorecard may be affected. In addition, without monitoring the Agency cannot properly enforce FAR 19.705-7, which allows federal agencies to collect liquidated damages when a contractor fails to make a good faith effort to comply with a subcontracting plan. Finally, some contracts may have been awarded without the required subcontracting plans. Therefore, we make the following recommendations.

Recommendation 3. We recommend that the Office of Small and Disadvantaged Business Utilization and the Office of Acquisition and Assistance issue guidance that defines key areas of authority and strengthens policies and procedures over the review of proposed subcontracting plans and on monitoring and enforcing approved subcontracting plans.

Recommendation 4. We recommend that the Office of Small and Disadvantaged Business Utilization and the Office of Acquisition and Assistance train procurement personnel on the review of proposed subcontracting plans and on monitoring and enforcing approved subcontracting plans.

Data Reported Were Not Accurate. The FAR states that contracting officers within OAA are responsible for reviewing prime contractors' self-certified numbers in eSRS on small business utilization. Before January 2012, there was no process to review numbers reported by prime contractors. However, since January 2012, OSDBU, and not OAA, has been conducting these reviews and following up with contracting officers. In conducting these reviews, senior small business specialists found evidence that some numbers that prime contractors reported were wrong.

The audit examined data accuracy and found instances in which the contracting officer had entered data incorrectly, preventing prime contractors from accessing eSRS. If a contracting officer does not accurately enter a key data element in FPDS,⁹ a prime contractor cannot access eSRS to submit the required electronic forms. Consequently, we found that some prime contractors were still submitting paper forms, contrary to FAR 19.704, which requires electronic submissions. A prime contractor's inability to access eSRS could be a factor explaining why the figures reported in the system were inaccurate.

Moreover, the same data elements determine whether an active contract with an approved subcontracting plan will be listed in FPDS and eSRS. OSDBU officials did not rely on reports from FPDS or eSRS because they are inaccurate. Because of these data input errors, the

⁹ An example of a key data element is "Subcontracting Plan Required."

Agency cannot compile an accurate list of active contracts with approved subcontracting plans. Without an effective tracking mechanism that provides a complete, accurate list, the Agency cannot tell which contracts have approved subcontracting plans and, therefore, cannot monitor and enforce them. Therefore, we make the following recommendation.

Recommendation 5. *We recommend that the Office of Small and Disadvantaged Business Utilization and the Office of Acquisition and Assistance implement an Agency-wide mechanism to track active prime contracts that have approved subcontracting plans.*

Data Quality in Acquisition Reporting Was Problematic

FAR 4.6 requires that executive departments and agencies collect and report acquisition data to FPDS. SBA uses FPDS data to monitor how federal agencies are performing on small business utilization goals and to produce the “Small Business Goaling Report,” which reports on small business dollars, contracts, and percentages for each Agency.

According to FAR 4.603, USAID must report all transactions worth more than the micropurchase threshold (currently \$3,000) and modifications to those transactions regardless of dollar value (including no-cost modifications). The Office of Federal Procurement Policy, in the Office of Management and Budget (OMB), is required to establish a computer-based federal procurement data system for collecting, developing, and disseminating procurement data to Congress, the executive branch, and the private sector. In 2003, the system was modernized, and FPDS became the chief repository for acquisition information. A May 31, 2011, OMB memorandum on improving federal procurement data quality highlights its importance:

Complete, accurate, and timely federal procurement data are essential for ensuring that the government has the right information when planning and awarding contracts and that the public has reliable data to track how its tax dollars are being spent. The quality of this information depends on agencies having strong internal controls for the input and validation of Agency data entered in the [FPDS] and other acquisition information systems.

Although OAA is responsible for reporting USAID acquisition data to FPDS, not all transactions are reportable. For example, PSCs¹⁰ should not be reported to FPDS. SBA’s “Goaling Guidelines for the Small Business Preference Programs” states that PSCs that are issued under 5 U.S.C. 3109 (FAR Part 37) are contractors that “are treated as employees by the IRS and [USAID] rather than [as] contractors. Employee salaries are not reportable contracts, so these are not reported.” In addition, SBA does not allow funds obligated overseas to be counted toward small business goals.

Contracting officers connect directly with FPDS through GLAAS. Key data fields in GLAAS/FPDS for small business reporting are “Place of Performance,” “CO’s Determination of

¹⁰ FAR 37.104 states, “A personal services contract is characterized by the employer-employee relationship it creates between the Government and the contractor’s personnel.”

Bus. Size,” and “North American Industry Classification System” (NAICS).¹¹ Contracting officers are required to enter and validate data in FPDS before completing an action in GLAAS and obligating the funds.

GLAAS has improved the overall quality of data externally reported. However, problems still exist in USAID’s reporting of acquisition actions because of a software configuration error, actions erroneously reported to FPDS or included in the small business goaling report, and data input errors.

In January 2012, OSDBU reported to SBA in its initial FY 2011 scorecard report that USAID had achieved 17.11 percent in prime contracts awarded to small businesses, reaching that goal and three others out of five for prime contracting. However, in April 2012, OSDBU discovered that this figure in FPDS was actually 13.74 percent and that only two prime contracting goals had been reached.

OAA determined that a combination of configuration and user errors allowed three modifications to a Global Health Bureau supply chain management contract for FY 2011 totaling \$260 million to bypass reporting to FPDS. Although the GLAAS configuration error was not exclusive to small business transactions, it led OSDBU to overstate the Agency’s FY 2011 small business achievements in its initial progress report to SBA.

OAA corrected the health contract modifications in FPDS. Subsequently, OAA discovered 323 more actions totaling \$124 million for FYs 2009 to 2012 that were not reported to FPDS as of June 2012. According to OAA, the vendor would fix the configuration error in July 2012.

Since PSCs are considered Agency employees and not contractors, they should not be reported to FPDS. Below are PSC transactions that OAA reported to FPDS.¹²

- FY 2011—380 new PSC awards totaling \$26,359,342
- FY 2010—415 new PSC awards totaling \$27,214,122
- FY 2009—680 new PSC awards totaling \$34,361,142

OAA explained that PSCs were entered into GLAAS as a contract action and that it is difficult to differentiate PSCs from other actions reported to FPDS. Therefore, these actions were reported to SBA, potentially affecting the Agency’s small business achievements. OAA officials said they corresponded with OMB about the PSC reported data, but the issue still has not been resolved.

Data input and validation controls in GLAAS should be strengthened to mitigate errors. For example, some contracts obligated overseas are erroneously being included in the SBA’s goaling report. The audit identified hundreds of mission actions and their associated value that should not have been included in the goaling report.

- FY 2011—213 mission actions totaling \$20,115,100

¹¹ The SBA has issued standards for qualifying as a small business. The standards are based on the number of employees or average annual receipts. There are also standards for types of economic activity or industry, and they are based on the business’s NAICS classification (the codes federal statistical agencies use to classify businesses for reporting on the U.S. economy). Therefore, if a business is to be considered a small business, contracting officers must use the proper NAICS code.

¹² Data extracted for PSC transactions covered only new awards between \$3,000 and \$150,000 issued from FY 2009 to FY 2011.

- FY 2010—130 mission actions totaling \$13,899,327
- FY 2009—155 mission actions totaling \$8,743,892

These actions were included in the report because the “Place of Performance,” a data element that is entered manually by the contracting officer, may have been incorrectly coded as “US” (United States). According to the FPDS manual, the “Place of Performance” field “should reflect where the items will be produced, manufactured, mined, or grown or where the service will be performed.” Due to USAID’s global presence, the Agency needs to clarify this definition in its guidance and communicate it to contracting officers.

Another deficiency in data input and validation controls was the misclassification of large businesses as small businesses. For example, the audit disclosed that contracting officers had incorrectly classified large businesses such as Citibank South Dakota, Kenwood U.S.A. Corporation, Motorola Solutions, and Amazon.com as small businesses.

According to an OIG survey of Washington-based contracting officers, the Agency does not provide sufficient training about the small business program, nor does it have enough useful, practical tools for contracting personnel to reference during the procurement process. The OIG survey of Washington-based contracting officers demonstrated that:

- 45 percent of respondents had not received FPDS training during the past 3 years.
- Only 42 percent were “very comfortable” entering information about a contract awarded to a small business into GLAAS and FPDS.
- Only 42 percent “always” verified a small business self-certification before issuing an award.
- 58 percent said they had low to medium knowledge of NAICS codes and their relationship to small business programs.

These deficiencies hinder contracting officers from effectively contributing to the success of the small business program. In addition, problems with data quality have a significant effect on how USAID reports acquisitions in FPDS, which SBA, OSDDBU, and other stakeholders rely on to make important decisions. To address data quality issues, we make the following recommendations.

Recommendation 6. We recommend that the Office of Acquisition and Assistance fix the external reporting configuration error in Global Acquisition and Assistance System and document the result. In addition, actions that are not reported to the Federal Procurement Data System must be identified and recorded according to Office of Management and Budget policies.

Recommendation 7. We recommend that the Office of Acquisition and Assistance correspond with the appropriate agencies to resolve how personal services contracts data are reported in the Federal Procurement Data System and document the resolution.

Recommendation 8. We recommend that the Office of Acquisition and Assistance reassess data entry and validation controls over key small business data elements and make the necessary adjustments to strengthen the controls in the information technology systems and document the results.

Guidance on the Small Business Program Was Outdated

According to *Standards for Internal Control in the Federal Government*, “Internal control activities help ensure that management’s directives are carried out.” These activities are defined by the policies and procedures of an organization, like the Agency’s ADS. Furthermore, ADS 501.3.7¹³ says that ADS materials must be reviewed and modified regularly to keep them current and consistent with laws and regulations, sound policy, and management practices. Material that is no longer relevant or necessary can be eliminated. In addition, AIDAR 701.301 states that, subject to the direction of the Administrator, the OAA director is responsible for developing and maintaining uniform procurement policies, procedures, and standards.

USAID developed policies, procedures, and standards to manage its small business utilization program. However, these guidelines, as outlined in AIDAR 719 and ADS 321, are either no longer applicable or unsuitable to OSDBU’s current operations. Below are five examples that show how the Agency’s guidance is outdated.

1. AIDAR 719.271-6 says that OSDBU must, with limited exceptions, screen all USAID/Washington proposed contract actions in excess of the simplified acquisition threshold. According to guidance, the Small Business/Minority Business Enterprise Procurement Review Form (Form USAID 1410-14), must be prepared as part of the screening process. However, GLAAS automated the screening process, rendering the paper-based process obsolete.

Moreover, under the new system, solicitations worth more than \$100,000 are supposed to be automatically routed to OSDBU for review and to OAA for approval. OSDBU officials said they have received few solicitations through GLAAS and did not know the reason this was happening. Since OSDBU does not always receive solicitations for approval, there is a risk that small businesses may have not been solicited or considered.

2. AIDAR 719.273-10 gives an overview of the internal controls for USAID’s Mentor-Protégé Program, under which contractors mentor small businesses so that eventually they can perform contracts or subcontracts for USAID and other federal agencies. The review of financial reports and invoices submitted by the mentor is a key control because it verifies that the mentor does not charge USAID for providing developmental assistance to the protégé (mentoring costs are not reimbursable as direct costs under USAID contracts but may be considered in determining the mentor’s indirect cost rates). Although required by AIDAR, OSDBU does not review mentors’ financial reports and invoices for protégé development costs. Responsibility for reviewing invoices should not have been assigned to OSDBU. The contracting officer managing the implementation of the contract is responsible for reviewing invoices submitted against it.

OSDBU sends an e-mail to the contracting e-mail group when a new Mentor-Protégé Program contract is implemented. In addition, it relies on its intranet site to keep contracting officers informed. However, OIG’s survey revealed that 76 percent of respondents either never visited OSDBU’s intranet site or visit it only annually for specific information. Contracting officers overseeing contracts awarded to mentors may not be aware of the

¹³ ADS 501 was updated August 3, 2012. This citation refers to the August 5, 2011, version.

program and may not have reviewed invoices for related protégé development costs. Therefore, there is a risk that ineligible costs¹⁴ may be invoiced to USAID (although no evidence of this came to light during the audit).

3. AIDAR 719.271-2 (4) requires OSDDBU to develop and maintain a consultant registry information system which identifies entities that can provide contracting services to USAID. However, after the Paperwork Reduction Act took effect, OSDDBU officials could no longer require small businesses to register with their office. The U.S. Government now relies on a single database called Central Contractor Registration for a list of registered contractors. A business that wants to be classified under a small business program must self-certify in the database.
4. Agency guidance does not mention current market research tools that are available to OSDDBU and OAA. For example, in August 2011, OAA implemented the Vendor Information Search Utility. It is linked to Central Contractor Registration and has enhanced search capabilities, including multiple small business search elements.
5. USAID established the Board for Acquisition and Assistance Review in February 2010 to respond to congressional notification requirements. OSDDBU's director was made a board member so that small business concerns would be considered and promoted in large acquisitions. However, aside from an Agency notice of February 17, 2010, and guidance on Leader with Associates awards, auditors located no further directive or regulation that mentions this board or the OSDDBU director's role on it.

The Agency did not update or modify policies and procedures to reflect regulatory and operational changes concerning the small business utilization program because personnel who were responsible for updating guidance were unaware that some policies and procedures were no longer applicable or unsuitable for OSDDBU's current operations.

The lack of clear, up-to-date policies and procedures has created gaps and inconsistencies in how the small business utilization program is managed. Additionally, Agency personnel do not have guidance to make informed decisions that could affect the small business program. Therefore, we make the following recommendations.

Recommendation 9. We recommend that the Office of Small and Disadvantaged Business Utilization and the Office of Acquisition and Assistance implement guidance to reflect current operating policies and procedures for the small business utilization program.

Recommendation 10. We recommend that the Office of Small and Disadvantaged Business Utilization and the Office of Acquisition and Assistance assess and strengthen controls over the Office of Small and Disadvantaged Business Utilization's automated screening of solicitations so that all required actions are routed appropriately and document the results.

¹⁴ The ADS Glossary defines ineligible costs as those questioned by the auditor because they violated a provision of a law or other agreement or document governing the expenditure of funds, or were unnecessary or unreasonable.

EVALUATION OF MANAGEMENT COMMENTS

On the basis of information provided by OSDBU and OAA in response to the draft report, we determined that management decisions have been reached on all ten recommendations.

Recommendation 1. OSDBU will implement its engagement and education plans for program, technical, and acquisition staff. By December 31, 2012, OSDBU will meet with each bureau and independent office to negotiate small business goals and discuss upcoming acquisition activities. OSDBU will also participate in bureaus' monthly acquisition meetings and provide them with acquisition planning guidance. Furthermore, OSDBU plans to deliver additional training on small business topics to program, technical, and acquisition staff. Accordingly, a management decision has been reached.

Recommendation 2. OSDBU is establishing small business utilization goals by bureau and office. In June 2012, OSDBU launched a pilot program to set small business goals for eight USAID bureaus and independent offices. By December 31, 2012, OSDBU expects to have set small business goals for all remaining bureaus and offices. Additionally, OSDBU will begin tracking small business awards issued by USAID missions. Accordingly, a management decision has been reached.

Recommendation 3. OSDBU and OAA are taking steps to develop guidance defining key areas of authority and strengthening policies and procedures on subcontracting plans. The offices are working together to award a contract to a small business with expertise in rule making to analyze the applicability of SBA requirements to the bulk of USAID's work. Specifically, the analysis will determine whether USAID can require prime contractors to submit subcontracting plans even when contract performance takes place outside the United States. In the interim, the offices will draft and issue a procurement executive bulletin to clarify when subcontracting plans are required, the process for obtaining OSDBU clearance on the plans, and key roles and responsibilities for monitoring their use. The offices expect to issue the bulletin in FY 2013. Additionally, OSDBU is adding to its dashboard the ability to list contracts that may require subcontracting plans. Accordingly, a management decision has been reached.

Recommendation 4. OSDBU will deliver training to acquisition personnel on subcontracting plans in FY 2013. Specifically, OSDBU will train acquisition personnel on their monitoring roles and responsibilities, the required elements for subcontracting plans, and the use of eSRS. The training will incorporate feedback from OSDBU's first subcontracting training for USAID prime contractors, held September 2012 and covering relevant regulations, reporting requirements, and eSRS. Accordingly, a management decision has been reached.

Recommendation 5. OSDBU and OAA are implementing an Agency-wide mechanism to track active prime contracts with approved subcontracting plans. The offices are developing a procurement executive bulletin, to be implemented in early FY 2013, which requires electronic copies of subcontracting plans to be provided to the OSDBU subcontracting program manager. Furthermore, OSDBU's Subcontracting Program Manager will maintain electronic copies of the subcontracting plans received and a spreadsheet to track approved plans through contract

closeout. OSDDBU expected to implement this process in October 2012. Therefore, a management decision has been reached.

Recommendation 6. Evidence provided by OAA, after OIG received management's comments, demonstrated that the office fixed the external reporting configuration error in GLAAS in August 2012. In addition, OAA sent an Agency-wide electronic message from GLAAS about how to finalize data in FPDS. Also, OAA's guidance manuals for GLAAS address finalizing data in FPDS to avoid reporting errors in the future. Therefore, a management decision has been reached.

Recommendation 7. OAA considers it unnecessary to correspond with other agencies about how PSCs are reported to FPDS. Given USAID's statutory authorities for contracting for personal services, OAA considers PSCs definitive contracts and will report them to FPDS as required by FAR 4.606. Nonetheless, OAA will continue to work with OSDDBU to identify personal service contracts that are not to be included in the calculation of small business goals. Accordingly, a management decision has been reached.

Recommendation 8. OAA will implement adjustments to strengthen controls in GLAAS to facilitate OSDDBU's review of prime contract actions and subcontracting plans before soliciting and awarding future contracts and modifications. OAA's adjustments to GLAAS will include adding mandatory questions during the solicitation and preaward stages for contract actions at or above \$25,000, and developing a report query to track subcontracting plans. OAA expects to complete implementation during the first quarter of FY 2013. Accordingly, a management decision has been reached.

Recommendation 9. OSDDBU and OAA will review and implement guidance to reflect current operating policies and procedures for the small business utilization program. Specifically, the offices will incorporate language explaining the role of the Board for Acquisition and Assistance Reform into ADS and create a new Small Business Program Manual by the end of FY 2013. Additionally, the offices will revise the AIDAR to clarify that costs associated with the Mentor Protégé Program are not allowable under any USAID contract. Guidance on this matter will also be issued to contracting officials. Accordingly, a management decision has been reached.

Recommendation 10. OSDDBU and OAA are strengthening controls so that all required contract actions are appropriately routed to OSDDBU for screening. OAA will create a rule in GLAAS that automatically routes required actions at or above \$25,000 to OSDDBU for review before solicitation and award of the contract. OSDDBU revised its Small Business Review Form to ensure that contracting officials meet market research requirements, consider small business concerns, and address subcontracting. The offices expect to implement guidance and adjustments to GLAAS during the first quarter of FY 2013. Accordingly, a management decision has been reached.

SCOPE AND METHODOLOGY

Scope

OIG 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 in accordance with our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

The objective of the audit was to determine whether USAID was achieving its small business utilization goals agreed upon with the SBA. OIG conducted the audit in Washington, D.C., from March 6, 2012 to July 31, 2012. The primary offices of interest were OSDBU and OAA. Our audit focused on the period of October 1, 2009, through September 30, 2011 (FY 2009 to FY 2011). In planning and performing the audit, we assessed the offices' management controls related to the small business programs and subcontracting plans. This control assessment included a review of guidance listed below, delegation of authority regarding subcontracting, and current operating procedures that OSDBU and OAA utilize to manage the small business program and subcontracting plans. In addition, a review of OAA's FPDS annual data quality assessments for FY 2010 and FY 2011.

Methodology

To answer the audit objective, the audit team conducted interviews with USAID's OSDBU and OAA personnel. To obtain an understanding of the regulations that govern the small business program and reporting requirements, the team reviewed criteria including the Small Business Act, applicable parts of the FAR, and guidance provided by SBA. The audit team obtained procurement scorecards issued by SBA for FYs 2009–2011 to assess past performance on small business goals. To review management's control standards, the audit reviewed:

- Government Accountability Office, "*Standards for Internal Control in the Federal Government*," November 1999.
- AIDAR, "A Mandatory Reference for ADS Chapter 302," revised June 10, 2011.
- ADS Chapter 321, "Small Business Programs, Disadvantaged Enterprises and Minority Serving Institutions," revised December 30, 2011.

To gain an understanding of the data quality and the relevant information technology systems, the audit team conducted interviews with OSDBU personnel and the external contractor overseeing OSDBU's dashboard. To assess the quality of acquisition data reported externally, the audit team relied on data extracts from FPDS and GLAAS. The audit team pulled data directly from FPDS, which is publicly available; extracts from GLAAS were provided by OAA. In addition to the FAR, the criteria for data assessment included.

- The Office of Federal Procurement Policy's Letter on "Improving Federal Procurement Data Quality – Guidance for Annual Verification and Validation," May 31, 2011.

- FPDS Government User's Manual, Version 1.4, April 2012.
- SBA's "Goaling Guidelines for the Small Business Preference Programs for Prime and Subcontract Federal Procurement Goals & Achievements," July 3, 2003.

In addition, we sent a survey to contracting officers based in USAID/Washington about their knowledge and training concerning the small business programs, FPDS, and subcontracting. The audit team used a Web site called surveymonkey.com to send the survey and collect the responses. The survey was sent to all 61 USAID/Washington-based contracting officers on May 7, 2012, and concluded May 23, 2012. Thirty-eight contracting officers responded to the survey, allowing us to generalize the results of the survey to the population at a 95 percent confidence level.

MANAGEMENT COMMENTS

MEMORANDUM

DATE: September 10, 2012

TO: Steven Ramonas, Director
Office of Inspector General/A/PA

FROM: Aman Djahanbani, Director /s/
Management Bureau, Office of Acquisition and Assistance

Mauricio Vera, Director /s/
Office of Small and Disadvantaged Business Utilization

SUBJECT: Response to Audit of USAID's Small Business Utilization practices
(Report No. 9-00-12-00X-P)

Thank you for the opportunity to comment on the Office of Inspector General's (IG) draft report for the audit of USAID's small business utilization practices. The Offices of Acquisition and Assistance (M/OAA) and Small and Disadvantaged Business Utilization (OSDBU) offer the following comments in response to your draft recommendations:

1. OSDBU implement a plan to continually engage and educate the program and technical offices, and contracting officers in the design phase of an acquisition activity (page 6).

The OSDBU continues to engage and educate program and contracting officials through its establishment and communication of individual bureau small business goals and training as further discussed below.

Engagement Plan

As a result of establishing individual small business goals for each bureau and independent office (IO) early in the fiscal year, the OSDBU will be engaged early in the acquisition planning process. The OSDBU will schedule meetings with each bureau and IO to 1) negotiate small business goals; and 2) engage in discussions concerning upcoming activities by December 31, 2012. In addition, several bureaus agreed to invite the Small Business Specialist supporting their

activities to 1) participate in monthly acquisition meetings, and 2) provide guidance during the planning process. Further engagement will be more formalized through the use of a Small Business Coordination Form (1410-14) coordinated between the bureaus, contracting officials and OSDBU as further discussed in this document.

Education Plan

OSDBU implemented the Small Business Programs Training pilot class in March of 2012. This class serves to educate program officials and technical experts who serve as Contracting Officer Representatives (COR), Contracting Officers (CO), and Contract Specialists (CS) on the programs, policies, procedures, and laws related to providing maximum practical opportunities to U.S. small businesses. Since the initial pilot class:

- Nine subsequent classes have been held in Washington DC, with over 140 USAID staff receiving training
- OSDBU successfully trained over 100 mission staff in Small Business training sessions conducted at USAID missions in El Salvador, Colombia, Peru, and Haiti in May 2012
- In August 2012, sessions were conducted in Ghana and Senegal and over 75 mission staff members were trained. Tele-video training was also conducted in August 2012 for Benin, Mali and Burkina Faso
- Additional classes are currently being planned for both Washington DC personnel and overseas personnel

In addition to the various small business topics covered in the training, the sessions provide a means for OSDBU to engage and educate program, technical, and acquisition staff about the need to bring OSDBU into the acquisition planning stage early on.

2. OSDBU establish small business utilization goals by bureau and office (page 6).

On June 14, 2012, the OSDBU launched a pilot program to establish individual small business goals for the agency's top eight bureaus and IOs which had domestic obligations greater than \$10M in domestic awards in Fiscal Year (FY) 2011. The goals will be applicable to contract awards where the place of performance is within the U.S. The OSDBU will negotiate and establish FY'2013 small business goals for the remaining bureaus and IOs in Washington by December 31, 2012. In FY 2013 the OSDBU will begin tracking small business awards issued by the USAID missions, but it will not set mission level goals.

3. OSDBU and OAA issue guidance that defines key areas of authority and strengthen policies and procedures over the review of proposed subcontracting plans and on monitoring and enforcement of approved subcontracting plans (page 8).

OSDBU and M/OAA have been reviewing the understanding and perceptions of M/OAA personnel regarding when subcontracting plans are required, how subcontracting achievements are reported, the process for monitoring subcontractor utilization, and accepting or rejecting reports in the electronic subcontracting reporting system (eSRS). We agree that there is a need for guidance to be disseminated to USAID acquisition professionals.

While federal acquisition regulations are clear in regards to subcontracting requirements for domestic procurements, how USAID applies them in overseas procurements is inconsistent. In order to clarify the issues, OSDBU has submitted a “Rule Making Facilitation” statement of work to M/OAA. M/OAA subsequently issued a solicitation for “Rule Making Facilitation”, via small business set-aside procedures, to federal supply schedule holders. This will result in a contract that will be awarded to a small business that is an expert in the field of rule-making. The firm will conduct an analysis of several issues relative to small business utilization. One such issue they will address is “Can USAID require prime contractors to submit subcontracting plans even when contract performance takes place outside of the US or would federal acquisition regulation 19.702-(b)(3) prohibit USAID from asking for subcontracting plans and having the subcontracting achievements reported via the eSRS system?”

Once the “performance outside of the U.S.” issue is resolved, we will be able to provide more definitive direction to acquisition professionals who award USAID contracts outside of the US. In the interim, OSDBU and M/OAA will draft a Procurement Executive Memorandum (PEB) to clarify when subcontracting plans are applicable, the process for obtaining OSDBU clearance on subcontracting plans, and the key post-award roles and responsibilities for monitoring subcontracting utilization (Ref: FAR 19.705-6). We anticipate issuance of the PEB in Fiscal Year (FY) 2013.

OSDBU is having the contractor that maintains the Fedview Dashboard report add a report capability that will provide a listing of contracts that likely require subcontracting plans. This will serve as another tool for the Subcontracting Program Manager to check if subcontracting plans have been required in contracts and if the contracting officer has provided a copy of the plans to OSDBU for clearance.

4. OSDBU and OAA train procurement personnel on the review of proposed subcontracting plans and on monitoring and enforcement of approved subcontracting plans (page 8).

OSDBU initiated a Small Business Programs class during the 2nd quarter of fiscal year (FY) 2012. This class provides basic information about subcontracting reporting and monitoring.

In September 2012, OSDBU will conduct its first subcontracting training session specifically for USAID prime contractors. The Commercial Market Representative (CMR) from the Small Business Administration (SBA) will cover subcontracting regulations, reporting requirements, the electronic subcontracting reporting system (eSRS), and applicable regulations from the Jobs Act. Feedback from the prime contractor participants will be incorporated into a training class for USAID acquisition professions.

In FY 2013, OSDBU will initiate a subcontracting training class for USAID acquisition personnel. This class will be focused specifically on the subcontracting monitoring roles and responsibilities of acquisition personnel, the required elements of subcontracting plans, and the utilization of the eSRS system. This class will be vital to improving the understanding of the USAID acquisition workforce regarding the utilization of eSRS and the monitoring of prime contractors' adherence to their established subcontracting goals, in accordance with FAR 19.705-6. Information developed from the rule making facilitation contract will be utilized to update the class material regarding procurements awarded outside of the U.S.

5. OSDBU and OAA implement an Agency-wide mechanism to track active prime contracts that have approved subcontracting plans (page 9).

A draft PEB that updates the contract award distribution form is currently undergoing the clearance process. This PEB requires that electronic copies of subcontracting plans be provided to the USAID Subcontracting Program Manager and to the SBA Area Director in the SBA area where the contract will be performed [Ref: FAR 19.705-6]. **It is anticipated that clearance and implementation of the PEB will occur no later than the first quarter of FY 2013.**

The OSDBU Subcontracting Program Manager is implementing a process that will maintain electronic copies of the subcontracting plans received and a spreadsheet to track the approved plans from the date of receipt through contract close-out. This process will be implemented in October 2012. This will serve as a tool to ensure that subcontracting goals in the eSRS system are correctly entered and that acquisition personnel responsible for monitoring subcontracting compliance have reviewed and approved subcontracting plans (Ref: 19.705-6 and 19.706).

6. OAA fix the external reporting configuration error in GLASS. In addition, actions that are not reported to the federal procurement data system must be identified and recorded according to the Office of Management and Budget policies (page 12).

A communication from Global Acquisition and Assistance System (GLAAS) was released worldwide on August 30, 2011 to address finalizing Federal Procurement Data System (FPDS)

data after release of the award and the steps to follow. Concurrently, GLAAS guidance manuals are also addressing this important step to avoid reporting errors in the future.

7. OAA Correspond with the appropriate agencies to resolve how personal services contracts data are reported in the federal procurement data system and document the resolution (page 12).

M/OAA understands that this recommendation is based on language found in the SBA's "Goaling Guidelines for the Small Business Preference Programs," that personal services contracts (PSC) should not be reported to FPDS. However, as the draft Audit Report states, the Goaling Guidelines exception for reporting to FPDS applies to PSCs issued under 5 U.S.C. 3109, which is not the authority USAID uses to contract for personal services. USAID has several statutory authorities for contracting for personal services, including (but not limited to) the Foreign Assistance Act of 1961 Section 636(a) and various Appropriation Acts. M/OAA considers its PSCs to be definitive contracts, and as required in FAR 4.606, we must report them to FPDS, so corresponding with other agencies on this matter is unnecessary. M/OAA will continue to work with OSDBU as needed to identify these contracts as not appropriate for inclusion in the base for Small Business goals.

8. OAA reassess data entry and validation controls over key small business data elements and make the necessary adjustments to strengthen the controls in the information technology systems (page 12).

Adjustments to GLAAS will be implemented during the first quarter of FY'2013 to coordinate the OSDBU review of Washington prime contract actions and subcontracting plans prior to posting a solicitation on the Federal Business Opportunities (FBO) website and prior to the issuance of an award or contract modifications. The following is a summary of the details regarding the review of prime contract awards and subcontracting plans:

Prime Contractor Level

Actions will be routed to OSDBU for all actions at or above \$25,000 (lowered from \$100,000) in the solicitation stage. For such actions, the below changes will be made in GLAAS:

- Small Business Review Form 1410-14 will be loaded in the GLAAS library
- Mandatory questions included for both solicitation and pre-award stage in GLAAS:
 - Is the Small Business Review Form 1410-14 approved by OSDBU (required for actions \$25,000 and above)?"
 - The date OSDBU approved the action?
- The CO will load the final 1410-14 form with signatures as a part of the GLAAS award documents.

- A report query will be developed to track the 1410-14 approvals and distributed on a weekly basis to OSDBU.

Subcontractor Plan

The existing mandatory question in GLAAS regarding subcontract plans will be changed to the below:

- “Is a subcontracting plan required?”(Note: In accordance with FAR 19.702, domestic contracts (excluding task orders) valued at \$650K or \$1.5M for construction requires a plan if not a small business prime).” Y/N
- A report query will be developed to track the subcontracting plans and distributed on a weekly basis to OSDBU.

9. OSDBU and OAA review and implement guidance to reflect current operating policies and procedures for the small business utilization program (page 13).

The OSDBU and M/OAA will review and implement guidance to reflect current operating policies and procedures for the small business program via the agency’s Acquisition Regulations (AIDAR) and its new Small Business Policy Program Manual (SBPM).

In 2010 the agency implemented the Board for Acquisition and Assistance Reform (BAAR) to review procurement at \$75M to strengthen oversight, enhance competition and create transparency in the agency’s acquisition process. USAID’s senior officials including the OSDBU Director, serves as a BAAR panel member. The BAAR panel members review and address the acquisition strategy of high profile procurements to ensure maximum practicable opportunities for small business concerns. The OSDBU and M/OAA will incorporate language which addresses the BAAR into the Automated Directives System and create the SBPM by the end of Fiscal Year (FY) 2013.

AIDAR 719.273-10(a)(3) refers to the establishment of an internal control for “Reviewing and evaluating financial reports and invoices submitted by the Mentor to verify that USAID is not charged by the Mentor for providing developmental assistance to the Protégé.” The Mentor Protégé Program does not make any costs associated with the Mentor Protégé Program an allowable cost under any USAID contract. A notice to that affect is posted on the OSDBU mentor protégé program intranet web page.

As currently written, AIDAR 719.273-10(a)(3) incorrectly gives the impression that OSDBU reviews invoices. This section of AIDAR 719.273-10 will be revised. In addition, guidance will be issued to notify contracting officials that costs associated with mentoring a protégé firm are not allowable costs to invoice against a contract.

The Mentor Protégé Program Manager posts announcements on the “USAID CO Network” e-mail group when new Mentor Protégé Agreements are accepted into the program. In addition, a listing of the Mentor Protégé Agreements is posted on the OSDDBU intranet web page. OSDDBU will continue to publicize the agreements via the e-mail group and web page. The Mentor Protégé Program is also stressed during the Small Business Programs class.

10. OSDDBU and OAA implement a plan to assess and strengthen controls over OSDDBU’s automated screening of solicitations so that all required actions are routed appropriately (page 14).

Guidance and adjustments to GLAAS will be implemented during the first quarter of FY 2013. As referenced in the response to Question 8, the OSDDBU revised its Small Business Review Form 1410-14 to assess and strengthen controls associated with the pre-solicitation and pre-award process. The form will be used in conjunction with GLAAS reviews to ensure that the contracting officials satisfy market research requirements, consider small business concerns, and address subcontracting. M/OAA will create a “Route Rule” in GLAAS to forward required actions at or above \$25,000 to OSDDBU for review prior to posting a solicitation or an award. The Form 1410-14 will be incorporated into the acquisition review process during FY’2013.

Fiscal Year 2011 USAID Small Business Procurement Scorecard – Page 1

Agency for International Development
FY2011 Small Business Procurement Scorecard

A 105.80%

FPDS-NG Prime Contracting Data as of Apr. 27, 2012
eSRS Subcontracting Data as of Apr. 27, 2012

Prime Contracting Achievement:			88.04%
	2010 Achievement	2011 Goal	2011 Achievement
Small Business	9.60%	11.00%	13.74% (\$194.0 M)
Women Owned Small Business	4.27%	5.00%	4.67% (\$62.5 M)
Small Disadvantaged Business	5.54%	5.00%	7.67% (\$102.7 M)
Service Disabled Veteran Owned Small Business	1.26%	3.00%	2.65% (\$35.4 M)
HUBZone	0.28%	3.00%	0.58% (\$7.8 M)

Subcontracting Achievement:			8.00%
	2010 Achievement	2011 Goal	2011 Achievement
Small Business	45.20%	22.30%	22.90%
Women Owned Small Business	18.60%	5.00%	5.50%
Small Disadvantaged Business	3.40%	5.00%	3.20%
Service Disabled Veteran Owned Small Business	0.10%	3.00%	0.00%
HUBZone	0.60%	3.00%	0.30%

Success Factors		9.76%
Plan Progress Success Factor Grading Scale: Factor Subtotal Score / 7		Peer Review Score
The Agency demonstrated, through action and documented evidence, a commitment to utilize small businesses to obtain goods and services.		1.00
The Agency's senior leadership (e.g., senior procurement executive, senior program managers, and OSDBU director) demonstrated, through action and documented evidence, that they have clearly communicated the importance of achieving the agency's Small Business contracting goals through the chain of command to the contracting officer level.		1.00
The Agency demonstrated, through action and documented evidence, a commitment to small business contracting data quality.		1.00
The Agency demonstrated a commitment to small business utilization through regular training of acquisitions staff on the issues/procedures/policies/regulations impacting small businesses.		0.83
The Agency demonstrated, through action and documented evidence, a commitment to growing their small business supplier base and increasing awareness of contracting opportunities for small businesses.		1.00
The Agency demonstrated, through action and documented evidence, a commitment to expanding subcontracting opportunities for small businesses.		1.00
The Agency demonstrated, through action and documented evidence, efforts to unbundle contracts. If the Agency bundled contracts, has it documented and published their rationale.		1.00
Prime and Subcontracting Grading Scale: A+ \leq 150% but \geq 120% A < 120% but \geq 100% B < 100% but \geq 90% C < 90% but \geq 80% D < 80% but \geq 70% F < 70%	Total	6.83

Fiscal Year 2011 USAID Small Business Procurement Scorecard – Page 2

Comments:

In FY 2009, the Agency for International Development (USAID) implemented a comprehensive procurement reform strategy which had, as one of its key objectives, increasing competition and expanding the use of small businesses (SB) on direct contract awards. The agency's FY 2011 SB achievements illustrate the continuing success of these reforms. The agency significantly increased its dollar and percentage awards in all 5 of the prime SB contract categories. In the key overall SB category, USAID awarded 13.74% or \$184M to SBs, exceeding its 11% goal, and increasing its percentage awards by over 50% from the previous year. In the small disadvantaged business (SDB) category, the agency awarded 7.67%, or \$102M, of its total dollar obligations to SDBs, significantly exceeding the statutory goal of 5%. The agency also doubled its prime contract awards to service disabled veteran owned small businesses at 2.65% or \$34M. For women-owned small businesses, the agency increased its prime contract awards to 4.67% or \$62M. Conversely, awards to HUBZone firms continue to serve as a challenge with an achievement of .58% or \$7.8M. USAID prime contractors awarded small businesses 22.9% or \$69M in subcontract awards.

While we have significantly increased our overall awards to small businesses, we continue to make every effort to balance small business goals with the agency's obligations in support of its Global Health (GH) Bureau. GH procurements represent close to 60% of the agency's total obligated dollars and the vast majority of funds are in support of the President's Emergency Plan for AIDS Relief (PEPFAR). PEPFAR commodity buys are procured from a consortium of 16 large organizations through a competitive contract. When the contract was awarded, market research determined that there were no small pharmaceutical firms that could provide these commodities. This contract will be re-competed in 2013 and USAID has already begun conducting market research to identify opportunities for small business inclusion.

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