OVERSIGHT OF THE SBA'S WOMEN-OWNED SMALL BUSINESS FEDERAL CONTRACT PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON CONTRACTING AND INFRASTRUCTURE

OF THE

COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

HEARING HELD
MAY 16, 2019

Small Business Committee Document Number 116–021
Available via the GPO Website: www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
36–318 WASHINGTON : 2019

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OVERSIGHT OF THE SBA'S WOMEN-OWNED SMALL BUSINESS FEDERAL CONTRACT PROGRAM

THURSDAY, MAY 16, 2019

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON CONTRACTING AND INFRASTRUCTURE,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:08 a.m., in Room 2360, Rayburn House Office Building, Hon. Jared Golden [chairman of the Subcommittee] presiding.

Present: Representatives Golden, Veasey, Hagedorn, and Stauber.

Chairman GOLDEN. Good morning, everyone. The Committee will come to order. I want to thank everyone for joining us this morning, and I want to especially thank the witnesses for being here.

Today, women make up more than 50 percent of the population. They have grown to be 47 percent of the workforce, and are increasing their footprint as business owners. As of last year, surveys indicate that women own 12.3 million companies, employ more than 9.2 million people, and generate $1.7 trillion in revenue.

While great progress has been made in the number of women starting their own businesses, spurring economic growth, and creating jobs, challenges do remain. We hear from small businesses that what they need most often are access to markets and customers. As the largest purchaser of goods and services in the world, spending nearly $442 billion in fiscal year 2017, the Federal Government relies on small businesses to provide high quality goods and services at competitive prices.

Recognizing the importance of women-owned small businesses and the difficulties they face in accessing Federal contracting opportunities, Congress created the Women-Owned Small Business program and the Small Business Reauthorization Act of 2000. Despite the clear intent of Congress to establish this program, it did not begin to operate until 2011, more than a decade after its passage.

This program was designed to provide increased access to Federal contracting opportunities for women-owned small businesses, and economically disadvantaged women-owned small businesses, by allowing contracting officers to set aside specific contracts for certified firms. Doing so helps agencies achieve their statutory goal of 5 percent of Federal contracting dollars awarded to women-owned small businesses.

However, since enactment, that 5 percent goal has only been met one time since 2013. And, again, we missed the mark in fiscal year 2017 with $20.8 billion going to women-owned businesses, about 4.7 percent of contracting dollars. We can, and simply must do better to hit the mark of 5 percent.

A critical part of doing so is by finally implementing the changes made in the fiscal year 2015 National Defense Authorization Act. Legislation authored by Chairwoman Velázquez amended multiple provisions of the program, paving the way for much-needed reform.

The first change, and the only one implemented to date, granted sole-source authority, allowing contracting officers the ability to award contracts, when appropriate, without a competitive process. This update put the Women-Owned Small Business program on a level playing field with all other Small Business Administration contracting programs.

Secondly, the legislation removed a small business's ability to self-certify eligibility for the Women-Owned Small Business program, to address concerns of potential fraud.

Finally, it made clear Congress's intent for the SBA to certify program participants. These two certification measures were intended to help prevent fraud and ensure that contracts are awarded to the intended recipients, women-owned small businesses. Much like the delayed implementation of the Women-Owned Small Business program, we have seen, yet again, the SBA taking, if we want, I think, to be generous, an overly deliberatively process to implement the very clear intent of the legislative branch.

In light of these implementation delays in 2017, the members of this committee requested GAO to review the program, and today's hearing gives us the opportunity to discuss their findings and recommendations. The report echoes the finding of prior GAO reports and those of the SBA Inspector General that the SBA has still not addressed ongoing oversight issues.

For example, GAO previously recommended that SBA establish procedures to assess the performance of four third-party certifiers, private entities approved by SBA to certify the eligibility of women-owned small firms. While SBA conducted a compliance review of the certifiers in 2016, it has no plans to regularly monitor them. Thus, SBA cannot ensure that certifiers are fulfilling the requirements of their agreements as stipulated by the parties, and it is missing the opportunity to gain valuable information that could help improve the program's processes.

By not improving its oversight of the program, SBA is limiting its ability to ensure third-party certifiers are following program requirements. Most troublesome is the lack of a certification process. After nearly 5 years, the agency has yet to implement its own certification program or implement self-certification, which increases the likelihood for fraud in the program. This is unacceptable.

While I am glad to see SBA is taking this matter seriously by publishing a proposed rule for implementing the certification program on Tuesday of this week, I remain concerned about the duration of this process. It is difficult for me not to wonder when we would have seen this rule issued, had we not scheduled this hearing.

It is encouraging to see that SBA plans to apply consistent certification standards across the programs and establish a free, electronic application process. Yet the fact that SBA relies so heavily on third-party certifiers who charge fees, raises some questions, despite the agency stating in the rule that it intends to perform compliance reviews of the certifiers. This flies in the face of the GAO's findings that SBA had no plans to regularly monitor them.

With all this said, I look forward to working with SBA on this matter to ensure that a new certification program is promptly established and meets our objectives. We know that when it comes to Federal procurement, women-owned companies too often face an uphill battle to winning their fair share of contracts. That is precisely why the program was created in the first place—to create greater opportunity for female entrepreneurs and a fairer procurement process.

This hearing gives us a chance to have an open dialogue so that we can work together to guarantee women have a seat at the table when it comes to doing business with the government.

I thank both our witnesses for their attendance and insights into this important topic, and I would now like to yield to the Ranking Member, Mr. Stauber, for an opening statement.

Mr. STAUBER. Well, thank you, Mr. Chairman.

The Federal Government recognizes a long-standing policy that the government should aid, counsel, assist, and protect the interests of small business concerns, and that the Small Business Administration, along with other Federal agencies, do their utmost to promote this directive.

To increase competition and encourage a diverse makeup of small businesses participating in the Federal marketplace, the Small Business Administration manages a variety of procurement programs that are exclusive to small business. These small business programs allow a protective space for small entities to flourish and thrive, so that they may later rise to compete in the open market.

Among these programs is the Women-Owned Small Business program, designed specifically to encourage growth in industries where women-owned small businesses are underrepresented. The purpose of the program is a noble one. However, in order to ensure that the goals of the program are fully realized, the Federal Government must make certain the integrity of the program is intact.

Unfortunately, government watchdogs have discovered that this may not be the case. The Government Accountability Office and the SBA Office of Inspector General identified several deficiencies in SBA's oversight of the Women-Owned Small Business program.

First, the SBA significantly delayed adoption of two of the three critical changes to the Women-Owned Small Business program that were mandated by the fiscal year 2015 National Defense Authorization Act. The GAO pointed out that the SBA's enactment of the sole-source authority without implementing the front-end certification program, or eliminating the self-certification option, may have exacerbated SBA's existing oversight deficiencies. Given that the law was passed nearly 4 years ago, and the SBA just issued its proposed rule for the remaining changes 2 days ago, this egregious delay cannot be overstated.

Let me be clear, the issuance of the proposed rule on May 14th does not absolve the SBA. The will of Congress was clear, and the SBA's postponement is inexcusable.

Furthermore, the GAO found that the SBA does not have adequate procedures in place to regularly monitor and assess the performance of third-party certifiers. This includes a lack of consistent compliance reviews and regular utilization of certifiers' monthly reports. This lack of oversight may create situations where ineligible, or fraudulent firms participate in the Women-Owned Small Business program.

The GAO has also found that the agency conducted few examinations assessing a firm's eligibility in the Women-Owned Small Business program, and lacked a mechanism for evaluating its findings. This limits the agency's ability to detect and prevent potential fraud.

The SBA continues to rely heavily on competitors utilizing the protest process to identify potential fraud, as opposed to actively rooting out ineligible firms themselves, which is inadequate to protect the integrity of the Women-Owned Small Business program.

Lastly, the GAO concurred with the previous SBA Office of Inspector General report that women-owned small businesses set-aside contracts were awarded using improper industry codes. Unfortunately, the agency seems to take this matter lightly, stating that this issue has a minimal impact on the program's purpose.

While there are numerous deficiencies in the program, stakeholders did note positive aspects, specifically, that the program offers greater opportunities for women-owned small businesses.

Today, I hope to understand the reasons why the SBA has not resolved its weakness and work with the administration to ensure that the program is operating efficiently, effectively, and with the utmost integrity moving forward.

Thank you, Mr. Chairman, and I yield back.

Chairman GOLDEN. Thank you, Mr. Stauber. The gentleman yields back. And if committee members have opening statements prepared, we would ask that they be submitted for the record.

I would now like to introduce our witnesses. The first witness is Mr. William Shear, Director of GAO's Financial Markets and Community Investment Team. He leads GAO's work on community and economic development, small business, and Native American housing issues. As part of his portfolio, he oversees evaluations of the Small Business Administration's contracting disaster assistance, credit and counseling programs. Mr. Shear joined GAO more than 20 years ago. He has a master's degree in public policy and a Ph.D. in economics, both from the University of Chicago. He also served as an adjunct faculty member in the graduate program in city and regional planning at the University of Pennsylvania. Welcome, Mr. Shear.

Our second witness is Mr. Robb Wong, Associate Administrator of SBA's Office of Government Contracting and Business Development since March of 2017. He has held multiple positions within the SBA. He started his career as an SBA attorney in the Office of the General Counsel, then was a Special Assistant U.S. Attorney in the Houston district office, and later was the SBA Acting District Director Counsel in the Lubbock district office—did I get that right?

Mr. WONG. Lubbock.

Chairman GOLDEN. Lubbock.

Mr. WONG. Good enough.

Chairman GOLDEN. All right. From 1996 to 2017, he was CEO for several small businesses that successfully use SBA's products and programs to enhance growth. Mr. Wong is a graduate of Georgetown University Law Center. Welcome, Mr. Wong.

Mr. Shear, you are now recognized for 5 minutes.

STATEMENTS OF WILLIAM SHEAR, DIRECTOR, FINANCIAL MARKETS AND COMMUNITY INVESTMENT, UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE; ROBB N. WONG, ASSOCIATE ADMINISTRATOR, OFFICE OF GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT, UNITED STATES SMALL BUSINESS ADMINISTRATION

STATEMENT OF WILLIAM SHEAR

Mr. SHEAR. Thank you. Chairman Golden, Ranking Member Stauber, and members of the subcommittee, I am pleased to be here this morning to discuss our recent work on SBA's Women-Owned Small Business program. Congress authorized the program in 2000, allowing contracting offices to set-aside procurements to women-owned small businesses in industries in which they are substantially underrepresented.

The 2015 National Defense Authorization Act changed the program by: one, authorizing SBA to implement sole-source authority; two, eliminating the option for firms to self-certify as being eligible for the program; and three, allowing SBA to implement a new certification process.

Today, I will discuss: first, the extent to which SBA has implemented changes to the program, made by the 2015 NDAA; second, the extent to which SBA has implemented changes to address previously identified oversight deficiencies, including those we identified in our October 2014 report; and third, changes in the program's use since 2011, including since the 2015 implementation of sole-source authority.

First, SBA has implemented one of the three changes to the Women-Owned Small Business program authorized in the 2015 NDAA. As of early May 2019, SBA had not eliminated the option for program participants to self-certify that they are eligible to participate as required by the 2015 NDAA.

In October 2017, SBA officials stated that SBA was publishing a proposed rule. However, the following year, in June 2018, SBA officials state that a cost analysis would be necessary before the draft rule could be sent to the Office of Management and Budget for review. Two days ago, on May 14th, SBA published a proposed rule, as part of its process, to eliminate self-certification and implement a new certification process.

Second, SBA has not addressed program oversight deficiencies and recommendations in our October 2014 report. For example, we recommended that SBA establish procedures to assess the performance of the four third-party certifiers in accord with the requirements of the third-party certifier agreement and program regulations.

We also made a recommendation to enhance eligibility examinations of businesses that register to participate in the program. While SBA generally agreed with our recommendations and conducted a compliance review of certifiers in 2016, it has not conducted another review of the certifiers since.

Further, the implementation of sole-source authority, in light of these continued oversight deficiencies, can increase program risk. We maintain that our recommendations aimed at improving oversight should be addressed.

In addition, our March 2019 report found that about 3.5 percent of contracts using a program set-aside were awarded for ineligible goods or services from April 2011 through June 2018.

Moving to the third part of my discussion on changes in the program's use since 2011, while Federal contractual obligations to all women-owned small businesses and program set-asides have increased since fiscal year 2012, WOSB program set-asides remain a small percentage.

In fiscal year 2017, program contract obligations had grown to 3.8 percent of contract obligations to all women-owned small businesses for program-eligible goods or services. This was about $713 million.

Chairman Golden, Ranking Member Stauber, and members of the subcommittee, this completes my prepared statement. I would be pleased to answer any questions that you may have.

Chairman GOLDEN. Thank you, Mr. Shear.

Mr. Wong, you are now recognized for opening statements for 5 minutes.

STATEMENT OF ROBB N. WONG

Mr. WONG. Thank you. Mr. Chairman, Mr. Ranking Member, subcommittee members, thank you for the opportunity to testify today about the status of SBA's compliance with GAO's directive from my colleague, Mr. Shear, regarding the NDAA 15 and our compliance with the WOSB. On behalf of Mr. Chris Pilkerton, our Acting Administrator at SBA, we appreciate the opportunity to brief you on our progress.

Some background first about our office. U.S. Government is the largest purchaser of goods and services. Spends about $450 to $500 billion a year. We work collaboratively with all branches of government and small business professionals to make sure the opportunities for small business are present. We make sure that 23 percent of the money spent by government goes to small business.

So—I also have some goals in that the goals in general are to make sure that our certifications are more useful to both small businesses and to government. And if we do that, then you will drive demand for the certifications, and you will increase contract awards to small business.

Most importantly, we hold the public trust that when a contract is awarded to an SBA-certified small business, that they are qualified to receive it. We appreciate the assistance from GAO, and particularly Mr. Shear, who has been our colleague working with us to improve our quality control and compliance. In both 2017 and 2018, due to the improvements in policy and processes in our programs, we have exceeded the 23 percent goal for the fifth and sixth consecutive years.

More importantly, government has increased its spending with small businesses by almost 22 percent more than ever in history. This has meant more contracts for small businesses, and more importantly, more jobs for Americans. There has never been a better time to be a small business, government contractor.

Our small business certifications are effectively our products. Business demands them, and government wants to use SBA-certified companies to solve their challenges.

My office administers four socioeconomic programs: the 8(a) program, which you may know, which has been the backbone of our office, it is a 30-year-old program for socially and economically disadvantaged individuals.

We have the HUBZone program which is also—it is for historically underutilized business zones. It is more or less like an economic development program. So it is not only designed to help the business but also a poor area. This program has historically also been broken. We have tried to fix that.

Finally, I should also mention that the 8(a) program and the HUBZone program have certification processes whereby we do two things: We certify people when they get into the program, but more importantly, we continue to evaluate their qualifications after they get in, okay? I will get into the volume in a second.

The WOSB program and the Service-Disabled Veteran programs are also what we look at. Those are self-certification programs which have, for lack of—we have significantly less oversight of those programs. Okay. Compared to 8(a) and HUBZone, I think the WOSB program, as it stands today, and prior to 2017 when I came in, as well as the SDVOSB program are more or less on the honor system. Okay. As you found and as you have alluded to, some people don't follow that, and I get that.

Just to back up for a minute, I have been aware of these programs since I have been 15 years old. I worked with the SBA. One of the SBA's first 8(a) programs, okay, I packed the things in the warehouse, okay? Then I ran my own companies, went to school. I came to SBA for 10 years. I wrote regulations for these programs, and I administered these programs earlier. Then for the last 20 years, I had my own company, and I supported up to 15 other companies, growing them, growing jobs through these programs. I take my job very, very seriously.

Within the first month after I was briefed on the current state of the programs, I was advised and immediately concerned that the NDAA 15 had directed us to implement a formal certification for WOSB. I learned essentially that nothing had been done.

I also learned that while the responsibility had been directed, no funding was appropriated. As I testified before here at the HSBC, I am a lawyer, and I believe that we must comply with the law. After some analysis of size and volume, I learned that WOSB was about three times the size of our existing 8(a) and HUBZone programs.

Concurrently, we were also being asked at the time to bring on—possibly bring on the VA's SDVOSB program, also a formal certification, and to combine it with our own. And the size of that program was similar to WOSB, three times what we were already doing with 8(a) or with HUBZone. I testified about this earlier last year.

In short, the problem is one of scale. And so, when we look at things, why haven't we complied with Mr. Shear's directives, the answer was, based on the way that we were operating, we couldn't. So in general, it was a problem of scale. We were faced with a predicament that our volume of processing presently, with 8(a) and HUBZone, was 3,500 applications a year, and it was also 10,000 annual reviews.

So it is 3,000—2,000 applications, as an example, for 8(a), but you have 5,000 active companies that are already in the program. So we have to approve the applications, and once you are in, we have to continue to certify your eligibility, to make sure again, with the public trust, that when SBA-certified company receives a contract, they are qualified.

So, the volume we were faced was 3,500 applications in, with 10,000 annual reviews. And we had to figure out, if we had to add both WOSB and NVA, we would move to a volume of 35,000 applications, and up to 40,000 annual reviews. I should note that we also didn't get any funding, and we also—and we were also not getting any more staff.

What we also realized was that status quo was not an option, but to me, neither was standing still. I can't tell you what happened before, but I can tell you what I did ever since I have been in office. We decided to get to work. We decided to reengineer our process using 8(a) as the backbone for all certifications because it has been our best tested program, it has been the most used program by government, and it has been the most helpful to government.

We decided that the first thing we needed to do, before we did anything, was to come up with a blueprint, or a plan of action, for staffing, funding, that would serve us today and in the future. The blueprint emphasized unifying the common elements of eligibility and standardizing their processes and analysis.

We could process all applications as similarly as possible, and reduce their variation as much as possible. It would retain their quality and help to ensure the public trust.

Good news. The main part of the blueprint has recently been completed. It will soon be finished entirely. But with that bit of completion, we were able to, again, attack the questions and concerns that Mr. Shear has raised. This necessary blueprint was the first step for giving us clarity about our present state, and also for future funding and staffing and production needs. It would have been irresponsible, prior to this point, to have made any such requests for staffing or funding without this blueprint. Most importantly, the blueprint has also guided us in establishing how we would address the concerns of NDAA 15 and the best way to address Mr. Shear's concerns.

In that regard, a proposed rule, establishing the formal certification program, was filed on May 9th, and it was published a couple days ago. Based on the rulemaking process, we estimate June of 2021 before the actual implementation of the certification program. We have begun the process of meeting with third-party certifiers, and we have established a schedule to meet with them regularly and periodically.

We are moving in the right direction, as quickly and responsibly as we can, and certainly within the first month of me taking office. We will continue to work diligently and to comply with the law, and with you and—with your and Mr. Shear's directions.

This has not been a fast process, admittedly, but it is necessary. It is the smart thing to do. If we are making good progress—we are making good progress. It has and will remain top of mind for me until it is done. There is a lot of work still to be done.

I have been blessed to work with a strong leader, Mrs. McMahon, and now Mr. Chris Pilkerton, who support our actions, with our deputy, Barb Carson, whose support and co-leadership is invaluable to our team, now and in the future, and to our agency. And with a team of coworkers who has believed in our vision, and upon whose experience and efforts are the backbone of our office, we have made significant progress in advancing policy, processes, to deliver a more effective program to small businesses and government.

This is just a brief glimpse of where we are and what we have been doing over the last 2 years, to the WOSB program, and to all of our programs, and I am ready to answer any questions you may have.

Chairman GOLDEN. Thank you very much, Mr. Wong, for that opening testimony. And we will now move to questions from the committee, and I will begin by recognizing myself for the first 5 minutes.

Mr. Wong, I appreciate what you had to say here in laying out how you have been working on implementation of this requirement from Congress since you came into this role in 2017. One of my favorite leaders that I have followed closely, Colin Powell, has this wonderful saying that I try and stick by, which is, after 30 days in a new position, you own it. That is the departure line from which you don't get to make excuses for the problems that were left for you to take over. So I was encouraged to hear you say, within a month, that you were beginning to try and move forward with these changes and reviewing some of the recommendations of GAO as well.

You can't necessarily speak for the decisions of your predecessor. I make the assumption that a decision was made at SBA to go ahead and move forward with the first part, which was allowing for the sole-source authority in order to maximize the economic opportunities for women-owned small businesses as quickly as possible, and then to look secondly at the self-certification piece.

I think the problem being that it has taken so long. It has left quite a wide window there where we are increasing opportunities. You know, we are also leaving the program and the integrity of the program at risk. And I understand you are trying to find the right balance to not push people away from trying to get that certification and participate and bid, while, you know, at the same time, trying to find ways to make sure that the program is not being abused is very important.

My gut instinct would be that this—some of these problems that we have talked about, whether it be oversight of third-party certifiers, oversight of program participants, or use of the WOSB program, under ineligible NAICS codes, in many ways, had to do with staffing shortages, with funding shortages, with a lack of technology and the resources needed to upgrade them, and things of that nature. So I appreciate that you are saying that you had to take time to look and see what those resources were. I would have encouraged SBA to try and move more quickly on that.

And with that, I would just open it up to you to maybe lay out, in your opinion, having done that review, what are the staffing needs? What are the technology upgrade needs, or challenges that you face? And what additional funding do you need to successfully move forward with the intent of the law passed by Congress in 2015, under the NDAA, and what resources do you need to do it, as best as possible?

Mr. WONG. Thank you for the opportunity, and I am going to probably disappoint you. I don't know. We have to—we have to generally look, what we try to do—it isn't a flippant answer. We have come up with the blueprint of how we want to do this in general. In general, what I tried to do is to satisfy—is to comply with the law, with the amount of people that we have, and within the budget that we have, okay? The utopian scenario would be that we have perfect—we have perfect intakes of all qualified small businesses, and that we can give everyone an annual review, just as rigorously each time every year. With the existing staffing levels that we have, we cannot.

So we are doing additional things. We are doing risk-based analysis. We are trying, again, to do as much quality as we can. We are not making a sacrifice to quality. Okay? That may happen. We can be criticized on the amount that we are doing and the vigilance that we are doing, but I can guarantee that we are trying to do everything we can without asking for help. We will use the blueprint which we have, the original one. So we are getting staffing levels and we are getting what I think are more responsible requests for budget together.

To put it a different way, I think that the law, based on how it looked, it assumed we would just simply set up another silo. So in our office, as an example—we have roughly 50 people within our office—we utilize up to—with the entire process for 8(a), we probably use close to—more than 100, including people in the field, just to administer a program for 5,000 active applicants, okay? That is the one that is the best, where we have a rigorous intake process, and then we have a rigorous annual recertification—or excuse me—it is a continuing eligibility.

We are faced with, if it was only setting up a silo, again, for the WOSB program, based on the volume, and based on the number of common elements that are common in terms of eligibility for WOSB and for the 8(a) program, we would have to increase the staff, and we would—by three times, okay? I was quickly apprised by our CFO, no. So I think that the easy thing would have said, Well, what can we do? Well, I am not like normal people. I figured we will find a way, or we will make one. And that is why I am so grateful for the team that we have, because they are willing to accept that vision, I said, we can't do nothing.

You know, the American public needs our certifications. Put a different way, if we don't hold the public trust, they will take the programs away. What good are they? And, so, we need to make sure, again, maybe as a lawyer, but we need to make sure, just like with 8(a), we want to turn all of our programs in with that same standard.

But we are trying to do everything that you are asking us to do. Most of the things you are asking us to do, as an example, are already in the 8(a) program. The challenge, again, is to move basically for something that is anywhere from six to 10 times larger than what we are doing with the people we have, and that is what the blueprint is helping us to do. We are going—effectively, instead of horizontal silos, we have turned it into a processing shop, so that the people that we have, and the analysts that we have, and the different levels of analyst that we have, can process all applications. And they can do it today with HUBZone and 8(a), but then as we take on WOSB or—and if we take on Service-Disabled Veterans, we should be okay.

At that point, though, we don't have a number, and we don't have staffing. But initially, I remember that when we had originally asked, in the previous hearing, for how we would look at all of the processing, it was a very, very large——

Chairman GOLDEN. I will stop you there, sir. Knowing that we got a few other members that are going to want to ask some questions, and not knowing what their timeline is, I am going to go ahead and turn it right over to the Ranking Member, Mr. Stauber. Thank you.

Mr. STAUBER. I thank you, Mr. Chair.

Mr. Shear, Mr. Wong, thanks for your testimony. You both have a lot of experience. There is no doubt about it.

So, Mr. Wong, you have only been in this position for a couple years. Couple of questions. The GAO report indicates the new certification process will be in place by January 1, of 2020. Did you just say 2021?

Mr. WONG. Yes, sir.

Mr. STAUBER. Okay. I want you to look from the women-owned businesses across this country. This is the frustrating thing that they are seeing. Because all it takes, Mr. Wong, is one or two fraudulent businesses to take the legitimacy out of a woman-owned business for contracts, et cetera. It is just purely unacceptable. And I am not blaming you. I like when your boss says, "make it happen." And I think you have articulated kind of how you are going to get there. But 5 years later, after Congress asked you to put this forward, this is a problem. And I am glad you are in your position right now, to be able to say, "we are going to do something." But to me, it is unacceptable. From northern Minnesota, this is simply unacceptable, the timeline, that when Congress enacts that legislation, we ask that the small business folks, take it and bring it across the country.

As we always talk in this committee, Mr. Wong, that small businesses are the engine of our economy, we need this quicker. Because I don't want any businesses owned—legitimately owned by women, to go out of business because of inaction by you or anybody else in your office.

So I am disappointed that it is—you gave the answer 2021. I believe it is the truthful answer, but I want you to know that the women-owned business across this country are not going to be happy about that. And to me, it is unacceptable. I am not putting blame on you.

The second thing is, has the Small Business conducted a cost analysis of the 2015 NDAA SB women-owned, small business certification program, and if so, what did the agency find?

Mr. WONG. Okay. So to your second point first, this is—we will just get the bad news out of the way. In operating a business—it is what I know how to do—we have got to be able to, first, understand how to define success, and then how to measure it, right? And so that is why this blueprint has been so important. We have had to basically take—based on the volume that we are getting—and I want to make this clear, it is not an excuse, it is an explanation—we can't use the mechanisms that we—we can't use the processes that we have been doing before.

Mr. STAUBER. And so to that, are you going to explain the changes?

Mr. WONG. Yes.

Mr. STAUBER. Go ahead.

Mr. WONG. So we have kind of had to, you know, at least on the blueprint, we have to tear down what we have done before. We have to break down those silos. We have to take people—for example, you have common elements. In 8(a), you have roughly nine elements of eligibility; WOSB has eight of those same elements. So, in my opinion, if you look at ownership and control as two of the elements which are critical for, are you the person that you say you are, and are you qualified? We need to get the same answer. We need to get it quickly from the same analyst. But we have an analyst sitting over here that doesn't talk to an analyst over here.

But so what I think in general—and then we have people that, the process we would do is, they do it from start to finish. There are different grade levels, different abilities. Well, some people are good at handling, you know, I am a fat guy, so I will just use this example. I am really good at eating dessert, okay? But if you gave me a full meal, I will take 10 hours because I can't get through the vegetables. All right? If you break these teams up into what they are good at, and if you make it common as possible, and you can set up a system, so that they can look and see what they have to do for the analysis, it goes much better. None of that was here.

So I had to—you know, with our team, we had to come up with that, okay? So, God bless Barb Carson. She is the one that is shepherding through this blueprint. The blueprint will be here while I am here and in the future for all of our SBA employees. We have people there that have devoted their careers to this, more than 20 years each for this. That is how long they been there with a broken system. We are trying to rebuild this system in a new way that is more efficient and help them so that we can get this volume.

So to your point, we are doing the cost analysis and the staffing analysis. I would love another opportunity to come back and make an ask, and I would love to have your support.

Mr. STAUBER. Mr. Wong, that brings me to my second question. Does the SBA know what staff resource levels are necessary to fully operate this program?

Mr. WONG. We are getting there.

Mr. STAUBER. Okay.

Mr. WONG. And to the point, just so that you know, with the current level we have, we are basically trying to increase their workload by six times, okay, with a thank you very much, I appreciate you, okay? We are going to try and do as much as we can. We can't do all of it, but we will get some of it done, ever mindful of the responsibilities we have to the women business owners, to the minority business owners, to the historically underutilized business owners, and the public trust, okay? It is a slow process, and I am sorry to say, but it is my best estimate. I would rather have you flay me in public, because I am strong enough, I can take it. I think the system will work.

Mr. STAUBER. Thank you, Mr. Wong.

Mr. Chair, I yield back.

Chairman GOLDEN. Thank you, Mr. Stauber.

I would now go ahead and recognize Mr. Marc Veasey for 5 minutes.

Mr. VEASEY. I thank you, Mr. Chairman.

I wanted to ask about women and the loans that they receive. I know that, obviously, that that is a big deal with SBA, women being able to receive loans and have access to capital. When you ask women entrepreneurs one of the reasons why they can't expand their business, it is access to capital, with lots of smaller, minority-owned businesses. I believe that women received about—women make up about 30 percent of small businesses in the country, but received about 17 percent of the SBA-backed conventional loans. What are you all trying to do to help that number out a little bit? And I believe out of the total dollars that were given out, that women-owned businesses only received about 4.4 percent of those with SBA conventional loans, and I was just curious what you all were doing to address that issue?

Mr. WONG. Thank you for that question, sir. The loan policies and programs—I can give you an anecdotal answer. The loan policies and programs are handled by OCA, Mr. Manger. But I can tell you that the way that we would help women to get loans is by getting more contracts for them, and more opportunities, okay?

So, what I told the committee previously, and I will reiterate here, with my team's efforts while we are doing all of these things together, over the last 2 years, I am very proud to say that through their efforts, we have grown small business opportunities by 22 percent. By any measure of a market, I think that is a great job.

Mr. VEASEY. Twenty-two percent for women?

Mr. WONG. No, 22 percent overall. So, historically, before I came to office, historically, the government had spent about $99.9 billion with small business, I believe in 2013 or 2014. In 2017, we raised that historical number to $105 billion, and last year, 2018, we raised it again to $121 billion.

So there are more opportunities for small businesses, and, particularly, for women-owned small businesses, but if—generally, how I would run a business is that if you can get these contracts you are more creditworthy, and then you have more access to loans.

Mr. VEASEY. Do you have any way to break down exactly what percentage that you just pointed out, of those moneys were received by women?

Mr. WONG. I could ask. I don't carry—we don't calculate that in our office, but I can certainly get that information.

Mr. VEASEY. And in areas where you all have had success in working with women businesses, like with the MicroLoan Program that the SBA runs, I believe that women-owned businesses received about 57.4 percent, according to one study that I saw, of the successful MicroLoan Program that you guys run. Have you looked at ways how you could expand those sorts of programs where women have—women-owned businesses have shown to be very successful?

Mr. WONG. In general, that is a great idea. We haven't looked at it that specifically, but I can tell you that we have looked at—we have looked at loans, we have looked at counseling, and we have looked at contracting. And I think that we need to do—we are doing a better job of cross-pollinating our areas together, because I think that SBA as a whole, if you look at us as a community, you know, in theory, you get counseling, you go into business, get contracts, and then you use loans to continue to grow, okay?

Mr. VEASEY. I would ask in, you know, the last minute that I have if, you know, when you come back, or if you could get back to the committee at a future date, with something in writing on the feasibility of being able to expand those programs where women are already doing well, I think that would be really great. I think that would be good data for the committee to see. I know I would like to see it.

Mr. WONG. Okay.

Mr. VEASEY. Thank you.

Mr. Chairman, I yield back.

Chairman GOLDEN. Thank you very much. I wanted to go ahead and shift gears a little bit in a second round of questions.

Mr. Shear, could you just talk a little bit, from your perspective and the work that you did, reviewing this program at the request of this committee. What are some of the difficulties that you think have led to the delay in moving forward with these new requirements of SBA?

Mr. SHEAR. You are asking an excellent question, and I am going to do my best to answer, but some of it is a mystery to me and our team members. We were told, now almost 2 years ago, that SBA was about 1 or 2 months away from having a proposed rule. And we couldn't see how much progress had been made within the agency on that. We also knew that the person who was the director of Government Contracting and Business Development had taken actions, such as the review of the—the one-time review of the third-party certifiers, and certainly stated the intent to make that an ongoing process, and to try to address our recommendations.

So in a sense, when we were looking—like, in 2017, we saw a situation where the agency was moving forward. Then—so the idea that a month or two might have been too ambitious, but then we were told it is going to take the agency longer to do that and there is a new director of the program. And when we were told it is going to take longer, we asked for simple things like, Do you have a project plan? Do you have a project plan with timelines?

Because the steps in rulemaking are pretty straightforward. We did a report 2 years ago on this office and the rulemaking process and the steps that go into it and how much time it takes. So why couldn't the agency give us timelines? So, I don't know what was going on behind the scenes and weather there were any disagreements within the agency, so I can't speak to that.

Now, I first saw the proposed rule in draft form last Wednesday and read through it, as did members of my team. In looking at it, I am not going to comment directly on the proposed rule, because the public-comment process is a very important one, and we don't interfere with that. But in reading it, I am still at a loss to try to figure out why this proposed rule took so long to complete. And part of it is the failure of SBA just to say to us, What steps are you going through to complete this rule? That is like bread-and-butter type questions we always ask, especially when timelines are involved. So the agency really hasn't been responsive to us. And so it is a mystery.

Chairman GOLDEN. Thank you for that.

I am going to go ahead and recognize Mr. Stauber.

Mr. STAUBER. I thank you, Mr. Chair.

Mr. Shear, you just reiterated the frustration in what greater America has in some of the inadequacy of our government.

Mr. Wong, the SBA operates programs that are authorized—unauthorized by Congress. Given the lack of funding and resources you have referenced, can the SBA go back and try to reallocate some of the resources which are going to unauthorized programs, to congressionally mandated programs, like WOSB?

Mr. WONG. At least as regards WOSB, we went to our CFO, and the answer was that they could not provide the level of funding that at the time, when we had asked them about setting up another silo, they said Absolutely not, we don't have that funding. Whether it can be reallocated, I don't know. I leave that up to the CFO. He, generally, had been somebody that if we needed help and he could do it—I don't know what he does, but, you know, I don't know. But I know that we asked, and I know that the answer was no.

Mr. STAUBER. I yield back.

Chairman GOLDEN. So, just listening to all this, Mr. Wong, I just want to, you know, state, and maybe ask—and I think we can follow up with some of this in writing—I would just make note that you pointed out in your testimony, in some of your responses to the questions, it sounds to me that there are concerns about new requirements, without additional resources and funding. And, you know, I think that you are a mission-oriented person. You want to get the job done, you want to do it right, you want to do it the very best that you can.

Congress told SBA to go ahead and do something, and you were trying to do it within existing resources without asking for more of them, which I understand. And I think Mr. Stauber was spot on when he talked about the concerns about the damage that can be done when something like this takes too long, to the integrity of the program, and the impact it can have on the women-owned small businesses who should be competing, and should be winning these opportunities to contract with the government. I would just point out that, from my perspective, at some point, there is a responsibility for SBA to provide, back to Congress, whatever issues there are that are holding them back from moving forward with implementation in a timely manner.

You know, it seems you are describing an interaction internally within SBA where people are saying no. Certainly, it is dependent upon us to ask these questions to give you the opportunity to come back to and tell us what you need, and that is what we are doing right now.

So, I would ask that we get something back in writing, detailing exactly what is the cost in moving forward with the self-certification, with the certification, you know, process that is required of third-party certifiers? What resources do you need in order to move forward and do so, you know, appropriately?

So, you know, we will follow up with something in writing and ask for that back, but, really, I think that is, you know, the politics of what something costs in taxpayer dollars, I think, belongs rightfully up here among these members and in Congress, to talk about whether or not we should be spending more to move forward with something like this. And so, you know, I appreciate the feedback.

Mr. STAUBER. Thank you, Mr. Chair. Just wanted to say thank you to you both. Mr. Wong, it is not a great seat to sit in today, you know, but with your experience, and I really appreciate your honesty, and that is the feedback we need. But please know that the concerns for women-owned small business is a priority for us, and please, as Chairman Golden talked about, please come back with those written statements on how we are going to go forward in a manner that is extremely timely, and your—you know, I have faith in your experience that you will come back and break down those silos and make it work. So I thank you to you both.

I yield back.

Chairman GOLDEN. I think I would add to that, too, Mr. Wong, if we could—and I think we may have already requested this, but just in case, as well, we would request in writing a timeline for implementation of the program, how you intend to complete this work by January of 2021. I think we noted originally in the committee information that it was January of 2020. I don't know if that is, you know, incorrect information. It slid a year. That is fine, but let's see the timeline on paper so we can continue to do the oversight that is necessary. And we want to work with you to make this work.

With that, I would just go ahead with a closing statement. The Women-Owned Small Business program aims to expand contracting opportunities for women, but as we have heard today, untimely implementation of reforms, coupled, at times, with nonexistent oversight, threatens to defeat congressional intent. Women entrepreneurs and the business they own have been, and will continue to be, a driving force in our economy.

Competing in the Federal marketplace is an integral part of the role that they play. And as we seek for ways to improve this program, we look forward to working with SBA to ensure that these and future reforms are implemented.

I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record. Without objection, so ordered. And if there is no further business to come before the committee, we are adjourned. Thank you.

[Whereupon, at 11:02 p.m., the Subcommittee was adjourned.]

APPENDIX

United States Government Accountability Office

GAO

Testimony
Before the Subcommittee on Contracting and Infrastructure, Committee on Small Business, House of Representatives

For Release on Delivery
Expected at 10 a.m. ET
Thursday, May 16, 2019

WOMEN-OWNED SMALL BUSINESS PROGRAM

Actions Needed To Address Continued Oversight Issues

Statement of William B. Shear, Director, Financial Markets and Community Investment

May 16, 2019

WOMEN-OWNED SMALL BUSINESS PROGRAM

Actions Needed to Address Continued Oversight Issues

GAO Highlights

Highlights of GAO-19-563T, a testimony before the Subcommittee on Contracting and Infrastructure, Committee on Small Business, House of Representatives

Why GAO Did This Study

In 2000, Congress authorized the WOSB program, allowing contracting officers to set aside procurements to women-owned small businesses in industries in which they are substantially underrepresented. To be eligible to participate in the WOSB program, firms have the option to self-certify or be certified by a third-party certifier. However, the 2015 NDAA changed the WOSB program by (1) authorizing SBA to implement sole-source authority, (2) eliminating the option for firms to self-certify as being eligible for the program, and (3) allowing SBA to implement a new certification process.

This testimony is based on a report GAO issued in March 2019 (GAO-19-168). For that report, GAO examined (1) the extent to which SBA has addressed the 2015 NDAA changes, (2) SBA's efforts to address previously identified deficiencies, and (3) use of the WOSB program. GAO reviewed relevant laws, regulations, and program documents; analyzed federal contracting data from April 2011 through June 2018; and interviewed SBA officials, officials from contracting agencies selected to obtain a range of experience with the WOSB program, and the three (out of four) private third-party certifiers that agreed to meet with GAO.

What GAO Recommends

GAO recommended in March 2019 that SBA develop a process for periodically reviewing the extent to which WOSB program set-asides are awarded for ineligible goods or services and use the results to address identified issues, such as through targeted outreach or training on the WOSB program. SBA agreed with the recommendation.

View GAO-19-563T. For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov

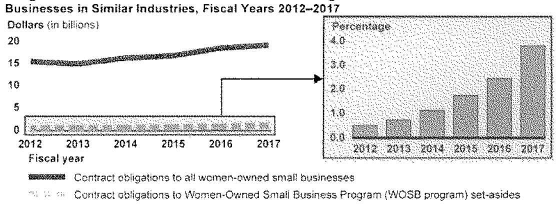
What GAO Found

The Small Business Administration (SBA) has implemented one of the three changes to the Women-Owned Small Business (WOSB) program authorized in the National Defense Authorization Act of 2015 (2015 NDAA). In September 2015 SBA published a final rule to implement sole-source authority (to award contracts without competition), effective October 2015. As of early May 2019, SBA had not eliminated the option for program participants to self-certify that they are eligible to participate, as required by the 2015 NDAA. SBA officials stated that the agency intended to address the third change made by the 2015 NDAA (meaning implement a new certification process for the WOSB program).

SBA has not addressed WOSB program oversight deficiencies and recommendations in GAO's 2014 report (GAO-15-54). For example, GAO recommended that SBA establish procedures to assess the performance of four third-party certifiers—private entities approved by SBA to certify the eligibility of WOSB firms. While SBA generally agreed with GAO's recommendations and conducted a compliance review of the certifiers in 2016, it has no plans to regularly monitor their performance. By not improving its oversight, SBA is limiting its ability to ensure third-party certifiers are following program requirements. Further, the implementation of sole-source authority in light of these continued oversight deficiencies can increase program risk. GAO maintains that its recommendations aimed at improving oversight should be addressed. In addition, GAO's March 2019 (GAO-19-168) report found that about 3.5 percent of contracts using a WOSB set-aside were awarded for ineligible goods or services from April 2011 through June 2018. At that time, SBA was not reviewing contracting data that could identify which agencies may need targeted training. GAO recommended that SBA review such data to help address identified issues. In early May 2019, SBA said it had initiated such efforts.

While federal contract obligations to all women-owned small businesses and WOSB program set-asides have increased since fiscal year 2012, WOSB program set-asides remain a small percentage (see figure).

Obligations for the Women-Owned Small Business Program and to All Women-Owned Small Businesses in Similar Industries, Fiscal Years 2012–2017



Source: GAO analysis of Federal Procurement Data System-Next Generation (FPDS-NG) data | GAO-19-563T

Note: Obligations to women-owned small businesses represent contract obligations to women-owned small businesses under WOSB-program-eligible North American Industry Classification System codes. FPDS-NG obligation amounts have been adjusted for inflation.

Chairman Golden, Ranking Member Stauber, and Members of the Subcommittee:

I am pleased to be here today to discuss our recent work on the Woman-Owned Small Business Program (WOSB program). Congress authorized the WOSB program in 2000, allowing contracting officers to set aside procurements to women-owned small businesses in industries in which they are substantially underrepresented. On October 7, 2010, the Small Business Administration (SBA) issued a final rule to implement the WOSB program, and the program began operating in 2011. To be eligible to participate in the WOSB program, firms have the option to self-certify or be certified by a third-party certifier. However, the 2015 National Defense Authorization Act (2015 NDAA) changed the WOSB program by (1) authorizing SBA to implement sole-source authority, (2) eliminating the option for firms to self-certify as being eligible for the program, and (3) allowing SBA to implement a new certification process.

Today I will discuss (1) the extent to which SBA has implemented changes to the WOSB program made by the 2015 NDAA; (2) the extent to which SBA has implemented changes to address previously identified oversight deficiencies, including those we identified in October 2014; and (3) changes in WOSB program use since 2011, including since the 2015 implementation of sole-source authority.[1] My statement is based on our March 2019 report.[2] For that report, we reviewed relevant laws, regulations, and program documents; analyzed federal contracting data from April 2011 through June 2018; and interviewed SBA officials, officials from contracting agencies selected to obtain a range of experience with the WOSB program, and three of the four private third-party certifiers.

The work on which this statement is based was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained

[1]GAO, *Women-Owned Small Business Program: Certifier Oversight and Additional Eligibility Controls Are Needed*, GAO-15-54 (Washington, D.C.: Oct. 8, 2014).

[2]GAO, *Women-Owned Small Business Program: Actions Needed to Address Ongoing Oversight Issues*, GAO-19-168 (Washington, D.C.: Mar. 14, 2019).

provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Federal agencies conduct a variety of procurements that are reserved for small business participation through small business set-asides. These set-asides can be for small businesses in general, or they can be specific to small businesses that meet additional eligibility requirements in the Service-Disabled Veteran-Owned Small Business, Historically Underutilized Business Zone (HUBZone), 8(a) Business Development (8(a)), and WOSB programs. The WOSB program enables federal contracting officers to identify and establish a sheltered market, or set-aside, for competition among women-owned small businesses (WOSB) and economically disadvantaged women-owned small businesses (EDWOSB) in certain industries.[3] WOSBs can receive set-asides in industries in which SBA has determined that women-owned small businesses are substantially underrepresented. To determine these industries, SBA is required to conduct a study to determine which North American Industry Classification System (NAICS) codes are eligible under the program and to report on such studies every 5 years.

Additionally, businesses must be at least 51 percent owned and controlled by one or more women who are U.S. citizens to participate in the WOSB program. The owner must provide documents demonstrating that the business meets program requirements, including a document in which the owner attests to the business's status as a WOSB or EDWOSB. According to SBA, as of early October 2018, there were 13,224 WOSBs and 4,488 EDWOSBs registered in SBA's online certification database. SBA's Office of Government Contracting administers the WOSB program by, among other things, promulgating regulations and conducting eligibility examinations of businesses that receive contracts under a WOSB or EDWOSB set-aside. According to SBA, as of October 2018, there were two full-time staff within the Office of Government Contracting whose primary responsibility was the WOSB program.

[3]Throughout this statement, we use the abbreviation "WOSB" to refer specifically to women-owned small businesses that have been certified as eligible for the WOSB program. Economically disadvantaged is a determination made if a woman can demonstrate that her ability to compete in the free enterprise system is impaired due to diminished capital and credit opportunities as compared with others in the same or similar business.

Initially, the program's statutory authority allowed WOSBs to be self-certified by the business owner or certified by an approved third-party national certifying entity as eligible for the program. Self-certification is free, but some third-party certification options require businesses to pay a fee. Each certification process requires businesses to provide signed representations attesting to their WOSB or EDWOSB eligibility. Businesses must provide documents supporting their status before submitting an offer to perform the requirements of a WOSB set-aside contract. In August 2016, SBA launched certify.sba.gov, which is an online portal that allows firms participating in the program to upload required documents and track their submission and also enables contracting officers to review firms' eligibility documentation.[4] According to the Federal Acquisition Regulation, contracting officers are required to verify that all required documentation is present in the online portal when selecting a business for an award. In addition, businesses must register and attest to being a WOSB in the System for Award Management, the primary database of vendors doing business with the federal government.

In 2011, SBA approved four organizations to act as third-party certifiers. According to SBA data, these four third-party certifiers completed a total of about 3,400 certifications in fiscal year 2017.[5]

In 2014 we reviewed the WOSB program and found a number of deficiencies in SBA's oversight of the four SBA-approved third-party certifiers and in SBA's eligibility examination processes, and we made related recommendations for SBA.[6] In addition, in 2015 and 2018 the SBA Office of Inspector General (OIG) reviewed the WOSB program and also found oversight deficiencies, including evidence of WOSB contracts set aside for ineligible firms. In both reports, the SBA OIG also made

[4]According to SBA, the agency plans to move other certifications, such as those of the 8(a) and HUBZone programs, into the new system and allow documents uploaded for one program to be reused for another.

[5]To become an SBA-approved third-party certifier, interested organizations submitted an application to SBA that contained information on the organization's structure and staff, policies and procedures for certification, and attestations that they will adhere to program requirements.

[6]GAO-15-54. We made two recommendations to improve SBA's oversight of the WOSB program. As of early May 2019, these recommendations remained open.

recommendations for SBA.[7] Further, in July 2015, we issued GAO's fraud risk framework, which provides a comprehensive set of key components and leading practices that serve as a guide for agency managers to use when developing efforts to combat fraud in a strategic, risk-based way.[8]

SBA Has Implemented One of the Three Changes Made by the 2015 NDAA

As of early May 2019, SBA had implemented one of the three changes that the 2015 NDAA made to the WOSB program—sole-source authority. The two other changes—authorizing SBA to implement its own certification process for WOSBs and requiring SBA to eliminate the WOSB self-certification option—had not been implemented.[9] The 2015 NDAA did not require a specific time frame for SBA to update its regulations. SBA officials have stated that the agency will not eliminate self-certification until the new certification process for the WOSB program is in place, which they expect to be completed by January 1, 2020.

In September 2015, SBA published a final rule to implement sole-source authority for the WOSB program (effective October 2015).[10] Among other things, the rule authorized contracting officers to award a contract to a WOSB or EDWOSB without competition, provided that the contracting officer's market research cannot identify two or more WOSBs or EDWOSBs in eligible industries that can perform the requirements of the contract at a fair and reasonable price. In the final rule, SBA explained that it promulgated the sole-source rule before the WOSB certification requirements for two reasons. First, the sole-source rule could be accomplished by simply incorporating the statutory language into the regulations, whereas the WOSB certification requirements would instead

[7]SBA Office of Inspector General, *Improvements Needed in SBA's Management of the Women Owned Small Business Federal Contracting Program*, SBA OIG Report 15-10 (Washington, D.C.: May 14, 2015) and *SBA's Women-Owned Small Business Contracting Program*, SBA OIG Report 18-18 (Washington, D.C.: June 20, 2018).

[8]GAO, *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP (Washington, D.C.: July 2015).

[9]The 2015 NDAA expanded the WOSB certification process to include the SBA Administrator, in addition to the previously approved methods of a federal agency, a state government, or a national certifying entity approved by SBA.

[10]*See* Women-Owned Small Business Federal Contract Program, 80 Fed. Reg. 55019 (Sept. 14, 2015). The value of a WOSB sole-source contract, including options, cannot exceed $6.5 million for manufacturing contracts and $4 million for all other contracts. A related interim rule updating the Federal Acquisition Regulation was issued in December 2015 and was followed by a final rule in September 2016.

require a prolonged rulemaking process. Second, SBA said that addressing all three regulatory changes at the same time would delay the implementation of sole-source authority.

As of early May 2019, SBA had not published a proposed rule for public comment to establish a new certification process for the WOSB program. Previously, in October 2017, an SBA official stated that SBA was about 1–2 months away from publishing a proposed rule. However, in June 2018, SBA officials stated that a cost analysis would be necessary before the draft rule could be sent to the Office of Management and Budget for review. In response to the SBA OIG recommendation that SBA implement the new certification process, SBA stated that it would implement a new certification process by January 1, 2020.[11] Further, in June 2018, SBA officials told us that they were evaluating the potential costs of a new certification program as part of their development of the new certification rule.[12] On May 3, 2019, SBA officials explained that they expected to publish the proposed rule within a few days.

In December 2015, SBA published an advance notice of proposed rulemaking to solicit public comments to assist the agency with drafting a proposed rule to implement a new WOSB certification program.[13] In the notice, SBA stated that it intends to address the 2015 NDAA changes, including eliminating the self-certification option, through drafting regulations to implement a new certification process. The advance notice requested comments on various topics, such as how well the current certification processes were working, which of the certification options

[11]SBA OIG Report 18-18.

[12]Executive Order 12866 and Office of Management and Budget Circular A-4 require that certain agencies—including SBA—generally assess the potential costs and benefits of actions, including proposed rules that are deemed to be a "significant regulatory action." A "significant regulatory action" is defined by the order as one that is likely to result in a rule that may (1) have an annual effect on the economy of $100 million or more, or adversely affect in a material way the economy or a sector of the economy, among other things (generally referred to as "economically significant" regulations); (2) create a serious inconsistency or otherwise interfere with another agency's taken or planned actions; (3) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or (4) raise novel legal or policy issues arising from legal mandates, the President's priorities, or the principles set forth in the executive order. See Exec. Order No. 12866 § 6(a)(3)(C), 3 C.F.R. § 12866 (1994).

[13]Women-Owned Small Business and Economically Disadvantaged Women-Owned Small Business—Certification, 80 Fed. Reg. 78984 (Advance notice of proposed rulemaking, Dec. 18, 2015).

were feasible and should be pursued, whether there should be a grace period for self-certified WOSB firms to complete the new certification process, and what documentation should be required.

Three third-party certifiers submitted comments in response to the advance notice of proposed rulemaking, and none supported the option of SBA acting as a WOSB certifier. One third-party certifier commented that such an arrangement is a conflict of interest given that SBA is also responsible for oversight of the WOSB program, and two certifiers commented that SBA lacked the required resources. The three third-party certifiers also asserted in their comments that no other federal agency should be allowed to become an authorized WOSB certifier, with one commenting that federal agencies should instead focus on providing contracting opportunities for women-owned businesses. All three certifiers also proposed ways to improve the current system of third-party certification—for example, by strengthening oversight of certifiers or expanding their number. The three certifiers also suggested that SBA move to a process that better leverages existing programs with certification requirements similar to those of the WOSB program, such as the 8(a) program. In the advance notice, SBA asked for comments on alternative certification options, such as SBA acting as a certifier or limiting WOSB program certifications to the 8(a) program and otherwise relying on state or third-party certifiers.[14]

SBA Has Not Fully Addressed Deficiencies in Oversight and Program Implementation

SBA has not fully addressed deficiencies we identified in our October 2014 report, and these recommendations remain open.[15] First, we reported that SBA did not have formal policies for reviewing the performance of its four approved third-party certifiers, including their compliance with their agreements with SBA. Further, we found that SBA had not developed formal policies and procedures for, among other things, reviewing the monthly reports that certifiers submit to SBA.[16] As a result, we recommended that SBA establish comprehensive procedures

[14] WOSB program regulations currently allow WOSB certification through the 8(a) program; however, SBA officials said that this method of certification currently represents a small percentage of all WOSB program certifications.

[15] GAO-15-54.

[16] Per their written agreements, the third-party certifiers are required to submit monthly reports to SBA describing WOSB program performance information.

to monitor and assess the performance of the third-party certifiers in accordance with their agreements with SBA and program regulations.

In response to our October 2014 recommendation, in 2016 SBA conducted compliance reviews of the four SBA-approved third-party certifiers. The compliance reviews included an assessment of the third-party certifiers' internal certification procedures and processes, an examination of a sample of applications from businesses that the certifiers deemed eligible and ineligible for certification, and an interview with management staff. SBA officials said that SBA's review team did not identify significant deficiencies in any of the four certifiers' processes and found that all were generally complying with their agreements. However, one compliance review report described "grave concerns" that a third-party certifier had arbitrarily established eligibility requirements that did not align with WOSB program regulations and used them to decline firms' applications.[17] SBA noted in the report that if the third-party certifier failed to correct this practice, SBA could terminate the agreement. As directed by SBA, the third-party certifier submitted a letter to SBA outlining actions it had taken to address this issue, among others.

In January 2017, SBA's Office of Government Contracting updated its written Standard Operating Procedures (SOP) to include policies and procedures for the WOSB program, in part to address our October 2014 recommendation. The 2017 SOP discusses what a third-party-certifier compliance review entails, how often the reviews are to be conducted, and how findings are to be reported. The 2017 SOP notes that SBA may initiate a compliance review "at any time and as frequently as the agency determines is necessary." In March 2019, SBA provided an updated SOP, which includes more detailed information on third-party compliance reviews, such as how SBA program analysts should prepare for the review. However, the updated SOP does not provide specific time frames for how frequently the compliance reviews are to be conducted.

In addition, in April 2018, SBA finalized a WOSB Program Desk Guide that discusses how staff should prepare for a compliance review of a

[17]Specifically, SBA found that the third-party certifier denied firms solely on the grounds that the woman owner was not the highest compensated officer, which SBA's report states was outside the parameters of eligibility for the WOSB program. According to the report, SBA provided guidance to the third-party certifier stating that it should not deny firms based on compensation issues alone and that the third-party certifier should take into account the totality of the circumstances, including whether decisions concerning compensation make business sense.

third-party certifier, review certification documents, and prepare a final report. In March 2019, SBA provided GAO with an updated WOSB Program Desk Guide that contains information comparable to that in the 2018 version. Both Desk Guides do not describe specific activities designed to oversee third-party certifiers on an ongoing basis.

Per written agreements with SBA, third-party certifiers are required to submit monthly reports that include

- the number of WOSB and EDWOSB applications received, approved, and denied;
- identifying information for each certified business, such as the business name;
- concerns about fraud, waste, and abuse; and
- a description of any changes to the procedures the organizations used to certify businesses as WOSBs or EDWOSBs.

In our October 2014 report, we noted that SBA had not followed up on issues raised in the monthly reports and had not developed written procedures for reviewing them.[18] At that time, SBA officials said that they were unaware of the issues identified in the certifiers' reports and that the agency was developing procedures for reviewing the monthly reports but could not estimate a completion date. In interviews for our March 2019 report, SBA officials stated that SBA still does not use the third-party certifiers' monthly reports to regularly monitor the program. Specifically, SBA does not review the reports to identify any trends in certification deficiencies that could inform program oversight. Officials said the reports generally do not contain information that SBA considers helpful for overseeing the WOSB program, but staff sometimes use the reports to obtain firms' contact information. SBA's updated 2019 SOP includes information on reviews of third-party certifier monthly reports, but it does not contain information on how staff would analyze the reports or how these reports would inform SBA's oversight of third-party certifiers and related compliance activities, such as eligibility examinations. On May 3, 2019, SBA officials stated that, earlier in the week, they had initiated monthly meetings with the third-party certifiers. SBA officials explained that they intended to continue holding these monthly meetings to discuss

[18]GAO-15-54.

best practices and potential issues related to the approval and disapproval of firms and to improve collaboration.

Although SBA has taken steps to enhance its written policies and procedures for oversight of third-party certifiers, it does not have plans to conduct further compliance reviews of the certifiers and does not intend to review certifiers' monthly reports on a regular basis in a way that would inform its oversight activities. SBA officials said that third-party certifier oversight procedures would be updated, if necessary, after certification options have been clarified in the final WOSB certification rule. However, ongoing oversight activities, such as regular compliance reviews, could help SBA better understand the steps certifiers have taken in response to previous compliance review findings and whether those steps have been effective. In addition, leading fraud risk management practices include identifying specific tools, methods, and sources for gathering information about fraud risks, including data on trends from monitoring and detection activities, as well as involving relevant stakeholders in the risk assessment process.[19] Without procedures to regularly monitor and oversee third-party certifiers, SBA cannot provide reasonable assurance that certifiers are complying with program requirements and cannot improve its efforts to identify ineligible firms or potential fraud. Further, it is unclear when SBA's final rule will be implemented. As a result, we maintain that our previous recommendation should be addressed—that is, that the Administrator of SBA should establish and implement comprehensive procedures to monitor and assess the performance of certifiers in accordance with the requirements of the third-party certifier agreement and program regulations.

SBA also has not fully addressed deficiencies we identified in our October 2014 report related to eligibility examinations.[20] We found that SBA lacked formalized guidance for its eligibility examination processes and that the examinations identified high rates of potentially ineligible businesses. As a result, we recommended that SBA enhance its examination of businesses that register for the WOSB program to ensure that only eligible businesses obtain WOSB set-asides. Specifically, we suggested that SBA should take actions such as (1) completing the development of procedures to conduct annual eligibility examinations and implementing such procedures; (2) analyzing examination results and

[19]GAO-15-593SP.

[20]GAO-15-54.

individual businesses found to be ineligible to better understand the cause of the high rate of ineligibility in annual reviews and determine what actions are needed to address the causes, and (3) implementing ongoing reviews of a sample of all businesses that have represented their eligibility to participate in the program.

SBA has taken some steps to implement our recommendation, such as including written policies and procedures for WOSB program eligibility examinations in an SOP and a Desk Guide. However, SBA does not collect reliable information on the results of its annual eligibility examinations. According to SBA officials, SBA has conducted eligibility examinations of a sample of businesses that received WOSB program set-aside contracts each year since fiscal year 2012. However, SBA officials told us that the results of annual eligibility examinations—such as the number of businesses found eligible or ineligible—are generally not documented. As a result, we obtained conflicting data from SBA on the number of examinations completed and the percentage of businesses found to be ineligible in fiscal years 2012 through 2018. For example, based on previous information provided by SBA, we reported in October 2014 that in fiscal year 2012, 113 eligibility examinations were conducted and 42 percent of businesses were found to be ineligible for the WOSB program. However, during our more recent review, we received information from SBA indicating that 78 eligibility examinations were conducted and 37 percent of businesses were found ineligible in fiscal year 2012. In addition, SBA continues to have no mechanism to look across examinations for common eligibility issues to inform the WOSB program. As we noted in 2014, by not analyzing examination results broadly, the agency is missing opportunities to obtain meaningful insights into the program, such as the reasons many businesses are deemed ineligible.

Further, SBA still conducts eligibility examinations only of firms that have already received a WOSB award. In our October 2014 report, we concluded that this sampling practice restricts SBA's ability to identify potentially ineligible businesses prior to a contract award.[21] SBA officials said that while some aspects of the sample characteristics have changed since 2012, the samples still generally consist only of firms that have been awarded a WOSB set-aside. Restricting the samples in this way limits SBA's ability to better understand the eligibility of businesses before

[21]GAO-15-54.

they apply for and are awarded contracts, as well as its ability to detect and prevent potential fraud.

We recognize that SBA has made some effort to address our previous recommendation by documenting procedures for conducting annual eligibility examinations of WOSB firms. However, leading fraud risk management practices state that federal program managers should design control activities that focus on fraud prevention over detection and response, to the extent possible.[22] Without maintaining reliable information on the results of eligibility examinations, developing procedures for analyzing results, and expanding the sample of businesses to be examined to include those that did not receive contracts, SBA limits the value of its eligibility examinations and its ability to reduce ineligibility among businesses registered to participate in the WOSB program. These deficiencies also limit SBA's ability to identify potential fraud risks and develop any additional control activities needed to address these risks. As a result, the program may continue to be exposed to the risk of ineligible businesses receiving set-aside contracts. In addition, in light of these continued deficiencies, the implementation of sole-source authority without addressing the other changes made by the 2015 NDAA could increase program risk. For these reasons, we maintain that our previous recommendation that SBA enhance its WOSB eligibility examination procedures should be addressed.

SBA has also not addressed previously identified issues with WOSB set-asides awarded under ineligible industry codes. In 2015 and 2018, the SBA OIG reported instances in which WOSB set-asides were awarded using NAICS codes that were not eligible under the WOSB program, and our analysis indicates that this problem persists.[23] Specifically, our analysis of data from the Federal Procurement Data System–Next Generation (FPDS–NG) on all obligations to WOSB program set-asides from the third quarter of fiscal year 2011 through the third quarter of fiscal year 2018 found the following:

- 3.5 percent (or about $76 million) of WOSB program obligations were awarded under NAICS codes that were never eligible for the WOSB program;

[22] GAO-15-593SP.

[23] SBA OIG Report 15-10 and SBA OIG Report 18-18.

- 10.5 percent (or about $232 million) of WOSB program obligations made under an EDWOSB NAICS code went to women-owned businesses that were not eligible to receive awards in EDWOSB-eligible industries; and
- 17 of the 47 federal agencies that obligated dollars to WOSB program set-asides during the period used inaccurate NAICS codes in at least 5 percent of their WOSB set-asides (representing about $25 million).

According to SBA officials we spoke with, WOSB program set-asides may be awarded under ineligible NAICS codes because of human error when contracting officers are inputting data in FPDS–NG or because a small business contract was misclassified as a WOSB program set-aside. Rather than review FPDS–NG data that are inputted after the contract is awarded, SBA officials said that they have discussed options for working with the General Services Administration to add controls defining eligible NAICS codes for WOSB program set-aside opportunities on FedBizOpps.gov—the website that contracting officers use to post announcements about available federal contracting opportunities. However, SBA officials said that the feasibility of this option was still being discussed and that the issue was not a high priority. Additionally, as of November 2018, the WOSB program did not have targeted outreach or training that focused on specific agencies' use of NAICS codes, and SBA officials did not identify any targeted outreach or training provided to specific agencies to improve understanding of WOSB NAICS code requirements (or other issues related to the WOSB program). On May 6, 2019, an SBA official provided information that SBA has initiated a review to determine federal agencies' use of ineligible NAICS codes and that SBA plans to share the findings with agencies and also provide training to procurement center representatives.[24]

Congress authorized SBA to develop a contract set-aside program specifically for WOSBs and EDWOSBs to address the underrepresentation of such businesses in specific industries. In addition, federal standards for internal control state that management should design control activities to achieve objectives and respond to risks, and that management should establish and operate monitoring activities to

[24]A procurement center representative is an SBA staff member assigned to federal agencies or contract administration offices whose responsibilities include conducting periodic reviews of compliance with small business policies.

monitor and evaluate the results.[25] Because SBA does not review whether contracts are being awarded under the appropriate NAICS codes, it cannot provide reasonable assurance that WOSB program requirements are being met or identify agencies that may require targeted outreach or additional training on eligible NAICS codes. As a result, WOSB contracts may continue to be awarded to groups other than those intended, which can undermine the goals of and confidence in the program.

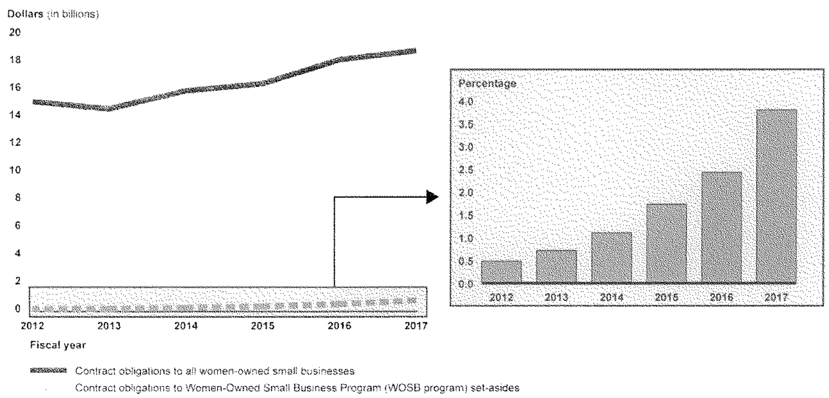
Federal Contracts to WOSB Set-Asides Remain Relatively Small

While federal contract obligations to all women-owned small businesses and WOSB program set-asides have increased since fiscal year 2012, WOSB program set-asides remain a small percentage. Specifically, federal dollars obligated for contracts to all women-owned small businesses increased from $18.2 billion in fiscal year 2012 to $21.4 billion in fiscal year 2017.[26] Contracts awarded to all women-owned small businesses within WOSB-program-eligible industries also increased during this period—from about $15 billion to $18.8 billion, as shown in figure 1. However, obligations under the WOSB program represented only a small share of this increase. In fiscal year 2012, WOSB program contract obligations were 0.5 percent of contract obligations to all women-owned small businesses for WOSB-program-eligible goods or services (about $73.5 million), and in fiscal year 2017 this percentage had grown to 3.8 percent (about $713.3 million) (see fig. 1).

[25]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

[26]These figures include contracts for any type of good or service awarded under the WOSB program, under other federal programs, or through full and open competition.

Figure 1: Obligations for the Women-Owned Small Business Program and to All Women-Owned Small Businesses in Similar Industries, Fiscal Years 2012–2017



Source: GAO analysis of Federal Procurement Data System-Next Generation (FPDS-NG) data. | GAO-19-563T

Note: Obligations to women-owned small businesses represent contract obligations to women-owned small businesses under WOSB-program-eligible North American Industry Classification System codes. FPDS-NG obligation amounts have been adjusted for inflation.

In summary, the WOSB program aims to enhance federal contracting opportunities for women-owned small businesses. However, as of early May 2019, SBA had not fully implemented comprehensive procedures to monitor the performance of the WOSB program's third-party certifiers and had not taken steps to provide reasonable assurance that only eligible businesses obtain WOSB set-aside contracts, as recommended in our 2014 report.[27] Without ongoing monitoring and reviews of third-party certifier reports, SBA cannot ensure that certifiers are fulfilling their requirements, and it is missing opportunities to gain information that could help improve the program's processes. Further, limitations in SBA's procedures for conducting and analyzing eligibility examinations inhibit its ability to better understand the eligibility of businesses before they apply

[27]GAO-15-54.

for and potentially receive contracts, which exposes the program to unnecessary risk of fraud. Also, since SBA does not expect to finish implementing the changes in the 2015 NDAA until January 1, 2020, these continued oversight deficiencies increase program risk. As a result, we maintain that our previous recommendations should be addressed.

In addition, SBA has not addressed deficiencies related to WOSB program set-asides being awarded under ineligible industry codes. Although SBA has updated its training and outreach materials for the WOSB program to address NAICS code requirements, it has not developed a process for periodically reviewing FPDS–NG data, and has yet to provide targeted outreach or training to agencies that may be using ineligible codes. As a result, SBA is not aware of the extent to which individual agencies are following program requirements and which agencies may require targeted outreach or additional training. Reviewing FPDS–NG data would allow SBA to identify those agencies (and contracting offices within them) that could benefit from such training. Without taking these additional steps, SBA cannot provide reasonable assurance that WOSB program requirements are being met.

As such, we made one recommendation in our March 2019 report to SBA. We recommended that SBA develop a process for periodically reviewing FPDS–NG data to determine the extent to which agencies are awarding WOSB program set-asides under ineligible NAICS codes, and take steps to address any issues identified, such as providing targeted outreach or training to agencies making awards under ineligible codes. As of May 2019, this recommendation remains open.

Chairman Golden, Ranking Member Stauber, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Acknowledgments

If you or your staff have any questions about this testimony, please contact William Shear, Director, Financial Markets and Community Investment at (202) 512-8678 or shearw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Andrew Pauline (Assistant Director), Tarek Mahmassani (Analyst in Charge), and Jennifer Schwartz.

Other staff who made key contributions to the report cited in the testimony were Allison Abrams, Pamela Davidson, Jonathan Harmatz, Tiffani Humble, Julia Kennon, Rebecca Shea, Jena Sinkfield, Tyler Spunaugle, and Tatiana Winger.

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U.S. Small Business Administration

Statement of Robb Wong
Associate Administrator
Office of Government Contracting and Business Development
U.S. Small Business Administration

before the
House Committee on Small Business
Subcommittee on Contracting and Infrastructure

Hearing on Oversight of the SBA's Women Owned Small Business Federal Contract Program

May 16, 2019

Statement of Robb Wong
Associate Administrator
U.S. Small Business Administration

Thank you, Chairman Golden, Ranking Member Stauber, and members of the subcommittee for inviting me to speak with you. In my testimony today, I would like to outline the role of the Office of Government Contracting and Business Development (GCBD); share our progress in implementing certification for the Women Owned Small Business (WOSB) program; comment on the GAO review; and identify the steps we are taking to move forward.

I serve as Associate Administrator for GCBD. We are the office that works with all other federal agencies to ensure that their buying strategies and practices provide maximum practicable opportunity to small businesses. The federal government spends nearly $500 billion a year on goods and services through contracting. The Small Business Act establishes a government-wide goal at not less than 23% of prime contract awards go to small businesses. I am happy to report that agencies have achieved record highs over the past few years, exceeding the 23% goal. Additionally, it should be noted that the government increased the number of dollars awarded to small businesses. In 2014, the government awarded a record $99 billion. In 2017, we reached a new high of $105 billion, and we expect to greatly exceed that in 2018. This has meant more contracts, meaning more revenue, for small businesses and more jobs.

In addition to the government-wide small business goal of 23%, there are four socio-economic contracting goals – 5% for small disadvantaged and women owned small businesses; 3% for service-disabled veteran-owned small businesses; and 3% for small businesses located in Historically Underutilized business zones. In order to help achieve these goals, there are various tools contracting officers can use to help achieve these goals, including set-asides which allow businesses in these programs to only compete amongst similarly situated entities.

Currently, two of SBA's small business contracting programs require SBA to certify the businesses size and status –the 8(a) Business Development Program and the Historically Underutilized Business Zone (HUBZone) Program. Small businesses in the Service-disabled Veteran-owned (SDVOSB) and the Women-owned small business (WOSB) Program are able to self-certify their size and status. The SBA certification involves record and document reviews of the companies and then periodic eligibility checks. As you know, the 2015 National Defense Authorization Act changed the requirement for WOSBs in the WOSB program to be SBA certified.

When I arrived two years ago, I realized that the certification program still needed to be implemented. Administrator McMahon made it a priority for me. We got to work right away on drafting the rule – which is now out for public comment. Currently, we receive 2,000 8(a) applications a year and have approximately 5,000 firms in the portfolio. SBA has 53 staff to manage this workload. The HUBZone program receives about 1500 applications per year, with a portfolio of approximately 5000 firms. SBA has a staff of 17 to manage this workload. In addition to the staff I listed above, SBA has 140 Business Opportunity Specialists in our District Offices – they perform critical oversight functions like site visits and eligibility reviews for the 8(a) and HUBZone programs. The number of self-certified WOSB firms is larger than both 8(a) and HUBZone combined – approximately 11,000. SBA currently has 7 full time staff devoted to WOSB.

I quickly saw that the challenge of this program was bigger than just getting a rule published. We have begun working on our internal processes to ensure that we could handle the increase in firms to certify. In doing so, we made the determination that we could not simply set up another siloed process like 8(a) and HUBZone. We have a blueprint that will break down the processes of each of the certification programs and aim to unify the entire process. Though 8(a) and HUBZone, and eventually WOSB, are different programs, they share several commonalties in terms of eligibility criteria. By having a unified processing system, we will increase efficiency across all of the certification without sacrificing our main objective – assure the public that when a contract is awarded to an SBA certified company through a set-aside, that company is eligible to receive it.

Now, I'd like to address the GAO report on the WOSB program. We appreciate GAO's work across two reports on this program. In particular, their highlighting the need for greater scrutiny of the Third Party Certifiers. The initial law that created the WOSB program mandated the self-certification portion and enabled businesses to utilize non-profit entities as certifiers. SBA currently has four Third Party Certifiers authorized on behalf of the program. GAO noted that SBA's oversight of these Third Party Certifiers has been uneven. Since then, we have initiated ongoing engagement with them – listening to their best practices and hearing what their challenges may be. We intend to continue that effort through regular meetings.

Another area of oversight GAO, and our own Inspector General, pointed out was the number of set aside awards that had used the wrong NAICS codes. Under the WOSB set aside program, only certain NAICS codes are eligible to be set aside for a WOSB/EDWOSB. Finding a high number of incorrect awards, SBA has begun greater outreach and training to agencies and their contracting officers. This topic has been the subject of recent Small Business Procurement Advisory Council meetings, has become an element of buying activity surveillance reviews, and the focus of conference call training sessions we hold for any contracting officer who requests one.

In closing, I want to thank the committee for your attention to this program, and for GAO's work to point out the path we need to take. My goal is to increase contracting opportunities and dollars to all Women Owned Small Businesses. There are currently 70,000 of them registered to do business with the federal government, with 11,000 currently self-certified as eligible for set aside. A robust certification program will ensure they can continue to do great work for the government and create jobs in their communities.

Thank you, and I am happy to take any questions.