

July 2000

SMALL BUSINESS

SBA Could Better Focus Its 8(a) Program to Help Firms Obtain Contracts



G A O

Accountability * Integrity * Reliability

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Abbreviations

IG	Inspector General
SBA	Small Business Administration



United States General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-284055

July 20, 2000

The Honorable Christopher S. Bond
Chairman, Committee on Small Business
United States Senate

Dear Mr. Chairman:

The 8(a) program, administered by the Small Business Administration (SBA), is one of the federal government's primary vehicles for developing small businesses that are owned by socially and economically disadvantaged individuals. To be certified by SBA for participation in the program, applicants must show that their firms are owned by socially and economically disadvantaged individuals, meet SBA's small business size standards, and have a reasonable potential for success, as defined in SBA regulations. Firms in the program are eligible for contracts that federal agencies set aside for 8(a) firms and may receive SBA technical assistance and management training. In fiscal year 1999, about 6,000 small businesses participated in the program, and \$6.2 billion was awarded in 8(a) contracts.

Concerned about whether the program is helping 8(a) firms become more competitive, you asked us to examine (1) the extent to which firms are obtaining federal contracts, (2) how SBA tracks the training and assistance provided to firms, and (3) how firms view the program. In examining the firms' views, we focused on the reasons why firms join the program, what assistance firms want from SBA, and how satisfied they are with the program. To address these questions, we conducted a nationwide mail survey of 1,200 firms randomly selected from SBA's database of 5,432 active 8(a) firms. Our survey response rate was 71 percent (853 firms) and our results can be generalized to the entire population of active 8(a) firms in the program as of September 30, 1999. Appendix I provides a more detailed description of our objectives, scope, and methodology. Our survey and the responses to it are provided in appendix II.

Results in Brief

Access by firms to 8(a) contracts—long considered the program's biggest benefit—remains a problem. A long-standing concern cited in our previous reports and those of the SBA Inspector General is that a few firms receive most of the 8(a) contracts, effectively limiting the developmental opportunities available to other firms in the program. For example, in fiscal

year 1998, 209 firms received 50 percent of the 8(a) contract dollars. SBA acknowledges this problem and has made some changes in the program to address it, but SBA officials said that because of differences in firms' skills and experience and other factors, it is reasonable that not all 8(a) firms will receive contracts from the program. In addition, SBA relies on other federal agencies to make the contract awards, and federal procuring officials are confronted with the competing objectives of accomplishing their agencies' missions at a reasonable cost and achieving the 8(a) program's business development goals.

SBA remains unable to track the training and assistance it provides to 8(a) firms. We reported in 1992 that SBA did not know the full extent of management and technical assistance provided to 8(a) firms because it did not track the assistance provided. Almost a decade later, we found that SBA still does not have a method of systematically tracking the training and assistance firms receive. The lack of such a system impairs SBA's ability to measure the program's performance and to determine what assistance firms need. SBA piloted a Business Assessment Tool in 1999 that would evaluate firms' business development needs, but at the time of our review, SBA had not completed its review of the pilot.

According to our survey results, almost all firms joined the program to obtain 8(a) contracts, wanted SBA to provide contracting assistance, and were more satisfied with the program if they had received a contract. Eighty-six percent of the firms surveyed joined the program to obtain 8(a) contracts. However, only about one-fifth of the firms joined the program to learn more about how to manage a business. One reason for these firms' not placing a higher priority on learning to manage a business is that a large majority of the firms had owners with over 10 years' experience managing a business. In addition, the firms themselves were not new; over half the firms we surveyed had been in business 5 years or more before joining the program. Overall satisfaction with the program was mixed, but firms that received 8(a) contracts were more satisfied than those that did not. We are recommending that SBA take a number of actions aimed at better meeting the purpose of the program, the needs and expectations of the firms in the program, and improving SBA's ability to determine how well the program is working. We provided a draft of this report to SBA for its review and comment. SBA concurred with the report's recommendations and provided technical clarifications, which were incorporated as appropriate.

Background

The Small Business Act, as amended, authorizes the 8(a) program. The purpose of the program—which was named for a section of the Small Business Act—is to help eligible socially and economically disadvantaged small businesses to compete in the American economy through business development activities. Toward this end, the Congress made three major legislative attempts—in 1978, 1980, and 1988—to improve SBA’s administration of the program and to emphasize its business development aspects. The Congress enacted the 1988 act and subsequent amendments partly because the program was not developing firms in the program into viable businesses. To remedy this and other problems, the 1988 act made a number of changes to improve the program’s organization and participation standards, business development activities, and overall management.

To be eligible for the 8(a) program, a firm must be a small business that is at least 51-percent owned and controlled by one or more socially and economically disadvantaged individuals. A firm is considered small if it meets size standards established by SBA for the firm’s particular industry. Under the program, certain ethnic groups, such as African and Hispanic Americans, are presumed to be socially disadvantaged. Other individuals can be admitted to the program if they can adequately document that they are socially disadvantaged. In addition, to qualify as economically disadvantaged, an individual must have a net worth of less than \$250,000, excluding his or her ownership interest in the firm and a primary personal residence. A firm must also generally have been in business at least 2 years and possess a reasonable prospect for success in the private sector as determined by SBA on the basis of elements such as the firm’s operating revenue and access to capital and credit.

Firms that enter the program are eligible to receive contracts that federal agencies set aside for the program and to receive business development assistance from SBA. Competition for 8(a) contracts is limited to firms within the program. Firms can obtain other federal contracts, but do so in competition with firms outside the program. Firms’ 9-year program participation is divided into two stages—a developmental stage covering years 1 through 4 and a transitional stage covering years 5 through 9. During the transitional years, firms are required to meet certain non-8(a) business contract levels in an effort to ensure firms do not develop an unreasonable reliance on the program. According to 8(a) program regulations, firms may also receive business development assistance, such as contract support, financial assistance, training in developing business strategies to enhance their ability to compete for contracts, training in

transitional business planning, and assistance in forming joint ventures with other firms.

A business opportunity specialist in the SBA district office that serves the geographical area where a firm's principal place of business is located is normally assigned to service the firm while it is in the program. The business opportunity specialist is responsible for, among other things, assisting the firm with preparing a business plan, conducting annual reviews of the firm's progress in implementing its plan, providing technical assistance, analyzing year-end financial statements for certain compliance issues, and coordinating additional assistance and training for the firm through SBA's 7(j) Management and Technical Assistance Program.

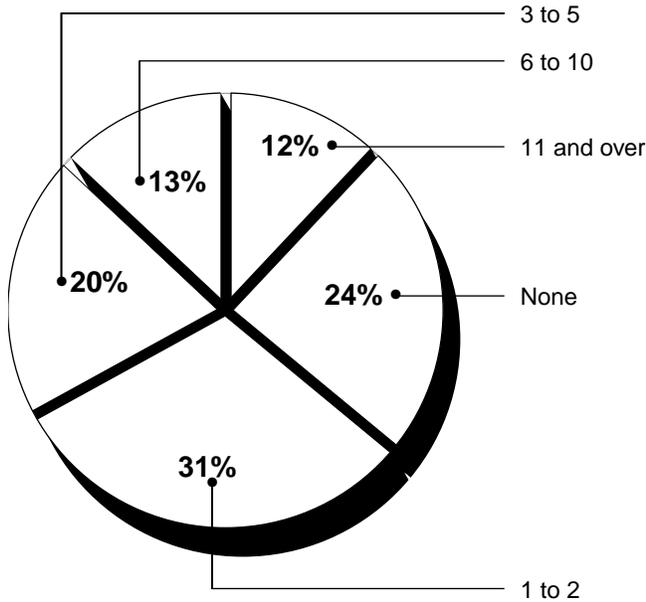
A Few Firms Continue to Receive Most 8(a) Contracts

Because access to 8(a) contracts has long been considered the program's biggest benefit, firms' success in obtaining these contracts has been a long-standing concern. The Congress in amending the 8(a) program in 1988 sought to improve the fair and equitable distribution of federal contracting opportunities by increasing the number of competitive small businesses owned and controlled by socially and economically disadvantaged individuals. Nonetheless, as our prior reports and those of the SBA Inspector General (IG) have noted, (1) a large percentage of the total dollar value of program contracts was awarded to very few firms, and (2) about half the firms in the program in a given year receive none of these contracts. For example, our analysis of SBA's fiscal year 1998 program data showed that 50 percent (\$3.2 billion) of the dollar value of the 8(a) contracts and modifications went to only 209 of the more than 6,000 firms in the program, while over 3,000 firms did not get any program contracts. According to SBA, because the developmental status of each firm in the program varies greatly in any given year, the number of firms that seek 8(a) contracts will be less than the total number of firms in the program. The IG also listed the concentration of 8(a) contracts among a few firms as one of the 10 most serious management challenges facing SBA in both fiscal years 1999 and 2000. The concentration of program contract awards has also been reported as a material weakness in SBA's Federal Managers Financial Integrity Act Report every fiscal year since 1994.

According to our survey results, many firms have yet to actually receive an 8(a) contract. For example, as shown in figure 1, 24 percent of our survey respondents who have been in the program for at least 2 years have not obtained an 8(a) contract. Of those survey respondents who joined the program primarily to obtain contracts and who have been in the program

for at least 2 years, 35 percent indicated that they have not been successful in obtaining a contract. One survey respondent wrote that their firm is going into its fourth year in the program without obtaining any 8(a) contracts. The respondent wrote that their firm was under the impression that SBA staff would assist them in contacting federal agencies and obtaining these contracts. Instead, the firm has had to use its time and resources to fill out the paperwork required by SBA but has nothing to show for its efforts. According to the program's regulations, admission into the program does not guarantee that firms will receive 8(a) contracts. Firms are also informed upon joining the program that participation does not guarantee their obtaining an 8(a) contract.

Figure 1: Number of 8(a) Contracts Awarded to Firms That Have Been in the 8(a) Program at Least 2 Years

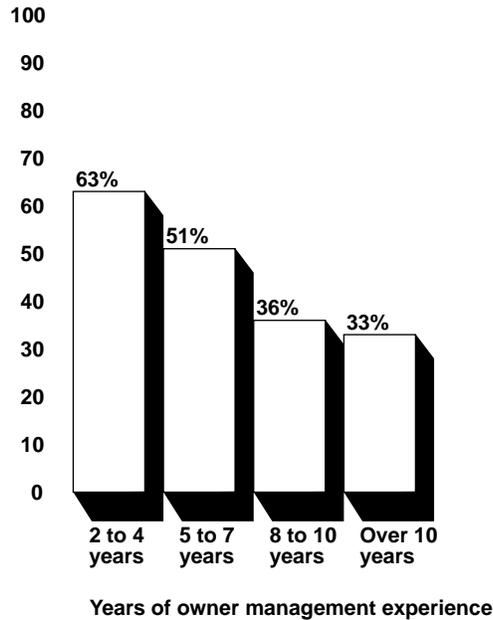


In our analysis of the survey data, we examined different factors to determine if there were any relationships between firms that have not yet obtained 8(a) contracts and (1) the number of years of the owners' overall owner management experience or (2) the number of years a firm was in business before joining the program. The survey data indicate firms that

have owners with less management experience are not as likely to obtain 8(a) contracts compared with firms with more experienced owners. As illustrated in figure 2, nearly 63 percent of the firms surveyed have owners with 2 to 4 years' management experience and have not obtained a contract.

Figure 2: Percentage of Firms That Have Not Obtained an 8(a) Contract Based on the Amount of the Owners' Management Experience

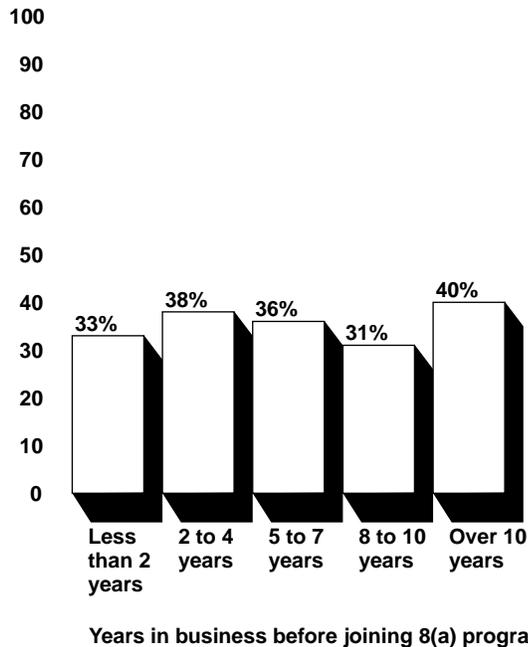
Percentage of firms that have not obtained an 8(a) contract



Our survey data indicate that no significant relationship exists between the amount of time a firm has been in business before joining the program and its success in obtaining an 8(a) contract. For example, as illustrated in figure 3, there is no statistical difference between firms that have been in business less than 2 years and those that have been in business over 10 years with regard to their success in obtaining an 8(a) contract.

Figure 3: Percentage of Firms That Have Obtained No 8(a) Contracts by Their Years in Business Before Joining the 8(a) Program

Percentage of firms that have not obtained 8(a) contracts



SBA agrees that the concentration of program contracts among a few firms is a problem and has made changes to the 8(a) program in an attempt to reduce the concentration. For example, SBA revised the program's regulations in June 1995 and eliminated a loophole that allowed firms to obtain sole source contracts above a limit set for the program. In 1998, SBA attempted to make the 8(a) contracting process more attractive for federal agencies by negotiating memorandums of understanding that allowed federal agencies to contract directly with 8(a) firms. Federal agency officials we interviewed generally viewed this change as having a positive impact on the process. Officials at one agency commented that their memorandum of understanding has reduced the time it takes them to issue an 8(a) contract by at least 30 days. Also, in June 1998, SBA again revised the program's regulations to, among other things, limit the total dollar amount of sole source contracts firms can receive and allow 8(a) firms and other small businesses to form joint ventures to enhance their ability to obtain larger federal contracts. SBA stated in December 1999 that these efforts, along with others, were reducing the contract concentration

problem. The agency reported a 40-percent reduction in the dollar amount of 8(a) contracts awarded to the top 10 firms between fiscal years 1997 and 1998. However, our analysis of SBA's fiscal year 1999 program data showed that this was a short-term reduction because the dollar amount of 8(a) contracts awarded to the top 10 firms increased by 45 percent between fiscal years 1998 and 1999.

At the same time, SBA officials said that because of the differences in skills and experience among the firms and conflicting federal procurement objectives, it is reasonable that not all firms in the program will receive 8(a) contracts. According to SBA, 8(a) firms are no different from other small businesses—some will be more successful than others. Among the factors that define a firm's success in obtaining 8(a) contracts are the firm's proximity to federal agencies; the firm's capabilities, access to credit and capital, and effective marketing; and the share of each federal agency's prime contracting dollars devoted to the program. The program's regulations state that admission to the program does not guarantee that a participant will receive 8(a) contracts. In addition, SBA relies on other federal agencies to make the contract awards, and federal procuring officials are confronted with the competing objectives of accomplishing their agencies' missions at a reasonable cost and achieving the 8(a) program's business development goals.

SBA's Lack of a System to Track Assistance Provided to 8(a) Firms Impairs Its Ability to Measure Program Performance

SBA remains unable to track the training and assistance it provides to 8(a) firms. Almost a decade after we first reported that SBA did not track the assistance it provides to firms, we found that SBA still does not have a method of systematically tracking the training and assistance firms receive. The lack of such a system impairs SBA's ability to measure the program's performance and to determine what assistance firms need. SBA piloted a Business Assessment Tool in 1999 that would evaluate firms' business development needs, but at the time of our review, SBA officials had not completed their assessment of the pilot. SBA has attempted to enhance the training component of the program over the last several years, but its efforts are limited in the number of firms they can serve because of funding constraints.

SBA Lacks a System to Measure Business Development Impact

Although SBA wants to emphasize business development for 8(a) firms, it does not currently have a method for systematically tracking the business development training and assistance 8(a) firms receive. In January 1992, we reported that the full extent of the management and technical assistance

provided to 8(a) firms was unknown because SBA did not have a computer network that enabled the agency to collect this information.¹ In September 1996, SBA testified it had implemented an automated information system that enabled the agency to monitor, among other things, what kind of assistance was provided to firms and what progress was made with business development. Yet SBA is not currently tracking the training and assistance provided to 8(a) firms. SBA's Deputy Assistant Administrator for Technology said that SBA's current information system had the capacity to track management training from the 7(j) Management and Technical Assistance Program when the system was initially implemented, but this capacity was never used because 7(j) program funding was reduced. If information on training and assistance is needed, the 8(a) program manager said headquarters would send an information request to the district offices. However, officials in SBA's district offices in Atlanta, Dallas-Fort Worth, New York City, and San Francisco told us that they do not have systems to track the training or assistance that they or others provide to 8(a) firms. Officials in SBA's Washington, D.C., district office informed us that since SBA did not have a centralized system to track training or assistance provided to 8(a) firms, the district office maintained a spreadsheet with this information. Our report on SBA's 8(a) information system discusses this issue as well as other concerns with that system.²

In addition, SBA does not have a systematic way of assessing the business development needs of 8(a) firms or the effect of the assistance it provides to address these needs. SBA currently relies on its business opportunity specialists to make such an assessment through their periodic contacts with the firms and their reviews of the firms' business plans and the annual 8(a) program reports firms provide. It is the business opportunity specialists' responsibility to provide advice and guidance on management and marketing, technical, financial, and contracting assistance and to refer firms to other sources, both within and outside SBA, for additional assistance. However, many business opportunity specialists are also responsible for a myriad of other tasks, such as making sure that firms comply with the program's regulations before they receive 8(a) contracts, reviewing annual financial reports from firms, and increasingly, for program marketing activities as well. For example, in the Atlanta, Dallas-

¹*Small Business: Problems in Restructuring SBA's Minority Business Development Program* (GAO/RCED-92-68, Jan. 31, 1992).

²*Small Business: SBA's 8(a) Information System Is Flawed and Does Not Support the Program's Mission* (GAO/RCED-00-197, July 20, 2000).

Fort Worth, and New York City district offices, business opportunity specialists are responsible for all tasks associated with the firms in their portfolios. In these offices, the number of 8(a) firms each business opportunity specialist was responsible for at the time of our visits ranged from a low of 25 to a high of 43. In the San Francisco and Washington, D.C., district offices, the business opportunity specialists have a larger number of firms in their portfolios, but they divide up the servicing responsibilities. For the most part, the business opportunity specialists that we interviewed said that they believe the time they have to assess 8(a) firms' developmental needs and to provide needed assistance is limited. SBA officials in each of the district offices we visited also told us that because of travel constraints and other factors, business opportunity specialists are unable to make annual site visits to all the 8(a) firms in their portfolios, as recommended in SBA's operating procedures for the program.

In an effort to better identify what type of assistance and training an 8(a) firm requires, SBA piloted an automated Business Assessment Tool, but at the time of our review, the SBA Associate Deputy Administrator responsible for the 8(a) program said he was uncertain whether the tool would be implemented because of budget constraints. The assessment tool was designed to match information from a series of 58 questions that assess a firm's developmental assistance needs with the business training and counseling resources provided by SBA and other service providers. The tool also provided a mechanism for tracking the training and assistance recommended. In July 1999, SBA piloted the Business Assessment Tool at 14 SBA district offices where it was used to assess 53 firms. SBA officials said that the tool, which is not integrated into SBA's current information system, is being reassessed because the pilot showed that it could be improved by being made more user friendly. For example, if a business opportunity specialist was not able to complete all the data entries in one session, the tool would not save the entries already completed.

SBA's Measure of Program Success in Its Performance Plan Needs Improvement

SBA changed how it measures the success of the 8(a) program by realigning the program's performance goals in the agency's fiscal year 2001 annual performance plan with the program's business development emphasis. As required by the Government Performance and Results Act, agencies must prepare annual performance plans that inform the Congress of, among other things, the performance goals for major programs and the measures used to gauge program performance. Previously, the 8(a) program's success—as measured in SBA's fiscal year 2000 plan—was based

on the number of firms still independently owned and operated 3 years after leaving the program. SBA now defines the program's success as the number of 8(a) firms that complete the 9-year program term (or graduate early from the program) and receive business development assistance. Though the fiscal year 2001 plan did not provide specific details on what business development assistance involved, the plan stated that it included technical, management, and federal contract assistance.

However, as reported in our review of SBA's fiscal year 2001 performance plan, the new measure SBA adopted to assess the success of the 8(a) program is an output measure—completing the program and receiving business development assistance—and is a weaker performance measure than the outcome measure SBA adopted in its fiscal year 2000 plan—continued business operation 3 years after leaving the program.³ SBA's supporting information on the program's success rates in its 2001 plan for fiscal years 1997 through 1999 shows that the agency counted all firms that completed the program as successful because district office procedures dictate that every 8(a) firm receive at least one training session. Yet as we previously discussed, SBA has no systematic way to track the extent to which this and other assistance was provided.

A second performance goal in SBA's fiscal year 2001 performance plan—to increase the ability of small and disadvantaged businesses to successfully supply the government with goods and services by providing them with increased contracts and business development assistance—also affects the 8(a) program. The 2001 plan shows that SBA will measure this goal based on the percentage of firms that receive federal contracts, technical assistance, and mentoring. However, like the 8(a) program's new goal to measure program success, this performance goal also focuses on outputs rather than on outcomes. For example, SBA's target output measure for technical assistance is that in fiscal year 2001, 25 percent of small and disadvantaged businesses, including 8(a) firms, should receive business development and financial assistance through a number of SBA programs.

³*Observations on the Small Business Administration's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan* (GAO/RCED-00-207R, June 30, 2000).

SBA Increased Its Business Development Focus, but Efforts Are Limited

As part of its emphasis on business development, SBA devoted a significant amount of the funding from the 7(j) program to executive education for 8(a) firms. Since fiscal year 1996, SBA has earmarked from 40 to 50 percent of its 7(j) funding for this training. The executive education training, given to select 8(a) firm executives who are nominated for participation by SBA district offices, is conducted at various colleges and universities across the country. A senior SBA program adviser estimated that about 10 percent of the 8(a) firms have had executives participate in this training. The training is divided into two parts—a basic course for executives from firms in the developmental or transitional stages of the program and an advanced course for executives who have attended the basic course. Both courses focus on developing needed business skills for an 8(a) firm's president or chief executive officer.

Owners of two 8(a) firms we interviewed when developing our survey had taken the executive training and were very positive about the impact it had on their businesses. For example, one of the owners said that as a result of the training, she was able to expand her personnel firm so that it now provides business services. The other owner said that he considered himself very proficient in the engineering field but lacked sophisticated management skills. He credited the training with helping him focus his business plan and further develop his management skills. However, both owners stressed that SBA selects the more successful firms for executive development training.

Funding for the 7(j) program has decreased dramatically starting in fiscal year 1996. The program's funding for fiscal years 1990 through 1995 averaged about \$8.4 million per year, exceeding SBA's average budgetary request of \$7.2 million per year. In contrast, for fiscal years 1996 through 1999, funding for 7(j) averaged about \$2.6 million per year, well below SBA's average budgetary request of \$7.1 million. As a result of the decreased 7(j) funding levels, the 8(a) program manager said that SBA has relied on its other programs, such as the Small Business Development Centers and the Women-Owned Business Centers, to provide business development assistance to 8(a) firms. These programs have always been available to firms, but according to the program manager, they generally do not provide firms with specific contracting assistance.

During fiscal year 1999, SBA initiated the 8(a) Business Development Mentor-Protégé Program. The program encourages private sector relationships with mentors who can provide technical assistance, financial assistance (equity investments or loans), subcontract support, and

assistance in performing prime contracts through joint venture arrangements with 8(a) firms. As of April 2000, SBA had established 40 mentor-protégé agreements and planned to have an additional 60 agreements in place by the end of fiscal year 2000. Nonetheless, if this participation level continues, the Mentor-Protégé program will only be able to reach a small fraction of the over 6,000 8(a) firms.

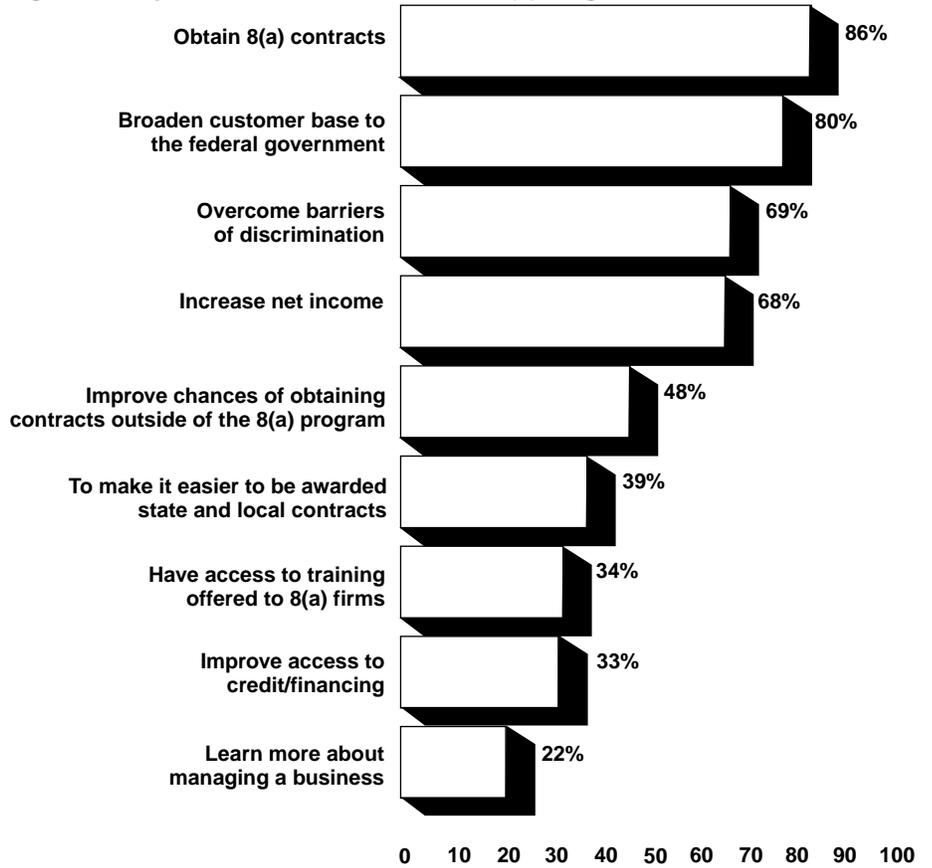
Most Firms Join the Program Primarily to Obtain 8(a) Contracts, and Their Satisfaction Depends on Contracting Opportunities

The most important reason that 86 percent of the firms cited for joining the 8(a) program was to obtain federal contracts set aside for the program. However, only about one-fifth of the firms in the program felt that they needed assistance from SBA in learning how to manage a business and would rather have had SBA assistance in finding contract opportunities. Overall satisfaction with the program was mixed, but firms that received 8(a) contracts were more satisfied than those that did not.

Firms Enter the Program Primarily to Receive 8(a) Contracts

According to our survey results, a major reason 86 percent of the firms cited for joining the 8(a) program was to obtain federal contracts that are set aside for the program. As shown in figure 4, a significant number of the firms we surveyed also entered the program to broaden their customer base to include the federal government and to increase their net income. For example, one respondent wrote that their firm is an established company that joined the 8(a) program just to expand its opportunities with the federal government. Another survey respondent wrote that the program should do more to help good minority companies obtain federal contracts.

Figure 4: Major Reasons Firms Joined the 8(a) Program



Another major reason firms joined the 8(a) program was to overcome barriers of discrimination. While 69 percent of the respondents gave this reason, the percentage varied somewhat depending on the group with which a firm's owner identified. As table 1 indicates, 81 percent of the firms owned by minority women considered overcoming discrimination to be a major reason for joining the program, while 58 percent of the firms owned by Hispanic Americans saw it as a major reason. One survey respondent wrote that discrimination still exists and that, without the 8(a) program, it would have been almost impossible for their company to compete against large corporations for federal contracts. Another survey respondent wrote that the program is the only one available for minority firms to grow their businesses.

Table 1: Percentage of Minority and Disadvantaged Groups That Considered Overcoming Discrimination as a Major Reason for Joining the 8(a) Program

Minority/disadvantaged group	Percentage
Minority women	81
Nonminority women	78
African American	78
Native American	64
Asian American	63
Hispanic American	58

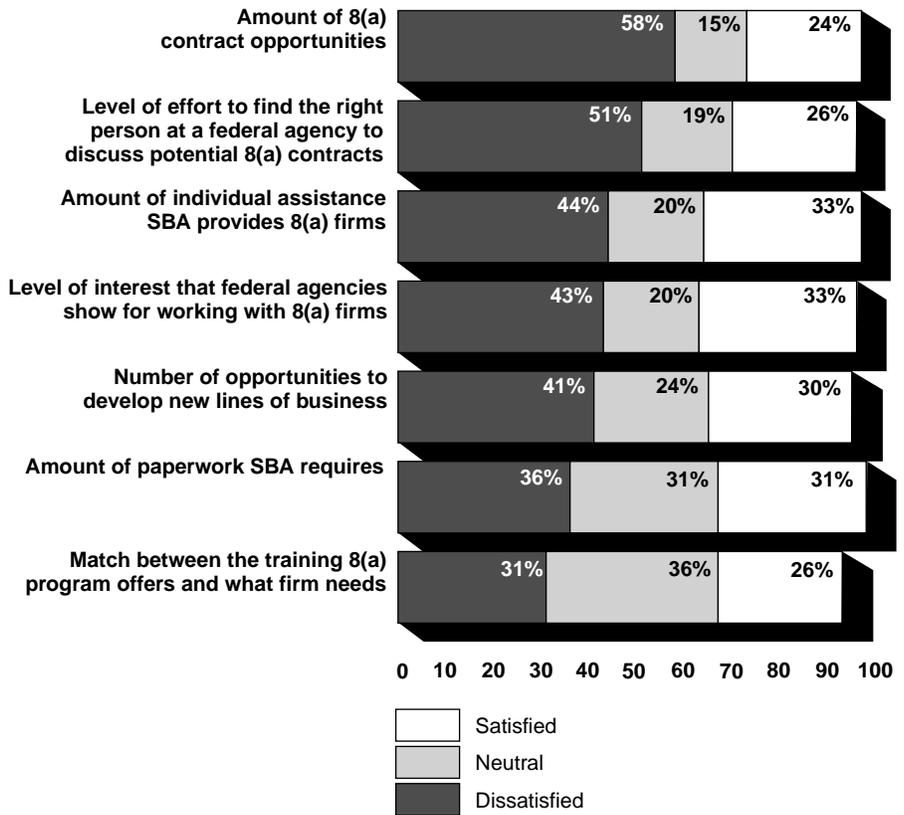
Firms' Satisfaction With the 8(a) Program Depends on Contract Receipt

Overall satisfaction with the program was mixed, but firms that received 8(a) contracts were more satisfied than those that did not. For example, over 48 percent of the firms in the program for at least 2 years that had obtained at least one 8(a) contract were satisfied with the program. However, only about 9 percent of the firms in the program for at least 2 years that had not obtained an 8(a) contract were satisfied. One respondent wrote in their survey that they were frustrated because their firm had spent a considerable amount of money marketing to various federal agencies for over 2 years with no results.

When asked about satisfaction with general aspects of the 8(a) program, firms expressed the most dissatisfaction with two items relating to contracting issues. As shown in figure 5, 58 percent of 8(a) firms indicated that they were dissatisfied with the amount of contracting opportunities from the program. Over half the firms surveyed were also dissatisfied with their efforts to find the right contact at a federal agency to discuss potential 8(a) contracts. Additionally, over 40 percent were dissatisfied with the amount of individual assistance SBA provided and the level of interest federal agencies showed for working with 8(a) firms. One respondent commented in their survey that their firm had not received any assistance from its business opportunity specialist in over 5 years. One respondent also wrote that they did not even know who to contact at SBA and that the only information they received from SBA was paperwork for recertification and requests for financial information. Another respondent wrote that federal agencies were reluctant to use the 8(a) program. The respondent also wrote that SBA had failed to understand the concerns of federal agencies and that this kept the agencies from using the program.

Other firms were more satisfied with the amount of contracting opportunities provided by the 8(a) program. For example, one survey respondent noted that that the program had helped their business to gain not only government contracts but also commercial ones. Another firm wrote that the program had provided an opportunity to participate in federal government contracts that were not available to the firm prior to joining.

Figure 5: Major Reasons for Firms' Satisfaction and Dissatisfaction With the 8(a) Program

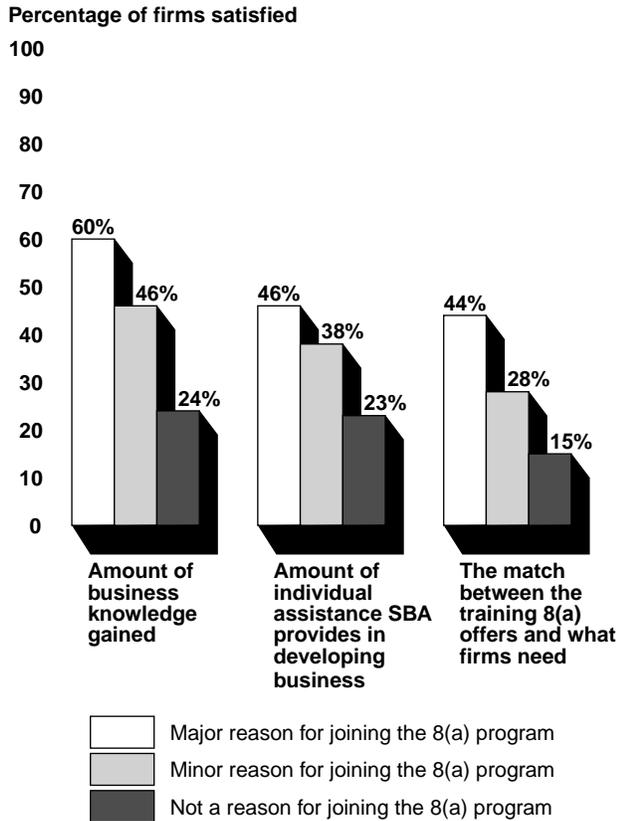


Note: Those who responded “uncertain” were not included in this figure. As a result, totals do not tally to 100 percent.

According to our survey, firms that joined the 8(a) program to learn to manage a business were generally more satisfied with the program than those that did not join for this purpose. Half of the firms we surveyed that

joined the program to learn more about managing a business were satisfied, while only 30 percent of those that did not join for this purpose were satisfied. Additionally, as illustrated in figure 6, 60 percent of those that joined to learn to manage a business were satisfied with the business knowledge gained from the program. In contrast, only 24 percent who said that they did not join to learn to manage a business were satisfied with the business knowledge gained.

Figure 6: Satisfaction of 8(a) Firms Based on Whether They Joined the 8(a) Program to Learn to Manage a Business

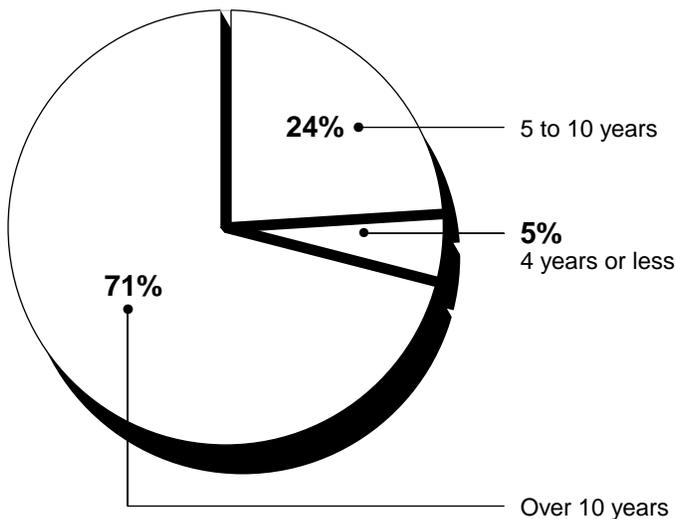


Firms that joined the program to learn to manage a business also joined to obtain 8(a) contracts. For example, 83 percent of the firms that joined to learn to manage a business reported that obtaining 8(a) contracts was a major reason for joining. However, most of the firms that joined the program to learn to manage a business were dissatisfied with the

contracting aspect of the program—only 26 percent of these respondents were satisfied with the amount of 8(a) contract opportunities.

While firms that joined the 8(a) program to learn to manage a business were generally more satisfied with the program, only about one-fifth of those surveyed indicated that this was a major reason for joining. One reason for these firms' not placing a higher priority on learning to manage a business is that a large majority of the firms already had business experience. As shown in figure 7, 70 percent of firms had owners with over 10 years' experience managing their current 8(a) firm and other companies. Furthermore, over 50 percent of the firms we surveyed were in business 5 years or more before joining the program. One respondent wrote in their survey that their company had been in business 12 years before being certified as an 8(a) firm. Another respondent wrote that they had over 20 years business experience and just needed help finding contracting opportunities, help they had not received from their local SBA office.

Figure 7: Owners' Experience Managing Current 8(a) Firms and Other Companies



According to our survey data, most firms would like to see SBA implement changes that would place a greater emphasis on increasing 8(a) contract opportunities. For example, 90 percent of those surveyed wanted SBA to

place a high priority on increasing efforts to link 8(a) firms with specific federal program managers. Over 80 percent wanted SBA to make sure that contacts at federal agencies are familiar with the program. Furthermore, 83 percent of the survey respondents wanted SBA to increase the number of ways the agency informs 8(a) firms about contract opportunities. Among the survey comments we received, one respondent stated that SBA should change the nature of the 8(a) program from a business development program to a contracting program. The respondent wrote that by changing the nature of the program, SBA would have more time to monitor compliance and promote the program to other federal agencies. Another survey respondent wrote that SBA should be more involved with firms as they seek out contracts and suggested that SBA hold quarterly meetings with firms at their place of business to discuss their progress. A third survey respondent wrote that SBA should place its highest priority on seeing that firms obtain their first 8(a) contract. Additionally, SBA's assessment of the data collected during SBA's pilot of the Business Assessment Tool also emphasized an increased contracting focus and recommended that contract assistance or counseling be provided to over 80 percent of the 53 firms assessed.

Conclusions

The purpose of the 8(a) program is to assist eligible small disadvantaged firms compete in the American economy through business development. SBA's program regulations state that, among other things, business development includes training to aid in developing strategies to compete successfully for both 8(a) and non-8(a) contracts. Our survey showed that 8(a) firms join the program primarily to obtain contracts and that their satisfaction with the program is tied to their receipt of contracts. Therefore, SBA should consider making contracting assistance its first priority for the program. To do this, SBA would need to increase its outreach efforts to federal agencies and develop strategies to increase the percentage of 8(a) firms that obtain contracts. In addition, SBA's district offices would need to focus resources on helping inform firms about contract opportunities, assisting firms with contracts at federal agencies, and being more involved with firms as they seek and negotiate contracts. By focusing its efforts on providing contracting assistance and outreach to federal agencies, SBA could better achieve the purpose of the program, improve customer satisfaction, and make more progress toward eliminating its long-standing problem with contract concentration.

SBA has no way to tell how well the 8(a) program is working. SBA has never surveyed its customers in a meaningful way as we did to determine

what their needs are and to find out how satisfied they are with the program. Additionally, almost a decade after we first reported that SBA did not know the full extent of business development assistance provided to 8(a) firms because it did not track this assistance, SBA still does not have a tracking system in place. The Business Assessment Tool that SBA developed and piloted is a step in the right direction in terms of tracking training needs and the assistance provided, but pilot tests showed that it needs to be improved before it can be implemented. The lack of systematic data limits SBA's ability to monitor the program's results and to assess its effectiveness under the Government Performance and Results Act in an accurate and meaningful way. SBA has revised the program's success measure to include a provision of business development assistance as a factor. Yet the measure is meaningless because SBA simply assumes that every firm that completes the 9-year program has received a training session. Thus, all a firm has to do to be successful under this measure is to stay in the program for 9 years and attend one training session.

Because SBA does not know what business development assistance its customers—the 8(a) firms—want or need from the program, its efforts are not aligned with the needs and expectations of the firms. Recognizing that the owners of over two-thirds of the firms in our survey had over 10 years of management experience and that training funds available through the 7(j) program are severely limited, SBA could limit business development assistance that is not contracting-related to only the 8(a) firms that are identified as requiring it. Length of management experience could be used as a simple indicator to determine which firms might need assistance and which do not. Alternatively, SBA could refocus 7(j) program funding toward contracting-related training and refer firms that need management training to other sources.

Recommendations

To better address the purpose of the 8(a) program, meet the needs and expectations of the firms in the program, and improve SBA's ability to determine how well the program is working, we recommend that the Administrator of the Small Business Administration take the following steps:

- Instruct the district offices to place their highest priority on helping inform firms about contracting opportunities, assisting firms with contacts at federal agencies, and becoming more involved with firms as they seek and negotiate contracts.

-
- Periodically perform a nationwide sample survey of 8(a) firms to obtain measurable program data. At a minimum, the survey should assess whether SBA assistance is meeting the firms' expectations and needs.
 - Provide a method for collecting data on each firm's training needs for tracking the assistance provided.
 - Revise the 8(a) program's success measure in SBA's future annual performance plans to make the measure a more meaningful assessment of the program's impact.

Reassess the agency's use of 7(j) Management and Technical Assistance Program funding. The reassessment should consider whether to devote most of the 7(j) program's funding to training designed to develop the abilities of 8(a) firms to obtain contracts or to retain the current business development focus but restrict the training to firms with a demonstrated need.

Agency Comments and Our Evaluation

We provided a draft of our report to SBA for its review and comment. SBA concurred with the report's recommendations and provided technical clarifications, which were incorporated as appropriate. SBA's comments are in appendix III.

We conducted our review from September 1999 through July 2000 in accordance with generally accepted government auditing standards.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time, copies of this report will be sent to the Honorable John Kerry, Ranking Minority Member of the Committee; other interested congressional committees; the Honorable Aida Alvarez, Administrator, Small Business Administration; and other interested parties. We will also make copies available to others on request.

If you or your staff have any questions about this report, please contact me at (202) 512-7631. Key contributors to this report were Susan Campbell, Amy Carroll, Andy Clinton, Fran Featherston, Curtis Groves, Barbara Johnson, and Kirk Menard.

Sincerely yours,

A handwritten signature in black ink that reads "Stanley J. Czerwinski". The signature is written in a cursive style with a large, stylized 'S' and 'C'.

Stanley J. Czerwinski
Associate Director, Housing,
Community Development, and
Telecommunications Issues

Objectives, Scope, and Methodology

Our objectives were to determine (1) the extent to which firms in the Small Business Administration's (SBA) 8(a) program are obtaining federal contracts, (2) how SBA tracks the training and assistance provided to firms, and (3) how firms view the program. In answering our first and second objectives, we visited and interviewed SBA officials involved with the 8(a) program at SBA headquarters in Washington, D.C., and at SBA district offices in Atlanta, Dallas-Fort Worth, New York City, San Francisco, and Washington, D.C. We selected these district offices based on the number of 8(a) firms they oversee and the geographic locations of the offices. Officials at SBA headquarters and the five district offices provided us with information on SBA's management of the 8(a) program, its current focus, and recent SBA initiatives intended to improve the program.

We also obtained and reviewed SBA's annual performance plans from fiscal years 1999 through 2001; annual SBA reports to the Congress on the 8(a) program from fiscal years 1995 through 1998; the program's regulations, which included the most recent changes from June 1998; various SBA procedural and information notices about the program; SBA's March 2000 proposed reorganization plan involving the program; and our prior reports on the program dating back to 1981. We also reviewed reports by the SBA Inspector General and information on the 8(a) program and discussed with Inspector General officials their past work involving the program.

To obtain a perspective on the focus of the program beyond SBA, we interviewed officials from selected Offices of Small Disadvantaged Business Utilization and various contracting officers for the Air Force, the Department of Education, the Environmental Protection Agency, the General Services Administration, the Office of Personnel Management, and the Department of Veterans Affairs. We selected these federal agencies because of the dollar amount of 8(a) contracts they awarded to 8(a) firms in fiscal year 1998, according to information from the Federal Procurement Data System.¹ The Air Force, General Services Administration, and Department of Veterans Affairs were 3 of the 10 federal agencies with the highest dollar amount of 8(a) contracts. The Department of Education, Environmental Protection Agency, and Office of Personnel Management were 3 of the 15 federal agencies with the lowest 8(a) contract amounts above \$1 million. We also obtained information on the program from our

¹Air Force 8(a) contract dollars are combined with overall 8(a) information for the Department of Defense.

interviews with officials at the Minority Business Enterprise Legal Defense and Education Fund and the National Federation of 8(a) Companies.

To answer our third objective on how firms view the program, we conducted a nationwide mail survey of active 8(a) firms. Our survey focused on the reasons why firms join the program, what assistance firms want from SBA, and how satisfied they are with the program. To determine which firms were eligible for our survey, we obtained a data file from SBA of all 8(a) firms. We then drew a random sample of 1,200 firms out of the 5,432 firms in the program listed as active as of September 30, 1999, and mailed our survey to these 1,200 firms.

Since we used a sample (called a probability sample) of 1,200 8(a) firms to develop our estimates, each estimate has a measurable precision, or sampling error, that may be expressed as a plus/minus figure. A sampling error indicates how closely we can reproduce from a sample the results that we could obtain if we were to take a complete count of the universe using the same measurement methods. By adding the sampling error to and subtracting it from the estimate, we can develop upper and lower bounds for each estimate. This range is called a confidence interval. Sampling errors and confidence intervals are stated at a certain confidence level—in this case, 95 percent. For example, a confidence interval at the 95-percent confidence level means that in 95 out of 100 instances, the sampling procedure we used would produce a confidence interval containing the universe value we are estimating.

Table 2 shows sampling errors for selected estimates that use the entire group of firms responding to our survey. Sampling errors are no more than 3 percent at the 95-percent confidence level for any estimate that has at least 750 respondents answering the question. Sampling errors for subgroups will be larger, depending upon the number of respondents in the subgroup. Table 3 shows sampling errors at the 95-percent confidence level for estimates in our report that use subgroups of firms.

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Objectives, Scope, and Methodology**

Table 2: Sampling Errors for Selected Percentages

Reported survey percentages (between 750 and 853 respondents)	Sampling error
1 to 5 percent	±1 percent
6 to 20 percent	±2 percent
21 to 79 percent	±3 percent
80 to 94 percent	±2 percent
95 to 99 percent	±1 percent

Table 3: Sampling Errors for Selected Estimates

	Number of cases	Estimated percent	Sampling error
Table 1: Percentage of minority and disadvantaged groups that considered overcoming discrimination as a major reason for joining the 8(a) program			
Minority woman	117	81	±6 percent
Nonminority woman	18	78	±19 percent
African American	253	78	±5 percent
Native American	56	64	±11 percent
Asian American	153	63	±7 percent
Hispanic American	187	58	±6 percent

Figure 1: Number of 8(a) contracts awarded to firms that have been in the 8(a) program at least 2 years

None	553	24	±3 percent
1 to 2 contracts	553	31	±3 percent
3 to 5 contracts	553	20	±3 percent
6 to 10 contracts	553	13	±2 percent
11 and over	553	12	±2 percent

**Appendix I
Objectives, Scope, and Methodology**

(Continued From Previous Page)

	Number of cases	Estimated percent	Sampling error
Figure 2: Percentage of firms that have not obtained an 8(a) contract based on the amount of the owners' management experience			
2 to 4 years	38	63	±14 percent
5 to 7 years	103	51	±9 percent
8 to 10 years	101	36	±8 percent
Over 10 years	580	33	±3 percent
Figure 3: Percentage of firms that have obtained no 8(a) contracts by their years in business before joining the 8(a) program			
Less than 2 years	87	33	±9 percent
2 to 4 years	318	38	±5 percent
5 to 7 years	177	36	±6 percent
8 to 10 years	101	31	±8 percent
Over 10 years	141	40	±7 percent
Figure 6: Satisfaction of 8(a) firms based on whether they joined the 8(a) program to learn to manage a business			
Reason for joining 8(a) program: Amount of business knowledge gained			
Major reason	178	60	±6 percent
Minor reason	252	46	±5 percent
Not a reason	382	24	±4 percent
Reason for joining 8(a) program: Amount of individual assistance SBA provides in developing business			
Major reason	178	46	±6 percent
Minor reason	252	38	±5 percent
Not a reason	382	23	±4 percent
Reason for joining 8(a) program: The match between the training 8(a) offers and what firms need			
Major reason	178	44	±6 percent
Minor reason	252	28	±5 percent
Not a reason	382	15	±3 percent
Selected estimates from text of report			
Percentage satisfied with 8(a) program for firms in program at least 2 years			
No awards	117	09	±5 percent
1 or more awards	410	48	±4 percent
Percentage of firms with one or more awards			
Firms who joined 8(a) program to obtain contracts	635	41	±3 percent
Percentage of firms satisfied with 8(a) program			

**Appendix I
Objectives, Scope, and Methodology**

(Continued From Previous Page)	Number of cases	Estimated percent	Sampling error
Firms that reported learning to manage a business was a major reason for joining 8(a) program	161	51	±7 percent
Firms that reported learning to manage a business was not a reason for joining 8(a) program	349	30	±4 percent
Percentage of firms that joined program to obtain 8(a) contracts			
Firms that reported learning to manage a business was a major reason for joining 8(a) program	176	83	±5 percent
Percentage of firms satisfied with amount of contract opportunities			
Firms that reported learning to manage a business was a major reason for joining 8(a) program	188	26	±6 percent

We conducted 11 pretests of our survey with 8(a) firms in 3 of SBA's 10 regions. We selected firms for our pretest to provide testing from a variety of regions and from both firms that had and had not received 8(a) contract awards. We also conducted our pretesting with firms in a variety of industries. Each pretest consisted of a visit with a firm's representative by two members of our staff. The pretest attempted to simulate the actual survey experience by asking the firm's representative to fill out the questionnaire while our staff observed and unobtrusively took notes. Then the firm's representative was interviewed about the questionnaire items to ensure that (1) questions were readable and clear, (2) terms used were clear, (3) the survey did not place undue burden on firms that would result in a lack of cooperation, and (4) the survey appeared independent and unbiased in its point of view. Appropriate changes were incorporated in the final survey based on our pretesting.

In addition to our pretesting, we discussed a draft copy of our questionnaire with officials at SBA headquarters and the SBA Inspector General office in Washington, D.C. We incorporated comments from these discussions, as appropriate.

During the pretesting phase of our survey, it became evident that respondents considered the survey questions to be sensitive. Specifically, one respondent expressed the opinion that firms might be concerned that they would jeopardize their status with the 8(a) program if their answers were made public. To address these concerns, we developed procedures to guarantee the complete anonymity of all survey responses. To do this, we did not retain any identification of a respondent on the survey booklet or return envelope. This procedure prevented us from knowing the identity of the respondents for any of the surveys returned to us. The use of a separate

return postcard allowed us, nevertheless, to track which respondents did and did not mail back survey responses so that we could follow up on nonresponses. In discussing these procedures with pretest respondents, they told us these measures would be helpful in encouraging survey responses.

To increase the response to our survey, we mailed a prenotification letter to respondents a week before we mailed the survey on January 13, 2000. We also used three mailings after the survey mailings, including (1) a reminder postcard a week after the survey, (2) a reminder letter to nonrespondents 16 days after the survey, and (3) a replacement survey for respondents not yet responding, mailed 4 weeks after the survey. During the return period, over 100 survey packages were returned to us because of incorrect addresses. We attempted a second mailing to these firms when we could locate replacement addresses. We received the last survey included in our analysis on April 7, 2000.

We received survey responses from 853 firms for a response rate of 71 percent. Additionally, we received responses from 22 firms that no longer are active in the 8(a) program. Only respondents active in the program at the time of our survey are included in our survey results in this report. Table 4 shows a summary of the survey returns.

Table 4: Summary of Returns to 8(a) Mail Surveys

Survey information	Number of 8(a) firms
Population size	5,432
Total sample size	1,200
Surveys returned ^a	875
Eligible	853
Not eligible	22
Surveys not returned	325
Undeliverable ^b	29
Nonresponse ^c	296
Response rate (number of eligible surveys returned/total sample size)	71%

^aDoes not include surveys returned that were not filled out.

^b106 of the 1,200 survey addresses obtained from SBA's 8(a) database were incorrect. We obtained correct addresses for 77 of the 106 firms through additional effort on our part.

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^cIncludes surveys returned blank, surveys received after our deadline, and surveys not received.

We conducted our review from September 1999 through July 2000 in accordance with generally accepted government auditing standards.

GAO's Survey of 8(a) Firms

United States General Accounting Office

GAO Survey of Firms' Experiences With SBA's 8(a) Program

Introduction

The U.S. General Accounting Office (GAO), a legislative agency that reviews federal programs for the U.S. Congress, is gathering information on the Small Business Administration's (SBA) 8(a) program. As part of this effort, we are surveying companies in the 8(a) program to obtain their views on the program. Your company was randomly selected to participate in this survey.

This survey is completely anonymous. There is no identification of your company on the questionnaire. You are asked to return the attached postcard separately after completing the questionnaire. The number on the postcard will let us know which companies participated in our survey. There is no information that can link the postcard with your questionnaire.

Your participation is vital to the accuracy of our review. Your frank and honest answers will help us provide the Congress with important information on what works well with the 8(a) program and what could be improved.

It should take about 15 minutes to complete the questionnaire. Your prompt participation will help us avoid costly follow-up mailings. If you have any questions about our review or this survey, please contact:

Kirk Menard
toll-free: 1-877-535-7352 (Dallas, TX)
 E-mail: menardk.dalro@gao.gov

or

Amy Gleason Carroll
 (202) 512-3748 (Washington, D.C.)
 E-mail: gleasona.rced@gao.gov

If the envelope is missing, please return your survey to:

Mr. Kirk Menard
 U.S. General Accounting Office
 1999 Bryan Street, Suite 2200

Thank you very much for taking time to contribute to this study.

1. Is your company currently certified as an 8(a) company? (*Check one.*) N=853

1. 100% Yes → **Please continue.**
2. No → **Please stop and return survey.**

Experiences with the 8(a) program

2. Which of the following best describes your overall satisfaction with the 8(a) program? (*Check one.*) N=845

1. 14% Very satisfied
2. 24% Generally satisfied
3. 26% Both satisfied and dissatisfied
4. 11% Generally dissatisfied
5. 18% Very dissatisfied
6. 7% Uncertain
7. 1% Other (*Please describe.*)

3. As of today, what has been your company's success in being awarded 8(a) contracts from federal agencies? (*Check one.*) N=850

1. 11% Very successful
2. 16% Moderately successful
3. 26% Somewhat successful
4. 35% Not successful
5. 10% Too early to tell
6. 1% Uncertain
7. 2% Other (*Please describe.*)

Appendix II
GAO's Survey of 8(a) Firms

4. Please rate each reason below for why you joined the 8(a) program. (Check one for each row.)

	Major reason (1)	Minor Reason (2)	Not a reason (3)	Uncertain (4)
A. To obtain federal contracts that are set aside for 8(a) companies N=841	86%	11%	2%	0%
B. To have access to training offered to 8(a) companies N=822	34%	35%	29%	2%
C. To learn more about managing a business N=821	22%	31%	47%	1%
D. To broaden our customer base to include the federal government N=834	80%	13%	8%	1%
E. To make it easier to be awarded state and local contracts N=819	39%	28%	32%	2%
F. To improve our company's chances of getting contracts outside the 8(a) program N=829	48%	26%	24%	1%
G. To improve our company's access to credit and financing N=824	33%	29%	35%	2%
H. To increase our net income N=819	68%	22%	9%	1%
I. To overcome the barriers of discrimination N=823	69%	19%	11%	1%
J. Other (Please describe.) N=71	70%	10%	11%	9%

5. Of the reasons listed in the table above, which one was the **most** important for you when you applied to join the 8(a) program? (Write the letter of the item in the box below.) N=753

A. 47%	E. 1%	I. 18%
B. 1%	F. 5%	J. 2%
C. 1%	G. 2%	
D. 17%	H. 6%	

Appendix II
GAO's Survey of 8(a) Firms

6. How satisfied or dissatisfied are you overall with the following aspects of the 8(a) program? (Check one for each row.)

	Very satisfied (1)	Generally satisfied (2)	Neutral (3)	Generally dissatisfied (4)	Very dissatisfied (5)	Uncertain (6)
a. The level of interest that federal agencies show for working with 8(a) companies N=841	8%	25%	20%	24%	20%	3%
b. The amount of business knowledge that we gained N=834	12%	27%	35%	12%	10%	4%
c. The amount of paperwork that SBA requires us to complete N=840	5%	26%	31%	18%	18%	2%
d. The number of opportunities to develop new lines of business N=837	8%	22%	24%	21%	20%	5%
e. The amount of individual assistance SBA provides to support us in developing our business N=839	10%	22%	20%	23%	21%	3%
f. The match between the training 8(a) offers and what our company needs N=837	5%	20%	36%	17%	14%	7%
g. The level of effort to find the right person at a federal agency to discuss potential 8(a) contracts N=839	6%	20%	19%	26%	26%	3%
h. The ease of understanding 8(a) rules and regulations N=841	8%	36%	29%	15%	8%	3%
i. The amount of 8(a) contract opportunities N=832	5%	18%	15%	25%	33%	4%

j. Please list any other items below.

Appendix II
GAO's Survey of 8(a) Firms

7. How do you rate your experiences in working with your local SBA district office? *(Check one for each row.)*

	Very Satisfied (1)	Generally satisfied (2)	Neutral (3)	Generally dissatisfied (4)	Very dissatisfied (5)	Uncertain (6)
a. Helping our company with the 8(a) program's annual reporting process N=826	19%	31%	27%	10%	9%	5%
b. Keeping us informed about training opportunities N=829	23%	38%	21%	9%	6%	2%
c. Answering our questions quickly N=830	26%	36%	19%	11%	7%	2%
d. Showing us how to market our company to federal agencies N=830	10%	22%	27%	22%	18%	2%
e. Helping our company find the right contacts at federal agencies N=831	10%	16%	24%	24%	23%	2%
f. Looking over the 8(a) contract proposals we prepare N=818	9%	13%	42%	10%	12%	14%
g. Helping our company find 8(a) contract opportunities N=832	8%	15%	20%	22%	32%	4%
h. Helping our company find opportunities for contracts outside the 8(a) program N=829	3%	7%	30%	22%	30%	8%
i. Helping our company negotiate a federal contract N=823	7%	12%	36%	13%	20%	13%
j. Helping our company find credit and financing N=820	6%	14%	43%	10%	15%	12%
k. Treating our company with respect and courtesy N=833	38%	36%	16%	4%	5%	1%
l. Making an overall effort to help our company N=822	20%	24%	23%	15%	16%	2%

m. Please list any other items below.

Appendix II
GAO's Survey of 8(a) Firms

8. Please rate the priority that SBA should give to implementing each of the changes below. (Check one for each row.)

	Priority for making this change					
	Very high priority (1)	High priority (2)	Medium priority (3)	Low priority (4)	No change needed (5)	Uncertain (6)
a. SBA should increase the number of ways it informs 8(a) companies about procurement opportunities. N=828	57%	26%	11%	3%	3%	2%
b. SBA should emphasize meeting individually with each 8(a) company to provide assistance. N=829	37%	31%	20%	5%	5%	2%
c. SBA should emphasize site visits to 8(a) companies to better understand the company and its operations. N=829	28%	23%	26%	14%	8%	2%
d. SBA should improve training for 8(a) companies. N=828	20%	23%	34%	12%	7%	4%
e. SBA should do more to help 8(a) firms find credit and financing. N=831	25%	23%	29%	11%	7%	6%
f. SBA should increase the skill level of its 8(a) program staff. N=824	25%	24%	24%	10%	11%	6%
g. SBA should increase the number of 8(a) staff in its district offices. N=826	24%	21%	22%	12%	9%	12%
h. SBA should simplify the initial 8(a) application. N=828	22%	18%	18%	15%	21%	5%
i. SBA should simplify the 8(a) program's annual reporting requirements. N=828	25%	19%	22%	14%	15%	5%
j. SBA should make sure that contacts at federal agencies are familiar with the 8(a) program. N=829	63%	20%	10%	2%	3%	2%
k. SBA should increase efforts to link 8(a) companies with specific federal program managers. N=823	71%	19%	7%	1%	1%	1%

l. Please list any other items below.

Appendix II
GAO's Survey of 8(a) Firms

9. The following seven federal agencies award the most 8(a) contracts, on the basis of dollar value. Has your company tried to get an 8(a) contract with any of these federal agencies? (*Check one for each row.*)

	Yes (1)	No (2)	Uncertain (3)
a. Air Force N=815	57%	39%	4%
b. Army N=816	65%	31%	4%
c. Navy N=794	53%	42%	4%
d. General Services Administration (GSA) N=809	56%	39%	6%
e. National Aeronautics and Space Administration (NASA) N=788	32%	62%	6%
f. Veterans Affairs N=805	44%	52%	5%
g. Department of Energy N=787	33%	62%	6%

10. Has your company tried to get 8(a) contracts with any other federal agencies? (*Check one.*) N=821

1. 55% Yes → Please list up to three agencies:

Respondents listed 38 different agencies in response to this question. However, only one agency—the Department of Transportation—was listed more than 10 percent of the time. The remaining 37 agencies generally fell far below Transportation's 17 percent response rate.

2. 40% No → *Continue with next question.*

3. 5% Uncertain → *Continue with next question.*

11. What is the total number of 8(a) contracts for which your company has **applied**? Please include both competitive and sole-source contracts. (*Check one.*) N=836

1. 9% None
2. 15% 1 to 2
3. 22% 3 to 5
4. 16% 6 to 10
5. 16% 11 to 20
6. 11% 21 to 50
7. 4% 51 to 100
8. 4% Over 100
9. 3% Uncertain
10. 0% Other (*Please describe.*)

12. How many total 8(a) contracts have been **awarded** to your company? (*Check one.*) N=841

1. 36% None
2. 29% 1 to 2
3. 16% 3 to 5
4. 10% 6 to 10
5. 5% 11 to 20
6. 3% 21 to 50
7. 1% 51 to 100
8. 0% Over 100
9. 1% Uncertain
10. 0% Other (*Please describe.*)

Appendix II
GAO's Survey of 8(a) Firms

13. In 1999, what percentage of your company's total revenue was earned from 8(a) contracts that you were awarded? (*Check one.*) N=840

1. 45% None
2. 17% 1 to 10 percent
3. 10% 11 to 25 percent
4. 12% 26 to 50 percent
5. 10% 51 to 75 percent
6. 6% 76 to 100 percent
7. 0% Uncertain
8. 0% Other (*Please describe.*)

14. Which of the following types of 8(a) contracts has your company been awarded? (*Check all that apply.*) N=837

1. 37% *No 8(a) contracts yet*
2. 32% Competitive
3. 49% Sole-source
4. 2% Uncertain
5. 1% Other (*Please describe.*)

15. Since the year your company joined the 8(a) program, how many *subcontracts* do you believe your company has been awarded because you are certified as an 8(a) firm? (*Check one.*) N=840

1. 70% None
2. 13% 1 to 2
3. 8% 3 to 5
4. 4% 6 to 10
5. 1% 11 to 20
6. 1% 21 to 50
7. 0% 51 to 100
8. 0% Over 100
9. 1% Uncertain
10. 1% Other (*Please describe.*)

16. In 1999, what percentage of your company's total revenue was earned from these subcontracts you were awarded (as reported in the previous question)? (*Check one.*) N=837

1. 73% None
2. 14% 1 to 10 percent
3. 5% 11 to 25 percent
4. 4% 26 to 50 percent
5. 1% 51 to 75 percent
6. 1% 76 to 100 percent
7. 1% Uncertain
8. 0% Other (*Please describe.*)

Appendix II
GAO's Survey of 8(a) Firms

Background

17. Which of the following describe your company's current ownership status? *(Check all that apply.)*
N=853

1. 24% Asian American
2. 38% Black/African American
3. 27% Hispanic American
4. 10% Native American
5. 5% Veteran
6. 16% Woman
7. 2% Other *(Please describe.)*

18. Which of the following best describe your company's current focus? *(Check all that apply.)*
N=853

1. 2% Agriculture, forestry, fisheries
2. 33% Construction
3. 7% Manufacturing
4. 0% Mining
5. 58% Services
6. 5% Transportation
7. 6% Utilities, communications
8. 6% Wholesaling, retailing
9. 16% Other *(Please describe.)*

19. How long was your company in business before you joined the 8(a) program? *(Check one.)*
N=843

1. 11% Less than 2 years
2. 39% 2 to 4 years
3. 21% 5 to 7 years
4. 12% 8 to 10 years
5. 17% Over 10 years
6. 0% Uncertain
7. 0% Other *(Please describe.)*

20. In what year did your company join the 8(a) program? *(Check one.)* **N=842**

1. 1% Before 1990
2. 1% 1990
3. 6% 1991
4. 8% 1992
5. 8% 1993
6. 13% 1994
7. 9% 1995
8. 11% 1996
9. 11% 1997
10. 12% 1998
11. 19% 1999
12. 1% Uncertain
13. 0% Other *(Please describe.)*

Appendix II
GAO's Survey of 8(a) Firms

21. How many total years of experience does your company's owner have managing this firm and other firms? (*Check one.*) **N=848**

1. 1% Less than 2 years
2. 5% 2 to 4 years
3. 12% 5 to 7 years
4. 12% 8 to 10 years
5. 70% Over 10 years
6. 0% Uncertain
7. 0% Other (*Please describe.*)

22. In what SBA region is your company located? (*Check one.*) **N=847**

1. 2% Region I – CT, ME, MA, NH, RI, VT
2. 7% Region II – NJ, NY, Puerto Rico, Virgin Islands
3. 26% Region III – DE, MD, PA, VA, WV, DC
4. 16% Region IV – AL, FL, GA, KY, MS, NC, SC, TN
5. 7% Region V – IL, IN, MI, MN, OH, WI
6. 13% Region VI – AR, LA, OK, NM, TX
7. 4% Region VII – IA, KS, MO, NE
8. 5% Region VIII – CO, MT, ND, SD, UT, WY
9. 14% Region IX – AZ, CA, HI, NV
10. 6% Region X – AK, ID, OR, WA
11. 0% Uncertain
12. 0% Other (*Please describe.*)

Appendix II
GAO's Survey of 8(a) Firms

23. How has your participation in the 8(a) program affected the following areas? *(Check one for each row.)*

	Very positive (1)	Generally positive (2)	No impact (3)	Generally negative (4)	Very negative (5)	Too early to tell/ Uncertain (6)
a. Net income N=834	19%	29%	35%	4%	4%	9%
b. Number of employees N=831	16%	24%	49%	2%	2%	7%
c. Capital assets N=823	10%	23%	54%	3%	3%	8%
d. Income from federal contracts (prime or subcontract) N=829	20%	29%	37%	2%	3%	9%
e. Income from nonfederal contracts (prime or subcontract) N=827	5%	17%	64%	2%	4%	9%
f. Access to credit and financing N=831	7%	17%	61%	2%	4%	8%
g. Reputation of your company N=835	20%	29%	39%	2%	2%	8%
h. Overall success of your company N=826	19%	30%	38%	2%	2%	9%

i. Please list any other items below.

Appendix II
GAO's Survey of 8(a) Firms

24. Please add any comments you wish on the issues in this survey or other matters related to the 8(a) program.

Thank you very much for participating in our survey.

Comments From the Small Business Administration



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

JUL 10 2000

Mr. Stanley J. Czerwinski
Associate Director
Housing, Community Development,
and Telecommunications Issues
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Czerwinski:

Thank you for the opportunity to review and comment on the General Accounting Office (GAO) draft report entitled SBA Could Better Focus Its 8(a) Program to Help Firms Obtain Contracts, GAO/RCED-00-196, Code 385824. We have reviewed the draft report and concur with its recommendations.

We offer the following comments for your consideration:

(1) Page 1. In the first paragraph, you refer to \$6 billion in 8(a) contracts in FY 1999. The \$6 billion figure represents 8(a) contracts over \$25,000. The total dollars awarded in FY 1999 is \$6.2 billion.

(2) Page 2. In the last sentence of the second paragraph, you state that at the time of your review, SBA officials were uncertain whether the **Business Assessment Tool would be implemented. We recommend that the sentence be revised to read: "SBA piloted a Business Assessment Tool in 1999 that would evaluate firms' business development needs, but at the time of our review, SBA had not completed their review of the pilot."**

(3) Page 4. In the third paragraph, the report states: For example, our analysis of SBA's fiscal year 1998 program data showed that 50 percent (\$3.2 billion) of the dollar value of the 8(a) contracts and modifications went to only 209 of the over 6,000 firms in the program, while over 3,000 firms did not get any program contracts.

**Appendix III
Comments From the Small Business
Administration**

Mr. Stanley J. Czerwinski

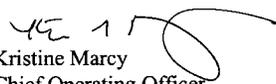
Page 2

This statement appears to indicate that all 8(a) contractors are seeking 8(a) contracts at the same time. To clarify, we suggest that you insert the following immediately after the above cited sentence. "It should be recognized that the developmental status of each firm in the program varies greatly in any given year. Some firms are in the developmental stage with less than a year in the program while others are in the transitional stage. Therefore, the number of firms that seek and receive 8(a) contracts will be less than the total number of firms in the program." Also, we recommend that you substitute "nearly 6,000 firms" for "more than 6,000 firms."

(4) Page 8. In the third paragraph, we recommend that the last two sentences be revised to read: SBA piloted a Business Assessment Tool in 1999 that would evaluate firms' business development needs, but at the time of our review, SBA officials had not completed their assessment of the pilot initiative. SBA has attempted to enhance the training component of the program over the last several years, but its efforts are limited in the number of firms they can serve due to funding constraints.

Should you have questions on these comments, please contact Delorice Ford, Associate Administrator for the 8(a) Business Development Program at 202-205-7430.

Sincerely,


Kristine Marcy
Chief Operating Officer

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