October 2014

GAO Highlights

Highlights of GAO-15-54, a report to congressional requesters

WOMEN-OWNED SMALL BUSINESS PROGRAM

Certifier Oversight and Additional Eligibility Controls Are Needed

Why GAO Did This Study

In 2000, Congress authorized the WOSB program to increase contracting opportunities for WOSBs by allowing contracting officers to set aside procurements to such businesses. SBA, which administers the program, issued implementing regulations that became effective in 2011. GAO was asked to review the WOSB program. This report examines (1) how businesses are certified as eligible for the WOSB program, (2) SBA's oversight of certifications, and (3) the effect the program has had on federal contracting opportunities available to WOSBs or EDWOSBs. GAO reviewed relevant laws, regulations, and program documents; analyzed federal contracting data from April 2011 through May 2014; and interviewed SBA, officials from contracting agencies selected to obtain a range of experience with the WOSB program, third-party certifiers, WOSBs, and organizations that represent their interests.

What GAO Recommends

GAO recommends that SBA, among other things, establish and implement procedures to monitor certifiers and improve annual eligibility examinations, including by analyzing examination results. SBA generally agreed with GAO's recommendations.

View GAO-15-54. For more information, contact William Shear at (202) 512-8678 or shearw@gao.gov.

What GAO Found

Businesses have two options to certify their eligibility for the women-owned small business (WOSB) program. Whether self-certifying at no cost or using the fee-based services of an approved third-party certifier, businesses must attest that they are a WOSB or an economically disadvantaged WOSB (EDWOSB). Businesses also must submit documents supporting their attestation to a repository the Small Business Administration (SBA) maintains (required documents vary depending on certification type), and, if they obtain a third-party certification, to the certifier.

SBA performs minimal oversight of third-party certifiers and has yet to develop procedures that provide reasonable assurance that only eligible businesses obtain WOSB set-aside contracts. For example,

- SBA generally has not reviewed certifier performance or developed or implemented procedures for such reviews, including determining whether certifiers inform businesses of the no-cost self-certification option, a requirement in the agency's agreement with certifiers.
- SBA also has not completed or implemented procedures to review the monthly reports that third-party certifiers must submit.

Without ongoing monitoring and oversight of the activities and performance of third-party certifiers, SBA cannot reasonably assure that certifiers fulfill the requirements of the agreement. Moreover, in 2012 and 2013, SBA found that more than 40 percent of businesses (that previously received contracts) it examined for program eligibility should not have attested they were WOSBs or EDWOSBs at the time of SBA's review. SBA officials speculated about possible reasons for the results, including businesses not providing adequate documentation or becoming ineligible after contracts were awarded, but SBA has not assessed the results of the examinations to determine the actual reasons for the high numbers of businesses found ineligible. SBA also has not completed or implemented procedures to conduct eligibility examinations. According to federal standards for internal control, agencies should have documented procedures, conduct monitoring, and ensure that any review findings and deficiencies are resolved promptly. As a result of inadequate monitoring and controls, potentially ineligible businesses may continue to incorrectly certify themselves as WOSBs, increasing the risk that they may receive contracts for which they are not eligible.

The WOSB program has had a limited effect on federal contracting opportunities available to WOSBs. Set-aside contracts under the program represent less than 1 percent of all federal contract obligations to women-owned small businesses. The Departments of Defense and Homeland Security and the General Services Administration collectively accounted for the majority of the $228.9 million in set-aside obligations awarded under the program between April 2011 and May 2014. Contracting officers, business owners, and industry advocates with whom GAO spoke identified challenges to program use and suggested potential changes that might increase program use, including allowing sole-source contracts rather than requiring at least two businesses to compete and expanding the list of 330 industries in which WOSBs and EDWOSBs were eligible for a set-aside.