

GAO Highlights

Highlights of [GAO-24-106225](#), a report to congressional requesters

Why GAO Did This Study

Federal regulations require, contractors make a good faith effort to provide small businesses with maximum practicable opportunities to participate in federal contracts. GAO was asked to review federal agencies' assessment of contractors' compliance with this good faith standard. This report examines (1) how contracting officers assess contractors' compliance with the good faith standard and the extent to which they find contractors noncompliant, and (2) the benefits and challenges associated with good faith standard assessments.

GAO reviewed documentation and interviewed contracting related officials at two Department of Defense agencies (Air Force and Army) and four civilian agencies (Departments of Homeland Security, Health and Human Services, and Veterans Affairs, and the National Aeronautics and Space Administration), selected based on total contracting obligations. GAO also reviewed documentation and interviewed SBA and Defense Contract Management Agency officials on their role in supporting contracting agencies.

What GAO Recommends

GAO is making 13 recommendations, including that five agencies periodically review data on contractors' small business subcontracting goal performance, that SBA include these agency-level data in its annual report to Congress, and that SBA analyze the risk of conducting a limited number of compliance reviews. Some agencies agreed with the recommendations, but DOD and SBA partially concurred. While they proposed some corrective actions, the actions do not fully address the recommendations.

View [GAO-24-106225](#). For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

November 2023

SMALL BUSINESS SUBCONTRACTING

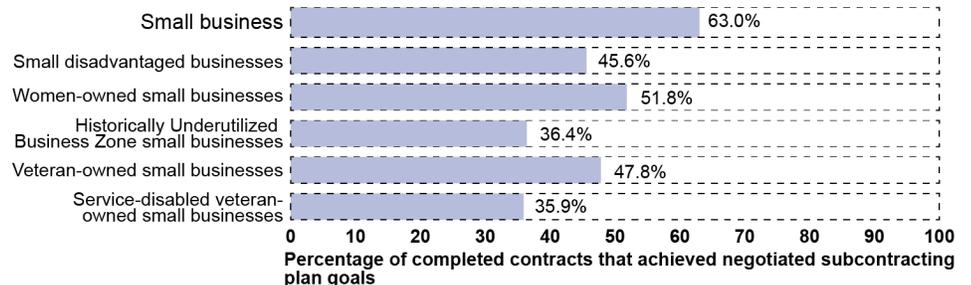
Some Contracting Officers Face Challenges Assessing Compliance with the Good Faith Standard

What GAO Found

Certain federal contracts must have a plan containing goals for the percentage of work to be subcontracted to small businesses. Contracting officers are required to assess contractors' good faith efforts to meet these goals by comparing contractors' small business subcontracting performance against their goals. The contracting officer is to assess the contractor's explanation when the goals are not achieved. For these contracts, contracting officers are also required to assign contractors a rating related to subcontracting in the Contractor Performance Assessment Reporting System.

Contracting officers from six agencies stated they rarely identify contractors who have not met their small business goals, and therefore rarely assign below-satisfactory ratings. In contrast, according to government-wide data released by the Small Business Administration (SBA), many contractors reported not meeting their subcontracting goals in fiscal year 2022 (see figure).

Reported Government-wide Contractor Achievement of Subcontracting Goals by Small Businesses and Socioeconomic Category, Fiscal Year 2022



Source: GAO analysis of Small Business Administration data. | [GAO-24-106225](#)

Note: Data include only contractors that have individual subcontracting plans.

SBA's data do not include agency-level information that may help explain the differences in the contracting officers' statements and SBA's government-wide data. Further, most federal agencies GAO reviewed do not report or review data on contractors' achievement of their subcontracting goals at the agency level, as required by statute. Collecting and reviewing these data would help agencies better understand the extent to which contractors comply in good faith with their subcontracting plans and the overall success of the agencies' small business subcontracting program. In addition, SBA could use these data to identify specific agencies that may need additional support and training related to small business subcontracting.

SBA conducted only six compliance reviews of subcontracting plans in each of fiscal years 2021 and 2022. SBA found that contractors generally were not in compliance with all of the subcontracting plan requirements and regulations. SBA officials did not believe these reviews were representative of the universe of federal contracts. However, SBA has not analyzed the risks associated with conducting this limited number of reviews each year. Conducting such an assessment could help SBA determine whether to conduct additional reviews, which would further SBA's understanding of the extent and nature of contractors' noncompliance.