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United States General Accounting Office  
Washington, DC 20548

November 1, 2002

The Honorable John F. Kerry  
Chairman, Committee on  
Small Business and Entrepreneurship  
United States Senate

The Honorable Max Cleland  
United States Senate

Subject: *Information on the Number of Small Business Set-Asides Issued and  
Successfully Challenged*

This letter responds to your request that we identify the number of small business set-asides issued over the past 10 years and how many successful Small Business Administration (SBA) challenges have resulted. The Small Business Act requires small businesses to have the maximum practicable opportunity to participate in the performance of federal government contracts.<sup>1</sup> Congress directed the President to set a government-wide goal of at least 23 percent of the total dollar value of the federal government's prime contract awards to be awarded to small businesses each fiscal year.<sup>2</sup>

SBA's Procurement Center Representatives (PCRs) work with federal agencies and procuring activities by reviewing proposed acquisitions to determine whether they can be set aside for small businesses. If the PCR believes that the agency/activity should set aside the procurement for small business, the PCR may issue a formal request to the contracting officer. Should the contracting officer reject the PCR's recommendation, the PCR may appeal the rejection to the Head Contracting Authority (HCA) for the agency/activity.<sup>3</sup>

We found that the number of PCR-recommended small business set-asides<sup>4</sup> has declined by almost one-half since fiscal year 1991. (See table 1 and fig. 1.) Overall, contracting officers accepted about 76 percent of the set-aside recommendations. Of the 24 percent rejected, SBA did not pursue about 85 percent. Of the approximately 15 percent SBA appealed, about 26 percent were successful.

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<sup>1</sup> See 15 U.S.C. 637(d)(1).

<sup>2</sup> See 15 U.S.C. 644(g)(1).

<sup>3</sup> 13 C.F.R. 125.2(b)(6)

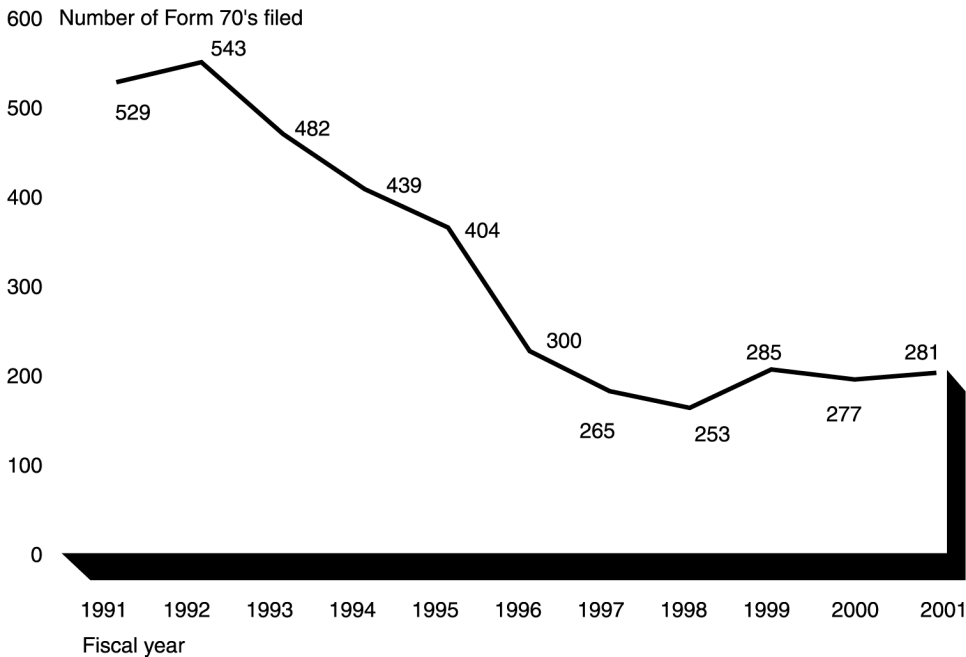
<sup>4</sup> PCRs use the small business set-aside request process when they believe that the agency should have set aside certain procurements for small business.

**Table 1: Status of Small Business Set-Aside Requests Filed by SBA, Fiscal Years 1991-2001**

Fiscal year	Set-aside requests filed	Set-aside requests rejected	Percent of set-aside requests rejected	HCA appeals filed	HCA appeals rejected	Percent of HCA appeals rejected
1991	529	85	16.1	9	9	100.0
1992	543	133	24.5	4	4	100.0
1993	482	140	29.0	14	13	92.9
1994	439	96	21.9	20	12	60.0
1995	404	93	23.0	9	7	77.8
1996	300	92	30.7	11	8	72.7
1997	265	55	20.8	22	14	63.6
1998	253	57	22.5	20	13	65.0
1999	285	57	20.0	9	7	77.8
2000	277	97	35.0	13	11	84.6
2001	281	55	19.6	13	9	69.2
<b>Total</b>	<b>4,058</b>	<b>960</b>	<b>23.7</b>	<b>144</b>	<b>107</b>	<b>74.3</b>

Source: SBA's PCR Information System and SBA Area records.

**Figure 1: Number of Small Business Set-Aside Requests Filed by SBA, Fiscal Years 1991-2001**



Source: SBA's PCR Information System and SBA Area records.

SBA officials attributed the decline to several factors, including (1) downsizing the number of PCRs; (2) assigning other duties to PCRs, such as requiring some PCRs to be Commercial Marketing Representatives (CMRs),<sup>5</sup> further reducing available PCR resources; and (3) fewer set-aside opportunities due to the increasing size of individual federal procurements. SBA officials also explained that PCRs take different approaches to filing set-aside recommendations—some choose to influence contract actions informally, without filing set-aside recommendations. SBA does not keep track of informal PCR actions.

### Agency Comments

We provided SBA officials with a copy of this letter for comments. They concurred with our findings.

### Scope and Methodology

To determine small business set-aside trends, we reviewed SBA databases and records. To determine possible reasons for the decline in set-asides, we interviewed all six Area Directors and cognizant headquarters officials. We conducted our work from November 2001 through July 2002 in accordance with generally accepted government auditing standards.

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We will send copies of this report to the Administrator, SBA; the Director, Office of Management and Budget; and interested congressional committees. We will also make copies available to others upon request. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions concerning this report, please call me at (617) 565-7555. Key contributors to this review included Catherine Baltzell, Art Fine, David Bennett, Cristina Chaplain, and Sylvia Schatz.



David E. Cooper  
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<sup>5</sup> A CMR is a specialist who facilitates the process of matching large federal prime contractors with small businesses as subcontractors. CMRs identify and develop small businesses and market them to the large contractors, and assist the small businesses in obtaining subcontracts. CMRs also perform compliance reviews on large federal prime contractors' subcontracting programs to assure compliance with all applicable laws.