U.S. Department of Labor

Office of Small Business Programs
Washington, D.C. 20210

March 29, 2004

MEMORANDUM FOR DEBORAH OUTTEN-MILLS
Director
National Audit and Evaluation Office

FROM: JOSE A. LIRA
Director
Office of Small Business Programs

SUBJECT: Response to Evaluation of the Department of Labor's Small and Disadvantaged Business Utilization Program Report No. 21-04-004-01-100

This is in response to the draft findings and recommendations of the Office of the Inspector General's (OIG) evaluation of DOL's small and disadvantaged business utilization program for Fiscal Years 1999-2002, dated March 23, 2004. We are appreciative of the draft report's insight and practical perspective. The responses below reflect OSBP's current operations and therefore include many significant improvements, related to your recommendations, made by OSBP since the FY 2002 timeframe covered by your report.

Finding A: <u>Goal Setting Strategy Impedes the Department's Maximization of Small Business Purchases</u>

Recommendation 1: Evaluate OSBP's goal setting strategy and effectiveness of setting some [DOL component agencies'] small business goals below DOL's required percentages.

Recommendation 2: Based on the evaluation result, revise the goal setting strategy as necessary to maximize small business procurement.

Response: In the course of setting FY 2004 and 2005 small business goals for DOL agencies, OSBP revised its goal setting strategy to maximize small business procurement and strove to base goals more on potential attainability. As a result, several agencies' goals were increased (along with DOL's) over FY 2002 and 2003 levels. Particularly notable is the increase of ETA's small business goal to 23 percent, the legislatively mandated government-wide goal level (see attachment). Even though ETA's goal falls below DOL's required percentage, OSBP believes that a 23 percent goal for ETA is

currently realistically ambitious given its mix of procurements as opposed to what other DOL agencies buy. OSBP will continue to set realistically ambitious goals for DOL agencies which may include setting a goal for ETA which equates to the Department's goal at a future date.

Finding B: <u>Communication and Outreach Efforts Need Strengthening</u>

Recommendation 3: Modify OSBP's process for notification of agency representatives attending vendor outreach sessions by developing procedures to ensure appropriate agency procurement specialists attend the sessions and are matched with suitable vendors.

Response: OSBP has made significant improvements to its VOS process since 2002. In on-going quarterly meetings, OSBP staff and agency VOS representatives discuss feedback from the VOS sessions and develop strategies for improving future sessions. OSBP also provides feedback on VOS sessions at executive staff meetings and via memoranda to agency heads. This increased focus on the program at the executive level has resulted in an increase in the caliber of agency representation at the sessions, including more knowledgeable representatives and more regular participation by each agency.

Recommendation 4: Introduce controls at vendor outreach sessions to ensure participants adhere to procedures.

Response: OSBP manages and operates an effective VOS. VOS attendees and agency representatives are advised in advance that vendors with schedules have first priority for each scheduled slot. Vendors are also notified by a signal when each fifteen minute time slot is completed; a floor monitor insures that the schedule is strictly adhered to. OSBP is aware of more controlled techniques utilized in other Departments' VOSs and has considered them. However, feedback from vendors has confirmed that current OSBP procedures are more conducive to vendor/agency representative interaction.

Recommendation 5: Upgrade the internet-based form for vendor outreach session registration.

Response: An upgrade of the VOS registration system has significantly improved the on-line registration process. Through the on-line process, vendors are encouraged to visit the other DOL websites to familiarize themselves with the DOL procurement process prior to selecting schedules. This has resulted in an increase of awareness among vendors of what the various DOL agencies buy.

Recommendation 6: Revise the DOL procurement forecast by differentiating upcoming contracts that are open for competition from those that are not open for competition.

Response: DOL's Procurement Forecast currently differentiates between current procurement contracts (with expiration dates) and planned procurement contracts (with

release dates). The Forecast also includes the type of procurement methods; e.g., unrestricted, small business set-side, 8(a). During the vendor outreach sessions, OSBP staff counsel participating vendors on how to read and interpret the Forecast.

Recommendation 7: Develop strategies to improve communication and information exchange between OSBP, Small Business Specialists, and vendors.

Response: OSBP continually offers and provides assistance to agency small business specialists and other agency personnel via memoranda, quarterly meetings, and personal contacts on methods of meeting their small business goals. In addition to communications via Vendor Outreach Sessions, OSBP constantly communicates with vendors via telephone calls, e-mails, correspondence, one-on-one office visits, and participation in procurement conferences nationwide. Furthermore, OSBP actively exchanges information and shares best practices with other OSDBUs which results in the development and adoption of strategies to further improve communication between OSBP, Small Business Specialists, and vendors.

Recommendation 8: Encourage GSA representatives to participate in vendor outreach sessions in order to disseminate information to participants regarding the GSA Federal Supply Schedule.

Response: OSBP will invite GSA Supply Schedule program representatives to future vendor outreach sessions.

Finding C: <u>Internal and External Conditions Hinder Maximization of Small Business Procurement</u>

Recommendation 9: Analyze the processes and techniques utilized by other Federal agencies to maximize small business procurement. Determine if these processes and techniques could be utilized at OSBP.

Response: OSBP continually reviews processes and techniques of other OSDBUs and other Federal agencies to maximize small business procurement to identify those that may be of benefit in DOL. OSBP also contributes best practice processes and techniques, such as its practice of communicating to contracting officers the performance of their subcontractors against subcontracting plans, which has helped DOL achieve some of the highest rates of small business subcontracting in the federal government. OSBP is aware of the infrastructure of other agencies OSDBUs and associated procurement staff. OSBP strives to maximize both small business procurement and the effective utilization of its limited resources.

Recommendation 10: Develop strategies to compensate for the effects of external conditions upon the maximization of small business procurement.

Response: By law and regulation, the function of the OSDBU is to recommend strategies to improve small business procurement. OSBP is constantly at work developing

strategies to maximize small business utilization. OSBP was instrumental in contributing to small business provisions in the pending revised Department of Labor Acquisition Regulation (DOLAR). OSBP has recently redrafted its DLMS Chapter 2-1000, Small Business Utilization Program, to increase its effectiveness in maximizing small business utilization. OSBP has initiated discussions with DOL's Procurement Executive, regarding the possibility of establishing temporary employment of special procurement mechanisms to favor HUBZone and SDVOSB vendors in DOL procurements. OSBP is working with ETA's procurement office to specifically screen all construction projects at Job Corps Centers for possible HUBZone set-asides, since half of the Centers are located in HUBZones. OSBP is in the process of publicizing to DOL agencies, accessible HUBZone and SDVOSB firms capable of fulfilling their requirements. OSBP has conducted special outreach and VOS sessions for HUBZone and SDVOSB firms and will continue to do so.

We look forward to working on the recommendations that we have not already addressed. If you need additional information, please have a member of your staff contact Fritz Trakowski at (202) 693-6465.

Attachment

U.S. Department of Labor

Office of Small Business Programs
Washington, D.C. 20210

JAN 15 2004

MEMORANDUM FOR EMILY STOVER DeROCCO
Assistant Secretary
Employment and Training Administration

FROM: JOE LIRA
Director
Office of Small Business Programs

SUBJECT: Fiscal Year 2003 Small Business Utilization Performance; Fiscal Years 1999 - 2003 Small Business Performance Graphs; and Fiscal Year 2004 - 2005 Small Business Goals

This is to provide you with information concerning the performance of your agency in Fiscal Year (FY) 2003 relative to your small business procurement goals (Attachment I). The Department relies on each agency to do its part in meeting its individual goals so that the Department can meet its overall goals with the Small Business Administration. In FY 2003, the Department's small business utilization performance was higher overall than in FY 2002. However, we did not meet our 8(a), women-owned small business, HUBZone small business, and service-disabled veteran owned small business goals.

As you will note, ETA exceeded its FY 2003 prime contracting goals for small disadvantaged business 8(a) and small disadvantaged business other than 8(a). ETA did not meet its small business, women-owned small business, service-disabled veteran owned small business, and HUBZone small business goals. ETA's FY 2003 subcontracting small business performance is not available at this time.

Again this year, to help you gauge your agency's trends in utilizing small businesses, we have included graphs of ETA's small business prime contracting performance by category for FYs 1999 - 2003 (Attachment II). ETA's overall performance in the small business category has improved since FY 2002, but has declined in the small disadvantaged business 8(a), women-owned small business, and HUBZone categories.

ETA (through the Job Corps Program) is the primary contributor to the Department's small business performance. Therefore, ETA's significant drop in utilization of 8(a) and women-owned small businesses directly contributed to DOL's failure to meet its FY 2003 goals in these categories. We recommend that ETA target improvement in all areas.

Also attached is a copy of your agency's FY 2004-2005 small business goals (Attachment III) provided to you in our October 31, 2002 memorandum. We are available to discuss procurement strategies and provide assistance in support of meeting all your small business goals.

Should you have any questions or need additional information concerning the Department's small business utilization program, we will be pleased to assist you. You or your staff may contact me on 202-693-6460 or Fritz Trakowski on (202) 693-6465.

We appreciate your commitment to this important program.

Attachments

cc: Lance Grubb
Richard Trigg

Attachment I

DEPARTMENT OF LABOR - ETA
Small and Disadvantaged Business Utilization
Fiscal Year 2003
($1000's)

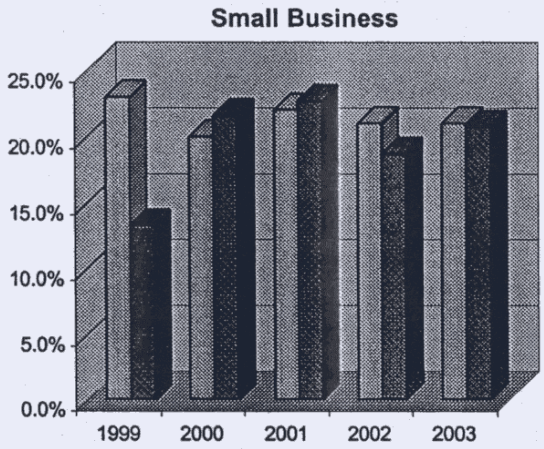
Prime and Sub Contract Types	Goals (FY 2003) $	Goals (FY 2003) %	Performance (through fourth quarter) $	Performance (through fourth quarter) %
1. Total prime contracts $ (A)	1,088,406		1,196,490	
2. Small Business	228,565	21.0%	247,761	20.7%
3. Small Disadvantaged Business 8(a) (B)	32,652	3.0%	46,642	3.9%
4. Small and Disadvantaged Business other than 8(a) (B)	43,536	4.0%	65,825	5.5%
5. Women-Owned Small Business (B)	54,011	5.0%	45,207	3.8%
6. Service Disabled Veteran Owned Small Business (B)	32,652	3.0%	0	0.0%
7. HUBZone Small Business (B)	32,652	3.0%	4,309	0.4%
8. Total Subcontracting $ (C)	148,853		0	
9. Subcontracts to Small Business	90,800	61.0%	0	0.0%
10. Subcont. to Small Disadvantaged Business (B)	16,380	11.0%	0	0.0%
11. Subcont. to Women-Owned Small Business (B)	10,425	7.0%	0	0.0%
12. Subcont. to HUBZone Small Business (B)	4,500	3.0%	0	0.0%
13. Subcont. to Service Disabled Veteran Owned Small Business (B)	4,500	3.0%	0	0.0%

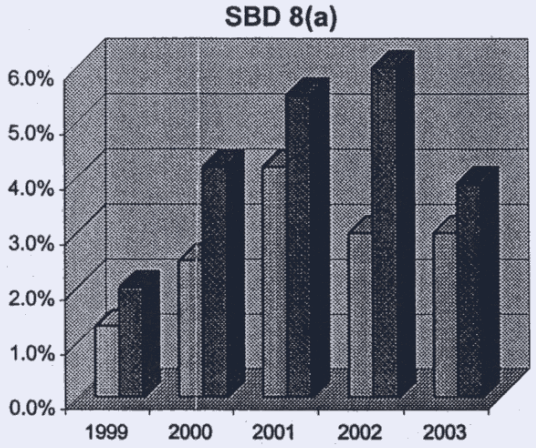
(A) Includes small purchases, non-profits, educational institutions, and GSA Federal Supply Schedules. This figure excludes awards outside the United States.

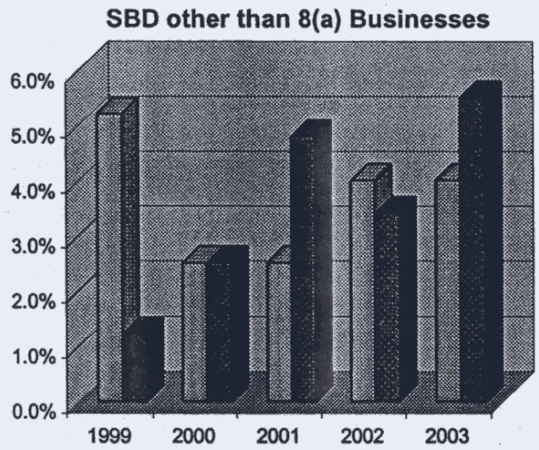
(B) Dollar amounts of lines 3, 4, 5, 6, and 7 are included in line 2. Dollar amounts of lines 10, 11, 12 and 13 are included in line 9. Note: The major small business categories are not mutually exclusive, except the two subcategories of Small Disadvantaged Business (other than 8(a) and Small Disadvantaged Business 8(a)).

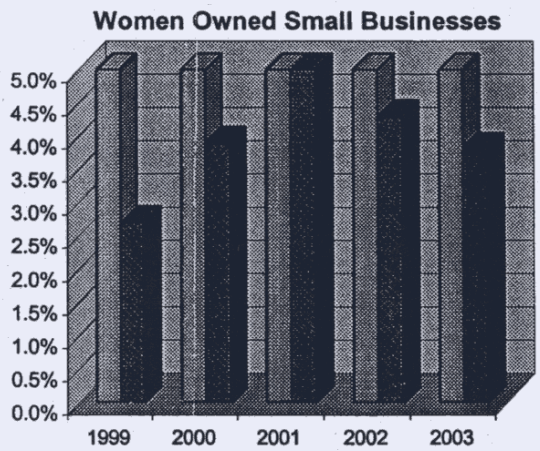
(C) Total $ amount of subcontracts awarded by prime contractors during the fiscal year.

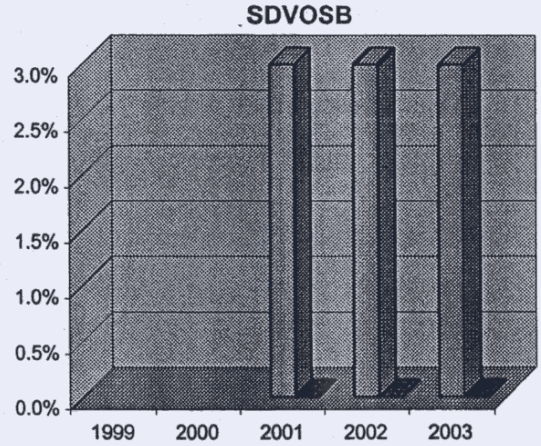
ETA - Prime Contracts

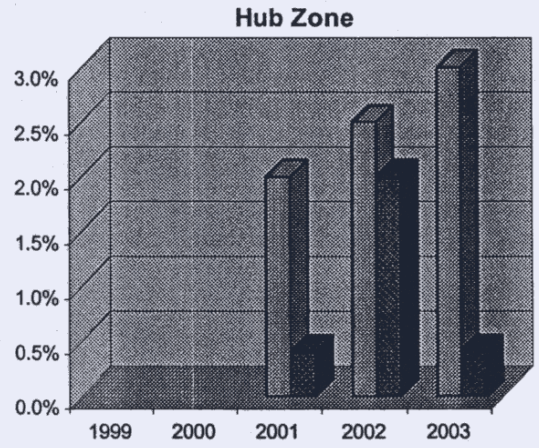












LEGEND: - Goal - Performance

Attachment III

DEPARTMENT OF LABOR - ETA
Small and Disadvantaged Business Utilization Goals
Fiscal Year 2004
($1000's)

Prime and Sub Contract Types	Goals (FY 2004) $	Goals (FY 2004) %	Performance (through first quarter) $	Performance (through first quarter) %
1. Total prime contracts $ (A)	1,300,000			
2. Small Business	299,000	23.0%	0	0.0%
3. Small Disadvantaged Business 8(a) (B)	52,000	4.0%	0	0.0%
4. Small and Disadvantaged Business other than 8(a) (B)	52,000	4.0%	0	0.0%
5. Women-Owned Small Business (B)	65,000	5.0%	0	0.0%
6. Service Disabled Veteran Owned Small Business (B)	39,000	3.0%	0	0.0%
7. HUBZone Small Business (B)	39,000	3.0%	0	0.0%
8. Total Subcontracting $ (C)	400,000		0	
9. Subcontracts to Small Business	244,000	61.0%	0	0.0%
10. Subcont. to Small Disadvantaged Business (B)	44,000	11.0%	0	0.0%
11. Subcont. to Women-Owned Small Business (B)	28,000	7.0%	0	0.0%
12. Subcont. to HUBZone Small Business (B)	12,000	3.0%	0	0.0%
13. Subcont. to Service Disabled Veteran Owned Small Business (B)	12,000	3.0%	0	0.0%

(A) Includes small purchases, non-profits, educational institutions, and GSA Federal Supply Schedules. This figure excludes awards outside the United States.

(B) Dollar amounts of lines 3, 4, 5, 6, and 7 are included in line 2. Dollar amounts of lines 10, 11, 12 and 13 are included in line 9. Note: The major small business categories are not mutually exclusive, except the two subcategories of Small Disadvantaged Business (other than 8(a) and Small Disadvantaged Business 8(a)).

Attachment III

DEPARTMENT OF LABOR - ETA
Small and Disadvantaged Business Utilization Goals
Fiscal Year 2005
($1000's)

Prime and Sub Contract Types	Goals (FY 2005) $	Goals (FY 2005) %	Performance (through first quarter) $	Performance (through first quarter) %
1. Total prime contracts $ (A)	1,300,000			
2. Small Business	299,000	23.0%	0	0.0%
3. Small Disadvantaged Business 8(a) (B)	52,000	4.0%	0	0.0%
4. Small and Disadvantaged Business other than 8(a) (B)	52,000	4.0%	0	0.0%
5. Women-Owned Small Business (B)	65,000	5.0%	0	0.0%
6. Service Disabled Veteran Owned Small Business (B)	39,000	3.0%	0	0.0%
7. HUBZone Small Business (B)	39,000	3.0%	0	0.0%
8. Total Subcontracting $ (C)	400,000		0	
9. Subcontracts to Small Business	244,000	61.0%	0	0.0%
10. Subcont. to Small Disadvantaged Business (B)	44,000	11.0%	0	0.0%
11. Subcont. to Women-Owned Small Business (B)	28,000	7.0%	0	0.0%
12. Subcont. to HUBZone Small Business (B)	12,000	3.0%	0	0.0%
13. Subcont. to Service Disabled Veteran Owned Small Business (B)	12,000	3.0%	0	0.0%

(A) Includes small purchases, non-profits, educational institutions, and GSA Federal Supply Schedules. This figure excludes awards outside the United States.

(B) Dollar amounts of lines 3, 4, 5, 6, and 7 are included in line 2. Dollar amounts of lines 10, 11, 12 and 13 are included in line 9.
Note: The major small business categories are not mutually exclusive, except the two subcategories of Small Disadvantaged Business (other than 8(a) and Small Disadvantaged Business 8(a)).