

**SBA MANAGEMENT REVIEW: OFFICE OF
GOVERNMENT CONTRACTING AND BUSINESS
DEVELOPMENT**

HEARING
BEFORE THE
**SUBCOMMITTEE ON CONTRACTING AND
INFRASTRUCTURE**
OF THE
COMMITTEE ON SMALL BUSINESS
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TUESDAY, SEPTEMBER 15, 2020

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON CONTRACTING AND INFRASTRUCTURE,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:06 a.m., in Room 2360, Rayburn House Office Building, Hon. Jared Golden [chairman of the Subcommittee] presiding.

Present: Representatives Golden, Chu, Balderson, Hagedorn, and Stauber.

Chairman GOLDEN. Good morning. I call this hearing to order.

I would like to thank everyone, especially our witness, for joining us today for our Committee's hybrid hearing, and I want to make sure to note a few important requirements.

Thank you.

Let me begin by saying that standing House and Committee rules and practice will continue to apply during hybrid proceedings. All members are reminded that they are expected to adhere to the standing rules, including decorum.

During the covered period, as designated by the Speaker, the Committee will operate in accordance with H. Res. 965 and the subsequent guidance from the Rules Committee in a manner that respects the rights of all members to participate.

House regulations require members to be visible through a video connection throughout the proceeding, so please keep your cameras on. Also, if you have to participate in another proceeding, please exit this one and log back in later.

In the event a member encounters technical issues that prevent them from being recognized for their questioning, I will move to the next available member of the same party, and I will recognize that member at the next appropriate time slot provided they have returned to the proceeding.

And, finally, remember to remain muted until you are recognized to minimize background noise. And, in accordance with the rules established under H. Res. 965, staff have been advised to mute participants only in the event there is inadvertent background noise.

For those members physically present in the Committee room today, we will also be following the health and safety guidelines issued by the attending physician. That includes social distancing and the use of masks. I urge members and staff to wear masks at

all times during the hearing. Of course, when you are speaking, you are welcome to remove your mask.

And I thank you in advance for your commitment to a safe environment for all here today.

Today, the Committee will examine the management and operations of SBA's Office of Government Contracting and Business Development. The main purpose of this office, commonly known as GCBD, is to maximize small business participation in government contracting. We know that, when a small business is awarded a Federal contract, it spurs economic development and job growth in our communities.

One of the ways in which the SBA assists small firms is by ensuring that a fair share of Federal contracts and subcontracts are awarded to small firms. In 1953, when Congress authorized the SBA, it expressly recognized that doing so would advance competition, bring economic growth, and allow the Federal Government to receive all the quality goods and services that small firms have to offer.

To fulfill this mandate, the Small Business Act sets government-wide small business contracting goals and codifies a series of programs, like 8(a), HUBZone, and WOSB, which provides contracting preferences based on socioeconomic categories. The proficient operation of these contracting programs is crucial for the achievement of the governmentwide contracting goals.

Within the SBA, GCBD is the umbrella office that oversees the Federal Government's performance of these goals and administers the contracting programs. And so, today, our main objective is to discuss trends and administrative challenges within GCBD's purview, especially in this era of economic uncertainty due to the COVID-19 pandemic.

Let me begin by saying I have been concerned about the overall participation of small businesses in prime contracts, which has declined in the last decade. According to SBA's scorecard, even though last year the Federal Government exceeded the goal of awarding 23 percent of all eligible prime contracting dollars to small businesses, with a record high of 132.9 billion, the small business base shrunk 9 percent in only one year. This is not the direction that we would like to be trending towards.

Furthermore, the Federal Government failed yet again to meet the HUBZone set-aside goal of 3 percent with only 2.28 percent being awarded to these firms and the subcontracting goals for small and disadvantaged businesses, SDVOSBs in HUBZones going unmet in fiscal year 2019.

We are also concerned about the declining number of small businesses that participate in the 8(a) program, the cornerstone of the contracting programs. In September of 2019, there were 4,450 firms participating in the 8(a) program, which is about a third less than the 7,000 companies that participated back in 2010.

I would like to learn more about what GCBD is doing to increase participation, particularly now when this program could be a life-line for many businesses who are in dire straits and losing business due to the pandemic.

Turning to the IT systems which support the contracting programs, SBA spent \$30 million on certify.sba.gov, their certification

management IT system, as of last September. SBA's Office of the Inspector General reported that SBA abandoned the system which, after 4 years of development, still lacked critical capabilities, and plans to replace it with another IT program.

It is imperative to learn more about SBA's strategy, the scope of this new IT system, and the timelines and costs associated. Another issue of concern is the WOSB formal certification process. It is my understanding that, while SBA already began intake of WOSB applications, decisions on certification applications will not be issued until October 15 of this year, the same day that certifications will start being required governmentwide.

We are wondering is SBA already reviewing applications, and are there any challenges with these timelines or the IT systems that support the certification process?

Finally, we would like to know what SBA is doing to increase internal controls within programs, particularly within the All Small Mentor-Protege program and the HUBZone program.

With that, we look forward to hearing from the Associate Administrator of the Office of Government Contracting and Business Development, Dr. Francis Spampinato, regarding these matters, as well as ways in which we can work together to improve small business opportunities.

I would now like to yield to the Ranking Member, Mr. Stauber, for his opening statement.

And good morning, Pete.

Mr. STAUBER. Thank you, Mr. Chair, and I appreciate your leadership, as always.

Thank you, Mr. Chairman, for convening this important oversight hearing. Each year, the Federal Government spends hundreds of billions of dollars in goods and services. In fiscal year 2019, Federal contract spending reached its peak at \$597 billion, with a record high of 133 billion in Federal prime contracts to small businesses.

Recognizing that the Federal Government is a significant economic driver, Congress has long mandated that the Federal Government take action to protect the interests of small business concerns and tasked the Small Business Administration, or the SBA, in leading those efforts.

To this end, the SBA plays a major role in the formulation of the Federal procurement policies affecting small businesses and manages a variety of procurement programs that are exclusive to small businesses. Overseeing these important directives is the Office of Government Contracting and Business Development, or the GCBD, at the SBA.

The GCBD's primary goal is simple: To advocate on behalf of small businesses in the Federal procurement world. This office is uniquely positioned to develop policies that affect nearly every Federal agency and, with hundreds of billions of dollars at stake every year, it is imperative that the GCBD operate like a fine-tuned machine, efficient, effective, and consistent in delivering the best outcomes for small businesses.

Small contractors are relying on this office to be their champion, to understand the whole picture of Federal procurement, and identify where small business participation can and should be in-

creased. Small businesses also rely on the GCBD to manage the SBA's Federal contracting program successfully since these programs are the cornerstone of success to many small contractors.

Mr. Spampinato, I understand you are brand new to your current position as the Associate Administrator for the GCBD. I extend my congratulations to you on your recent appointment to your current post and welcome you here today. While this Committee will be discussing various concerns we have identified that may have originated prior to your time, these matters are still of great importance today, and I hope you will take this opportunity to learn from your predecessors and take what you hear today as a challenge to improve, to do better, and continue to do better.

Small businesses everywhere are counting on you, are counting on the GCBD, to do your best. And we have every confidence in your ability.

With that, I thank you, Mr. Chairman, and I yield back.

Chairman GOLDEN. Thank you, Mr. Stauber.

And, if Committee members have an opening statement prepared, we would ask that they be submitted for the record.

I would like to take just a minute to explain the timing rules. Dr. Spampinato, you will have 5 minutes to testify, and each member will have 5 minutes for questioning.

Assuming you are familiar with the lighting system that will assist you, the greens, yellows, and reds. So green means go. Yellow means you have one minute. Red means you have come up against your time limit, and if you could do your best to wrap it up at that point. We will have plenty of opportunity during the Q and A as well.

Today, we welcome Dr. Francis Spampinato, the new Associate Administrator of SBA's Office of Government Contracting and Business Development.

He brings almost 30 years of procurement experience in the public and private sector to the role. In particular, he served as a senior procurement official at the CIA, the Department of Energy, the Federal Aviation Administration, and the Federal Emergency Management Agency.

Most recently, he served as program manager for CTR Management Group before joining the Small Business Administration in June of 2020.

I would also note—as I learned this morning, when he greeted me with a welcoming *semper fi*, that he served our country during the 1980s in the United States Marine Corps, and we thank you for your service, sir, both in the Marines and ongoing in the public and private sector.

Welcome, and you are now recognized for 5 minutes.

STATEMENT OF DR. FRANCIS SPAMPINATO, ASSOCIATE ADMINISTRATOR, OFFICE OF GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC

Mr. SPAMPINATO. Thank you, Chairman Golden, Ranking Member Stauber, and members of the Subcommittee for inviting me to speak with you today.

As the Associate Administrator of the SBA's Office of Government Contracting and Business Development, I am pleased to testify and share significant updates regarding small business participation in Federal contracting and the SBA program supporting this important activity.

Last month, SBA released the fiscal year 2019 Small Business Goaling Report, which contained several notable achievements. Over 1 million jobs were created by small businesses across the United States as a direct result of prime and subcontracting awards made by Federal agencies.

\$132 billion were awarded to small businesses in fiscal year 2019, an increase of \$12 billion over fiscal year 2018 and the highest amount in history. Every socioeconomic category realized growth in the number and value of small business contracts awarded.

While I celebrate these small business contracting achievements, I know that COVID-19 brought incredible challenges for small businesses and Federal agencies alike. GCBBD rapidly engaged with stakeholders to identify and implement measures to reduce barriers and increase opportunities for small businesses.

These included posting guidance for small business contractors alongside SBA's COVID-19 resources, introducing flexibilities in 8(a) and HUBZone program participation, and conducting robust outreach to small businesses to connect them with Federal agencies in need of products and services to combat COVID-19.

On the horizon is the launch of the SBA's Women-Owned Small Business Certification program, which implements the NDAA 2015 provision to eliminate self certification for women-owned and economically disadvantaged women-owned small businesses participating in the program.

GCBBD commenced robust outreach to stakeholder groups and women entrepreneurs in late 2019 to ensure awareness of the changes ahead and to incorporate their feedback in our processes and systems.

I am working closely with the SBA's CIO and CFO to ensure functionality and sustainability of beta.certify as we stand up the program. I am aware of the history of implementing this program and the application portal and the Committee's interest in both. I can assure you that this has my highest attention and focus as Associate Administrator.

Each of the GCBBD's programs is making notable strides. In December 2019, we published a rule and began implementing changes to strengthen the HUBZone program. These program improvements, long overdue, were the result of successful collaboration between SBA, Congress, and stakeholders, and were intended to make it easier for small businesses doing good work in their communities to join the HUBZone program and for all certified HUBZone firms to remain compliant with enhanced oversight from SBA.

Within GCBBD's Office of Business Development, the 8(a) business development program continues to grow and prosper. During these times of economic recovery, applications from eligible small disadvantaged firms has increased by 132 percent compared to this time last year.

In addition to leading effective and compliant programs, I intend to vigorously promote strategies that lower barriers to entry and frictionless acquisition and reduce barriers to success that small businesses encounter.

The Small Business Goaling Report and analysis of Federal Procurement Data System-Next Generation illustrate the decreasing number of firms involved in Federal contracting and receiving prime contract awards. I am engaged with Federal agencies, small business leaders, senior acquisition officers, and my GCBD team to understand the causes and how we may address the outcomes.

Additionally, my office routinely engages with small business contractors to hear their frustrations and where their pain points are. My intent for GCBD is to be a collaborative facilitator with agencies and small businesses to achieve better outcomes.

In closing, I want to thank the Committee for your support of our programs, and I am happy to take any questions.

Thank you.

Chairman GOLDEN. Thank you, sir.

I will begin the question period by recognizing myself for 5 minutes.

So, while the Federal Government has been successful in achieving the 23 percent small business goals—and you laid out some of the other improvements that you are tracking—the overall participation of small firms in Federal contracts has declined in recent years.

According to the most recent scorecard, the small business count in fiscal year 2019 was 102,422, while in fiscal year 2018, it was 113,135. This represents a 9 percent reduction in the small business base in one year's time.

Based on your expertise, why do you believe the small business base is shrinking, and what kinds of challenges are holding small businesses back from either joining or causing them to drop out?

Mr. SPAMPINATO. Okay, sir.

Well, first of all, what we have tried to do is—and I told my staff when I came on board, was we have got to be facilitators of business here. We don't want to stop business from happening; we want to be facilitators. So, there is an extensive education program going on with all our stakeholders, and we have extensive outreach with the OSDBUs at the agencies, the small business heads, and with the procurement officers.

And so, I come from the other side of the house basically, the procurement side of the house. I understand that side of the house, and so I hold those conversations with those people also.

And so we are trying to figure out what exactly—there is an awful lot of anecdotal evidence out there, you know, and—but we need really good data and really good research to find out what the effects of, for instance, category management are on small business, what are the effects of the CMMC, the cybersecurity initiative, and what can we do in the areas of subcontracting to mitigate some of these issues.

But I focus on hard data, because anecdotal will just get you so far, but we have got a lot of work to do in those areas.

Thank you.

Chairman GOLDEN. Thank you.

Could you tell us a little bit about the work that you will be leading in this office to get SBA to help encourage other agencies to increase and diversify their small business base at the prime level?

Mr. SPAMPINATO. Yes. As I said previously, we are doing extensive outreach to the OSDBUs. In the approximately 2.5 months that I have been on the job, I have been able to reach out probably to half to two-thirds of the 24 CFO agencies, their OSDBUs, and learn what is difficult for them. What I hear all of the time is that focus is key.

So, when you add balls to the juggler, and you have got all these balls in the air, you have got all these socioeconomic groups that you are focused on, and then you throw in category management and cybersecurity, like I said.

There needs to be a lot of education and a lot of work done, and the OSDBUs have really helped me, even in just the 2.5 months I have been there, understand where the problems are. But we still have a lot of work to do to figure out exactly where those issues are, and attack them.

Chairman GOLDEN. One final question from me this round.

Shifting to the HUBZone where, you know, in fiscal year 2019, we didn't meet the goal of having 3 percent awarded to all—of all eligible prime contracts in the HUBZone businesses. I recognize this is a program where that goal has never been met, so this doesn't necessarily represent, you know, a backslide in success, but I did want to just get your thoughts on what you think you can do to help implement and ensure the agencies try and make better use of the HUBZone set-aside program to meet the 3 percent goal.

Mr. SPAMPINATO. Yes. Sir, the first thing I want to say is, even though we did not meet the 3 percent, over the last 2 years, there has been an increase in HUBZone, which is, to me—I am an optimistic person, and I like to see the increases. So that is a good thing.

But we have a specific HUBZone action plan underway—statutory changes to the program helped with targeted effective outreach to firms and agencies, learning lessons from high-performing agencies, and innovative acquisition strategies by NASA and other agencies. We are learning from all that.

The other thing is I noticed, when I came on board, coming from the outside, sometimes even though you are not intimate with the subject matter, it is good to come from the outside with a different perspective, and I love to see that.

So I noticed, with the HUBZone, there are a lot of small peculiarities in order to meet the HUBZone requirements. We are addressing those proactively and trying to facilitate—as I said, my philosophy is, we should make business easier for people, not more difficult.

And those are a couple of things that are being done, and every time I talk to the OSDBUs, it is funny, because I have talked to a few that have really high HUBZone numbers. I mean, I had talked to one, like 13, 15 percent HUBZone. And I ask them what their HUBZone secret is every time. And most of the time the answer is: Focus on the HUBZone.

So, you know, hopefully with that and the unique points of the program, which we are covering proactively in GCBD, we will find an answer to this 3 percent and hopefully exceed it next year.

Chairman GOLDEN. Thank you very much for that.

I am out of time. At this point, I am going to turn it over to Ranking Member Stauber for 5 minutes.

Mr. STAUBER. Thank you, Mr. Chair.

And, Dr. Spampinato, I apologize for mispronouncing your name during the opening statement.

As the new Associate Administrator for the Office of Government Contracting and Business Development, what are your plans for the future of GCBD, and can you share with us your overarching goals as well as any specific items you would like to achieve?

Mr. SPAMPINATO. Yes. Thank you, sir. Thank you for that question.

Like I said when back in the days when I wasn't in the SBA, every once in a while, I saw the SBA as a place where sometimes we were stopped from doing certain things, because the SBA was looking over small business, and it was a slow ramp-up to learn, I think, on the agency procurement side that, hey, small businesses can do this work, so let's get on board here.

So, my first and foremost thing, like I said, is to facilitate business. We have got to do better. Even though—I think SBA is doing a great job now. When I came on board, I have seen a lot of things, people working at home, doing a great job because of the situation.

Mr. STAUBER. Yeah.

Mr. SPAMPINATO. But, you know, it is our job to facilitate business, to make it happen. And so that is my overall vision, I guess you would say.

But the other thing is we—and I know we will probably talk about this a little bit, but the other thing is to get our data needs together and get our IT together and work on a long-term plan so that we have good data. We—

Mr. STAUBER. And, Mr. Spampinato, that was actually going to be one of my next questions, on the data gathering.

So, to that point, just tell us a little bit about your thoughts on how you are going to do that and what your needs would be.

Mr. SPAMPINATO. Okay. Well, I don't want to be premature, but what I do want to say is the old system that we currently have, we are not abandoning.

Mr. STAUBER. Yeah.

Mr. SPAMPINATO. That is kind of the wrong word to use for that. We are using, that system to the extent we can to maintain what we currently have. But we do need a new system, and I have started having great conversations with the CIO and the CFO, to determine how we are going to do that.

But we are committed—I don't have specific plans with me today, and, like I said, I don't want to be premature here, but we are committed to getting a good system in place, because, like I said, if we don't have good data, how can we facilitate business?

Mr. STAUBER. No. Right.

Mr. SPAMPINATO. We can't do it.

Mr. STAUBER. Exactly.

Mr. SPAMPINATO. But we are going to—we are going to be completely honest with everyone in what we need and what we need to move into the future and to be that facilitator of business. So we will—as soon as we have something in granite, we will share that, and we just don't have it right now.

Mr. STAUBER. And, also, if there is anything that this Committee can help you with, feel free to reach out to the Chair or myself, and whatever we can do to facilitate that.

And just one more question. You know, this Subcommittee held an oversight hearing last May on the SBA's Women-Owned Small Business program. In the hearing, the SBA testified the new Women-Owned Small Business program would not be operational until sometime in 2021.

Do you have or can you commit to a more specific time period or date?

Mr. SPAMPINATO. Well, I believe—now, we have received—as of today, or yesterday, we have received 1,100 applications, and we are working through the system, but I can't—I—

Mr. STAUBER. Would you say early 2021?

Mr. SPAMPINATO. I respectfully—

Mr. STAUBER. Mr. Spampinato, if you don't have the answer—and I totally understand—

Mr. SPAMPINATO. Yeah.

Mr. STAUBER.—if you would get it to the Chair and myself, that would be great.

Mr. SPAMPINATO. We will do that.

Mr. STAUBER. Okay.

Mr. SPAMPINATO. We will do that.

Mr. STAUBER. I think my time is running out. Thank you for your testimony and your service to our country.

Mr. SPAMPINATO. Thank you, sir.

Chairman GOLDEN. The gentleman yields.

I will now recognize Congresswoman Judy Chu, Chairwoman of the Subcommittee on Investigations, Oversight, and Regulations.

Ms. CHU. Thank you so much, Mr. Chair.

Dr. Spampinato, I wanted to ask about the 8(a) minority small business program. The participation has declined precipitously from 7,000 participants in 2010 to just 4,450 in 2019, and this is why, last year, this Committee held a hearing on the 8(a) program where we heard from businesses and stakeholders. And they testified that a major contributing factor to decline in participation is that they often spent years in the program before receiving their first contract, and many businesses never received a contract at all over the 9-year participation window.

So can you tell us how many companies have been accepted into the 8(a) program this year and how this compares to previous years, and discuss why there is this decline and how you are addressing this decline in participation in 8(a)?

Mr. SPAMPINATO. Yes, ma'am. Thank you for your question. I appreciate that.

What we would like to—are happy to report a steady increase in the total number of firms accepted. In fiscal year 2020, year to date, we have 527 new firms; over fiscal year 2019, 437 new firms.

So we have had an increase of roughly 90 firms accepted into the 8(a) program, and we are still, of course, in this fiscal year.

We acknowledge the decline of program participants in 2010. The number fluctuates due to a combination of factors: Successful completion of the 9-year program and graduation, voluntary withdrawal, firm requests early graduation, or terminated for non-compliance. We have had, you know, many in those categories.

And what I would like to say, it is important to note that SBA has strategically focused on application education. We continue to emphasize to interested eligible firms the importance of being procurement ready from day one, so they are positioned for a fully successful 9-year program.

And, in some instances, firms have informed us they are glad they waited to apply after having received training and education about the program. They want to apply when they know they are really ready so they don't waste time during the valuable developmental program years one through four before they must begin transition years five through nine and generate strong revenue streams.

And, I will emphasize, the 8(a) program is a business development program as opposed to a government contracting program, so we are educating and helping firms to develop, to assist them, and we are doing our best to get more firms into the program with outreach and education.

Ms. CHU. Well, thank you for that.

I wanted to ask also about the shortfalls in the subcontracting goals. You did mention the prime contracting goals, and the Federal Government did increase in the prime contracting goals for small business, but, in the subcontracting, the HUBZone actually also declined. It was 1.4 in 2018, and now 1.37 in 2019.

But also the same decline occurred in the small disadvantaged business, from 4.9 to 4.17 percent, and then also for the service disabled veteran-owned small business, from 2.1 to 1.95 percent.

So what is the reason for this, and what are you doing about it?

Mr. SPAMPINATO. Okay. Thank you for that thoughtful question, ma'am.

I have got to be honest. A long time ago, when I was involved with the OSDDBU at the Department of Energy, subcontracting was critical to us because we had such a big subcontracting component out in the field with the labs. I think basically what happens here, you do well in what you focus on, and I think that there hasn't been enough focus on subcontracting.

And, you know, for the last 15 years, I have always thought subcontracting was critical. So we have got to take a refocus on subcontracting so that we can get those numbers up and get on board with the OSDDBUs and the procurement side of the house to get these numbers up.

But I think, if we focus on subcontracting and say, "Hey, look, this is important as prime," I mean, for years, people looked at the prime numbers and said, "Hey, prime is all we are about."

But I have been focused on subcontracting my entire career. So, I will put an extended focus on subcontracting, and we will move toward better numbers, I believe next year and the following years.

Thank you.

Ms. CHU. Well, thank you for that, yeah.

And I yield back.

Chairman GOLDEN. Thank you.

We will now recognize Rep. Troy Balderson, Ranking Member of the Subcommittee on Innovation and Workforce Development, for 5 minutes.

Mr. BALDERSON. Thank you, Mr. Chairman.

Mr. Spampinato, thank you for being here. Excuse me.

The GCBD has a critical role in formulating policy that affects small businesses contracting governmentwide. With that said, what policy changes or improvements are you considering in the short-term and the long-term?

Mr. SPAMPINATO. Thank you for your question.

Our first focus and like I spoke about earlier are the changes that we have made in the HUBZone program to clarify some of the what I call, which somebody else may not call, but me looking from the outside before I got here, some peculiarities of the HUBZone program. We are clarifying those, making them a little easier to understand. And so that is a big policy change.

I believe we have to do something in what I just spoke about, subcontracting, some kind of a policy change to focus or reemphasize subcontracting, number two. I believe we have to do that.

And we are also working closely with our OIG to ensure that we keep our eye on the ball and we are focusing on the right policy, and so we are working closely with them also in developing policy.

Other than that, I can—you know, I can get back to you on other things we are focused on, but that is what I have right now.

Mr. BALDERSON. Okay. Thank you very much. And if you would get that to the—myself and the Chairman, please, I would be grateful.

My next question is: The fiscal year 2019 scorecard shows that the prime contracting achievement for women-owned small businesses was exceeded; however, the SBA Office of Inspector General released a fairly recent report showing severe deficiencies in the SBA's assessment of eligible women-owned small business firms.

Do you think this achievement report in the scorecard may be inflated by awards made to ineligible firms?

Mr. SPAMPINATO. I would say I do not believe it is inflated, but, this was a self-certification program, and, to some extent, you have to believe what people tell you, that they are certified. And I believe this—I mean, this is only the second time in the history of the scorecard where women-owned small business goals were met, and I believe it is a great start-off point.

I mean, to me, to continue on this trend. And I think it will only be strengthened by bringing the women-owned small business certification into the SBA.

I really can't attest to or affirm what we have done in the past or how—you know, like I said, my past is 2.5 months here, but I think—I am very optimistic. Moving forward, once we get our certification and our certification abilities on women-owned small business and work out some of the IT issues, I believe it is going to be a much better program, and I believe we are going to continue on an upward trend.

Mr. BALDERSON. Okay. My follow-up to that would be—and, again, I will just have you—and I appreciate and understand your time as far as being there, but if you would also relay to the Chairman and myself, given the inspector general's report, what steps is the GCBD taking to ensure only eligible women-owned small businesses receive contract awards? So if you can get that information to us also, I would be grateful for that.

And, Mr. Chairman, I yield back my remaining time.

Mr. SPAMPINATO. Yes. We will do that. Thank you.

Chairman GOLDEN. Thank you very much.

I am going to go ahead and ask a second round of questions. Do I understand you are all set? All right. Very good.

I think I heard you correctly, sir, when you said that you didn't really view that the SBA was abandoning the IT program, which we have heard from the OIG, but, rather, expanding upon it, making some additional improvements, and I wanted to just give you an opportunity, if you could, to elaborate a little bit on what the system that will replace Certify will bring to the table in regards to new capabilities that you currently have been struggling with.

Mr. SPAMPINATO. Thank you, Mr. Chairman.

The only—I mean, I can talk in generalities. I don't know what the definition of abandoning a system is, because you can't just abandon any system midstream and have nothing. So, we are continuing to do the best we can with what we have.

In the future, some of the things that have been talked about here. Just, you know, the certifications, having a good certification system, being able to talk to candidate businesses back and forth, pass information back and forth, those types of things, and to have a high level of validity to the system. When somebody is certified, you know they are certified.

So, I mean, these are the kinds of things that we are looking for in a big general sense. You know, there are going to be definitely a lot more specifics coming forth, we can make those available, but we are—you know, they have this thing in government contracting which has historically been a problem, and that is generation of requirements. The requirements have always hurt us.

And then we get, you know, two-thirds into the program; we figure out, well, jeez, we have got to go back and regenerate our requirements because we haven't done it correctly.

We are being very cautious and very vigilant on the true requirements for us to facilitate business, and so we are going to be very deliberate in that approach. We are not going to rush to anything.

So we are just being very—like I said, I am working closely with the CIO and the CFO, and we are going to move to a good solution where we can get the data we need and we can be the facilitators of business that we need to be for small business.

Chairman GOLDEN. Thank you, sir.

Just coming back to the women-owned small business program, according to the SBA website, SBA began intake of women-owned small business applications on July 15 of this year and reported it would not be until October 15 of 2020 that SBA would begin issuing decisions on certification applications, and I think I heard you in response to another question say that you have received about 1,100 applications under the program. Is that since July?

And, also, has SBA started vetting these applications, and will participants likely be notified in October?

Mr. SPAMPINATO. Sir, I can't be—I can't be positive on that, but—because I—I need to know more about the women-owned small business, so I don't want to comment on the new program, but we can get those responses back to you quickly.

Chairman GOLDEN. Thank you. I appreciate that.

Mr. SPAMPINATO. Thank you.

Chairman GOLDEN. And, just lastly, as you have noted, in your testimony or during the Q and A, you have seen growth towards a lot of the goals in this fiscal year, and I think I made a note that you saw 8(a) applications up more than 100 percent from the same period in 2019. I believe that was during the period in 2020 where we have been facing the coronavirus pandemic and some of the impacts on the economy and small businesses out there.

Could you just take an opportunity to share with the Committee anything that you would like about how the COVID-19 pandemic has impacted either SBA's resources assigned to the contracting programs, whether or not there has been any, you know, delays or challenges in the administration of these programs due to the pandemic?

And, you know, some of the data you shared, I will actually suggest that you actually have seen an uptick in participation. Is that, in part, driven by the pandemic itself?

Mr. SPAMPINATO. Yes, sir. What I would like to say about the pandemic—I mean, there are a lot of resources within SBA that do not include my office, which I really can't comment, but they have done some great things for small business.

You know, in terms of what we do in GCBD and like I alluded to earlier, our people—most of our people are working from home. And, when I came on board, I was concerned about that. But, when I realized that the work was getting done and in fine form, I realized that is not an issue.

The outreach continues to small businesses. The outreach, the education, the programs continue to work with their—their business—candidate businesses. So we really haven't lost a step in working with them and helping and outreach. So I am very pleased about that.

Specifics, I don't have a lot of specifics for you, but I know I have heard at trade groups and others, and they are very pleased with the way my team has conducted themselves in terms of being available, you know, and being available in the Federal Government is a big thing, especially for small businesses. And it has been working well for us. And I don't see any problem with that continuing either.

Chairman GOLDEN. Thank you very much.

Representative Balderson, are you all set?

Mr. BALDERSON. I am good. Thank you.

Chairman GOLDEN. Okay. Well, with that, just some closing remarks, and one thing I wanted to make note of, sir, is both the Ranking Member and I represent rural communities, where one of the earlier frustrations I have experienced on the Committee was getting out into the community and hearing too often from small

business owners that they were essentially unaware of the types of programs and services that the SBA provides.

Generally speaking, people have viewed it as not much more than a loan program. I think, in too many cases where, you know, I see small business, you know, owners who are doing work that I think, jeez, government would really benefit if you were bringing this expertise, you know, to service, you know, for our government.

Other programs, like the Small Business Development Center, if you are familiar with that, where, you know, you have been talking about education and outreach, they do great work all around the country, yet far too few businesses are even aware that they are there and that they are generally, you know, free of a fee.

You know, services and, you know, consultation and all kinds of things that could help businesses even identify the opportunity to pursue a contract with the government, there is just a lot of options out there.

Something else that I know Ranking Member and I have been interested in is the Office of Rural Affairs, which has for years been on the statutes but, under multiple administrations, basically understaffed and the mission completely unfulfilled.

So we are interested in hearing about education and outreach activities that will actually penetrate and get out there into rural communities, as well as urban ones, but I think really a lot of missed opportunities when people just aren't aware of the work that is being done and what they can bring to the table to the benefit of the entire country.

I want to thank you for being here today and for everything that you have shared with us, as well as that you will follow up with in the wake of the hearing. For this Committee, strengthening the contracting and business development program is of the utmost importance because, overall, it plays an increasing competitiveness in providing access to Federal opportunities.

I think the discussion today brings us closer in understanding how these programs can better serve the small business community, particularly in these times of economic challenges that we are all facing.

I also want to thank the staff within GCBD for their hard work and constant commitment to small businesses. We look forward to working with you to level the playing field for small businesses across the country.

Mr. Stauber, do you have any closing remarks?

Mr. STAUBER. No. Thank you very much, Mr. Chair.

I just appreciate your testimony, and, as the Chair said, we both represent rural areas of this country, and northern Maine is very similar to northern Minnesota. And we talked about many small businesses don't know the opportunities and the advantages that they can—that can be had by getting involved.

So that is it, and I, again, thank you for your testimony.

Thanks, Chair.

Chairman GOLDEN. Go ahead and ask unanimous consent that members have five legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

If there is no further business to come before the Committee, we are adjourned.

Thank you very much, sir.

[Whereupon, at 10:56 a.m., the Subcommittee was adjourned.]

A P P E N D I X



**Statement of Francis C. Spampinato
Associate Administrator
Office of Government Contracting and Business Development
U.S. Small Business Administration**

**before the
House Committee on Small Business
Subcommittee on Contracting and Infrastructure**

**Hearing on "SBA Management Review: Office of Government
Contracting and Business Development"**

September 15, 2020



Statement of Frank Spampinato
Associate Administrator
U.S. Small Business Administration

Thank you, Chairman Golden, Ranking Member Stauber, and members of the subcommittee for inviting me to speak with you today. As the Associate Administrator of the SBA's Office of Government Contracting and Business Development (GCBD), I am pleased to testify today and share significant updates regarding small business participation in federal contracting and the SBA programs supporting this important activity.

First, an introductory note. How did I arrive at the SBA? After serving four years in the United States Marine Corps, I was selected for a position at the Central Intelligence Agency. I served as a Contracting Officer there for roughly sixteen years and decided to move to a position at the Department of Energy as their Chief Acquisition Officer. Later, I was selected as the Director, Acquisition and Contracting at the Federal Aviation Administration and consequently as the Chief Procurement Officer at the Federal Emergency Management Agency. After that assignment, I served as a Program Manager with a small business until my return to the federal workforce in my current position. I come to the SBA with approximately twenty-five years of contracting experience, nine of that as a Senior Executive.

Last month SBA released the Fiscal Year (FY) 2019 Small Business Goaling Report (SBGR), AKA the Procurement Scorecard, which contained several notable achievements. Over one million jobs were created by small businesses across the United States as a direct result of prime and sub- contracting awards made by federal agencies. \$132B dollars were awarded to small businesses in FY2019—an increase of \$12B over FY 2018 and the highest amount in history. Every socioeconomic category realized growth in the number and value of small business contracts awarded. The Women-Owned Small Business, Small Disadvantaged Business and Service-Disabled Veteran Small Business goals were attained. The HUBZone goal was not reached in FY 2019, but HUBZone dollars experienced growth over FY 2018.

While I celebrate these small business contracting achievements, I know that COVID-19 wrought incredible challenges for small businesses and federal agencies alike. GCBD rapidly engaged with stakeholders to identify and implement measures to reduce barriers and increase opportunities for small businesses. These included posting guidance for small business contractors alongside SBA's COVID-19 resources, introducing flexibilities in 8(a) and HUBZone program participation, and conducting robust outreach to small businesses to connect them with federal agencies in need of products and services to combat COVID-19. SBA Procurement Center Representatives (PCRs) notified over 2,600 small business firms of opportunities, and directly contacted over 1,300 businesses. Over 700 small business dealers and 439 manufacturers were identified as being eligible to compete for federal contract awards for the various products. A deeper dive into the identified sources resulted in federal contract awards to 702 small business firms for PPE products, 149 small business sources for respirators, and 183 small business firms for ventilators. The results of these actions so far shows that federal agencies are utilizing small businesses for nearly 25% of their small business eligible contract awards to meet their COVID-19 requirements which include

personal protective equipment, IT products and services to support a teleworking federal workforce, and facility support services.

On the horizon is the launch of the SBA's Women-Owned Small Business (WOSB) Certification Program next month which implements the National Defense Authorization Act (NDAA) 2015 provision to eliminate self-certification for women-owned and economically disadvantaged women-owned small businesses participating in the program. GCBD commenced robust outreach to stakeholder groups and women entrepreneurs in late 2019 to ensure awareness of the changes ahead and to incorporate their feedback in our processes and systems. On July 15, SBA began to accept applications for the new WOSB certification at beta.certify.sba.gov. I am working closely with the SBA CIO and CFO to ensure functionality and sustainability of beta.certify.sba.gov as we stand up the program. I am aware of the history of implementing this program and the application portal, and the Committee's interest in both. I can assure you that this has my highest attention and focus as Associate Administrator.

Each of GCBD's programs is making notable strides. In December 2019, we published a rule and began implementing changes to strengthen the HUBZone Program. These program improvements, long overdue, were the result of successful collaboration between SBA, Congress, and stakeholders, and were intended to make it easier for small businesses doing good work in their communities to join the HUBZone program and for all certified HUBZone firms to remain compliant with enhanced oversight from SBA. We've already seen a 33% increase in applications, reduction in processing times, and an 11% increase in FY19 Scorecard results from FY18—which demonstrates that we are moving in the right direction.

Within GCBD's Office of Business Development, the 8(a) Business Development program continues to grow and prosper. During these times of economic recovery, applications from eligible small disadvantaged firms has increased by 132% compared to this time last year. In the near future, the SBA looks forward to publishing the final rule regarding the merger and consolidation of our 8(a) and All Small Mentor Protégé Programs into a single program. The new rule will eliminate confusion, remove unnecessary duplication of functions with the SBA, and streamline and expand the benefits of the 8(a) Mentor Protégé program to all small businesses seeking to contract with the federal government. To-date, SBA has over 1,100 successful mentor protégé agreements and continues to grow, allowing small businesses to gain valuable technical and management assistance from more experienced firms. By doing this, the protégé small businesses are given access to, and learn from, the mentor to leverage capacity for new growth and success.

In addition to leading effective and compliant programs, I intend to vigorously promote strategies that lower barriers to entry and increase the likelihood of small business success. This includes working with the Office of Management and Budget's Office of Federal Procurement Policy to promote strategies related to category management that help small businesses while addressing its potential unintended consequences, as well as working with the community to address the increasing complexity of cybersecurity compliance. The Small Business Goaling Report and analysis of Federal Procurement Data System – Next Generation (FPDS-NG) illustrate the decreasing number of firms involved in federal

contracting and receiving prime contract awards. I am engaged with federal agency small business leaders, senior acquisition officers, and my GCBD team to understand the causes and how we may address the outcomes. Additionally, my office routinely engages with small business contractors to hear their frustrations and where their pain points are. My intent for GCBD is to be a collaborative facilitator with agencies and small businesses to achieve better outcomes.

In closing, I want to thank the Committee for your support of our programs, and I am happy to take any questions.



House Small Business Committee
Office of Government Contracting and Business Development
September 15, 2020 hearing
Questions for the Record (QFRs)

Question 1. Concerning the reduction of the small business base in FY2019, Dr. Spampinato replied that SBA “need[s] really good data and real good research to find out what [are] the effects of, for instance, category management on small business, what are the effects of the [Cybersecurity Maturity Model Certification] CMMC, the cybersecurity initiative, and what can we do in the areas of subcontracting to mitigate some of these issues.” What initiatives is GCBD engaging on to obtain this data and when does SBA expects to receive corresponding findings?

Answer 1. SBA’s Office of Government Contracting administers SBA’s subcontracting assistance program through post-award acquisition responsibilities conducted by SBA’s Commercial Marketing Representatives. SBA is aware that small business obligations and contract actions have increased through the use of Category Management, but fewer small businesses are receiving federal contract awards generally, and therefore subcontracting is becoming even more critical to our industrial base. SBA believes that Other than Small Business Prime Contractors, through their efforts to subcontract with small business, play a significant role in enhancing opportunities for small businesses to participate in federal contracting. SBA is keenly aware of the need for enhanced federal-wide oversight of subcontract compliance, as weaknesses in such federal oversight -such as not following all procedures and not reviewing contractor submissions for errors or omissions—can reduce small business opportunities and limit agencies’ knowledge about the extent to which contractors fulfill obligations to small businesses.

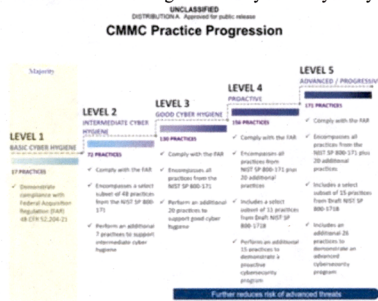
Further, in the May 2020 GAO Report, titled “Oversight of Contractor Compliance with Subcontracting Plans Needs Improvement,” GAO recommended that the SBA Administrator should ensure Commercial Market Representatives clearly and consistently document compliance reviews and maintain these records. Although SBA conducts monitoring activities, the awarding federal agency remains responsible for overseeing and enforcing compliance with a

subcontracting plan throughout the life of the contract. However, to ensure adequate compliance and oversight, SBA has launched a cross-functional committee to reexamine Agency guidance to ensure consistency in our documentation and compliance practices.

More specifically, SBA is currently revamping its Subcontracting Compliance Program through a phased approach to compliance, where we address (1) Subcontracting Reporting; (2) Subcontracting Plan Goal Attainment; and (3) Subcontracting Regulations. As SBA continues to enhance our subcontracting program we will continue to engage our many local and national stakeholders, constituents and government partners to ensure that we capture the information needed to ensure a robust approach that correctly supports adherence to our small business programs and subcontract compliance oversight policies that lend to increased small business participation in federal contracting.

Additionally, under the authority of Section 8(d) of the Small Business Act (15 U.S.C. 637(d)) and the Federal Acquisition Regulation (FAR) 42.302 (a)(55) as it relates to Federal government prime contractors, SBA is working with the Defense Contract Management Agency (DCMA) and Defense Logistics Agency (DLA) to enter into a new Memorandum of Understanding (MOU) to better collaborate and leverage resources on conducting the activities related to compliance reviews.

GCBD is consulting with SBA's Office of Advocacy and the Department of Defense to address the burdens on small business while assuring the security of the cyber systems.



Memorandum M-19-13, "Category Management: Making Smarter Use of Common Contract Solutions and Practices" highlights that the acquisition workforce needs to be better trained and developed in category management principles and practices consistent with small business and other statutory socioeconomic responsibilities. Of particular importance, centralization of purchases through BIC vehicles is not a one size fits all solution, as OMB's guidance acknowledges, and the acquisition workforce should be trained to recognize common situations where decentralized local set-asides will be more appropriate than BICs or other government-

wide solutions. We will continue to work with OMB and agencies to make sure our workforce does not lose sight of this critical point.

SBA seeks to build on the research that it performed for its June 2019 report on the Utilization of Small Business Concerns on Multiple Award Contracts (available at https://www.sba.gov/sites/default/files/resource_files/MultipleAwardContractReport_SBA_0.pdf). That report found that, between FY 2012 and FY 2017, the number of small businesses with multiple-award contracts fell by 11%. Contract spending is increasingly being directed through multiple-award contracts, in part because of the push to use category management vehicles. But, though the spending on multiple-award contracts increased by \$20 billion from FY12 to FY17, fewer small businesses participate. Small business contractors report being dissuaded by high upfront costs, long proposal timelines, and the lack of “on-ramps” in existing contracts. SBA remains concerned that overreliance on centralized vehicles will discourage many small businesses from doing business with the Federal Government and may cause others to go out of business. We must expand, not contract, the pool of small businesses participating in the federal marketplace and this requires use of decentralized set-asides as part of a balanced approach to lower barriers to entry for new entrants and help existing small businesses strengthen their footing in the federal marketplace.

SBA understands that the Government Accountability Office is preparing its own report on category management that will discuss small-business impacts.

Question 2. Regarding IT systems, Dr. Spampinato explained that SBA is not planning to abandon the IT system currently in place ([certify.SBA.gov](https://certify.sba.gov)). Instead, SBA plans to keep the system and use it to the extent possible along with a new IT system. Yet, according to the latest report from the SBA’s OIG, last year “SBA awarded a \$3.5 million contract to develop new certification management applications in the Dynamics 365 platform and a replacement for the Dynamic Small Business Search.” The report also highlights timelines associated with the migration of these applications to the new IT platform.

- Could you please elaborate on what capabilities and functionalities relevant to the contracting programs SBA intends to keep in [certify.SBA.gov](https://certify.sba.gov) and which ones will migrate to the new system?

Answer. Upon completion of the WOSB Program component of SBA’s certification management system, SBA will perform a strategic review of the Certify project to ensure the best technical approach to timely, effective delivery of a single, integrated system. The current www.Certify.sba.gov application will continue to support certification management functions for 8(a) and ASMPP until those functions are modernized. The schedule for this modernization will be one output of the aforementioned strategic review. On October 15, 2020, the effective date of the WOSB Program rule, the www.Certify.sba.gov application will no longer support WOSB self-certification and users seeking SBA WOSB Program certification will be directed to www.beta.Certify.sba.gov. While there may be beta versions of each of the Programs’

specific components of Certify, the final consolidated system is expected to retain the name www.Certify.sba.gov.

- What are the timelines for capabilities and functionalities that will migrate to the new system?

Answer. Upon completion of the WOSB Program component of SBA's certification management system, SBA will perform a strategic review of the Certify project to ensure the most effective technical approach to timely, effective delivery of a single, integrated system. The schedule of actions and milestones will be one output of the aforementioned strategic review.

Question 3. In the hearing, Dr. Spampinato testified that he couldn't commit to a specific date regarding the Women-Owned Small Business (WOSB) formal certification process. However, according to SBA's website and the information that had been previously offered to the Committee, SBA intends to start implementing the WOSB formal certification process in October 15, 2020. Is SBA on schedule to meet that deadline?

Answer 3. The SBA will implement the WOSB certification program on October 15, 2020. SBA will begin certifying firms as WOSBs and EDWOSBs on that date.

Question 4. According to Dr. Spampinato, SBA has received approximately 1,100 WOSB applications since July 15, 2020. Has SBA started vetting these applications in order to notify participants on October 15th? If so, how many applications has SBA vetted so far?

Answer 4. SBA began accepting applications on July 15, 2020 and commenced initial processing of those applications. As of October 7th, the WOSB Program has received 1278 applications (729 in pre-screening, 265 in screening and 284 awaiting approval.)

Question 5. Will the WOSB program along with its formal certification process be moved to the other platform? Will the change of IT platforms have an impact on the issuance of formal certifications for the different contracting programs? How does SBA plan to mitigate those impacts? Please explain your answer.

Answer 5. As described in the response to Question 2, WOSB and EDWOSB certification processes are conducted at www.beta.certify.sba.gov. This is the original system for WOSB and EDWOSB certification processes and SBA does not project moving these processes to another platform.

Question 6. October 15, 2020 marks the date on which SBA will begin to issue determinations for WOSB applications and when formal certification will be required for the WOSB program. Does SBA anticipate any challenges or bottlenecks in terms of vetting applications given that there is no transition period between these two important milestones? Please explain your answer.



Answer 6. On October 15th SBA will begin issuing WOSB Certification Eligibility determinations. SBA is prepared to implement an interim solution allowing WOSB program analysts to manually complete WOSB application analysis. Below is a timeline on the October 15th launch:

- On May 11, 2020 final WOSB Certification Program regulations were published in the Federal Register.
- On July 15, 2020, SBA launched **beta.certify.sba.gov** to allow firms to begin submitting applications for initial processing into this new certification platform.
- On October 15, 2020, SBA will begin issuing decisions on certification applications under the new application process.
- Between now and October 15th, **self-certification** will remain available for firms via **certify.sba.gov**. Self-certification applies to any WOSB or EDWOSB solicitation issued before October 15th. Self-certification does not require review by an SBA analyst.
- After October 15th, firms will be unable to submit self-certification documents into the WOSB Program Repository (**certify.sba.gov**) and it will be ultimately decommissioned. Firms must be certified as WOSBs and EDWOSBs for any WOSB or EDWOSB solicitation issued on or October 15th.

Question 7. In the 2018 NDAA, Congress enacted multiple changes to the HUBZone program aimed at strengthening the program and measuring its success. Among these changes, the statute requires SBA to publish performance metrics, collect data in light of those metrics and report to Congress. Could you please elaborate of what is the status of establishing and implementing these performance metrics?

Answer 7. The program is on track to publish the performance metrics by or before January 1, 2021 and will submit the first report to Congress by or before December 30, 2021.

Question 8. GAO and SBA's OIG have long recommended updating HUBZone program internal policy guidance for certification and recertification. When is SBA planning to update its HUBZone internal policy guidance?

Answer 8. SBA has implemented new and much stronger recertification requirements, SBA undertook substantial steps over the past few years to address GAO and OIG recommendations, including:

- Management in the Office of the HUBZone initiated, documented, and implemented a risk-based approach to program reviews that ensures that firms representing the highest risk to the federal government are reviewed consistently.

- The Office of the HUBZone Program strengthened internal controls by revising and documenting initial and continuing eligibility (recertification) procedures and guidance for staff.
- HUBZone Program staff eliminated the backlog of annual re-certification cases mentioned in the report.
- Staff resources have been secured and re-aligned within the HUBZone program to implement the new and more robust re-certification requirements.
- New standards have been added into the performance elements of staff, to ensure accountability with case processing. Quarterly performance reviews under the new standards have been conducted in FY20.
- Three chapters in the HUBZone were revised in FY19 and although not yet final, SBA is in the process of updating the entire SOP to reflect recent changes to the program.