

**Opening Statement of Chairman Steve Knight (R-CA)**  
*Subcommittee on Contracting and Workforce*  
*“GAO Audit Reveals Half-Measures Taken by Small Business Advocates”*  
*October 25, 2017*

Good morning. **This hearing will come to order.**

We’ve heard time and time again that small business contractors are good for the government and for the economy. They are innovators, job creators, increase competition, and save taxpayer dollars in the process. That’s why there is a statutory goal of awarding at least 23% of prime contract dollars to small businesses. Given their importance, we need to ensure that they have every opportunity to compete.

Today we are here to talk about a critically important advocate for small contractors within our federal procurement ecosystem. The Offices of Small and Disadvantaged Business Utilization, or OSDBUs operate on the front lines of government procurement, acting as a protector and champion of small businesses within the federal contracting space.

These offices are charged with the implementation and execution of contracting assistance-related functions and duties, specifically fighting against unjustified contract bundling. In order to protect and preserve the interests of small businesses across the federal government, each agency with procurement powers has its own OSDBU office. Thus, it is important to assess whether these offices are faithfully executing the responsibilities given to them.

The Government Accountability Office, or GAO, conducted a comprehensive audit of 24 federal OSDBUs, assessing their compliance with the requirements laid out in section 15(k) of the Small Business Act. While the report indicated widespread and varying degrees of noncompliance, some of GAO’s results are particularly troubling. GAO found several agencies were not complying with specific functional requirements in the Small Business Act. We will explore those in more detail today. Furthermore, OSDBU directors are continuing to report to persons other than the head or deputy head of the agency, and some OSDBU directors are holding collateral duties.



Each of the section 15(k) requirements serves a unique and essential function. Any noncompliance may impede the OSDBU's ability to effectively advocate for small contractors.

With that said, agencies responded to GAO's findings in various ways. Many agreed, stating they would begin complying with the section 15(k) requirements. However, some disagreed and argued that, due to the nature of the requirement and the office, that particular requirement was unsuitable for them. Some further argued that the internal structure of the agency poses barriers to compliance, and that noncompliance can be attributed to the agency seeking efficiencies amongst its programs and offices.

Agencies should not be allowed to flout the law. It is our responsibility to conduct proper oversight by asking them to explain why they are noncompliant, and explore options to remedy the situation. However, I also understand each agency has its own set of challenges, particularly OSDBUs in some of the smaller ones. I hope to gain a deeper understanding today of what these challenges might be.

Lastly, it is important for us to examine the Small Business Procurement Advisory Council, or SBPAC. Led by the SBA and comprised of OSDBU directors, SBPAC undertakes annual reviews of OSDBUs compliance with its statutory requirements. Discrepancies were found between GAO and SBPAC's review. This is troubling since SBPAC's reviews influence SBA's small business scorecard grades for each agency. Inaccurate SBPAC reviews may ultimately impede Congress's ability to conduct effective oversight over agency OSDBUs. Understanding this, we should explore ways in which the SBPAC review process can be improved and what additional controls can be put in place to ensure objectivity and fairness in its future reviews.

Ultimately, the lessons we take from examining today's GAO report will help us understand how OSDBUs impact small contractors nationwide. I look forward to hearing from our witnesses. We will benefit from your perspective and I thank you for being here today.

I now yield to the Ranking Member, Ms. Murphy, for her opening statement.

