

GAO

June 1987

# SMALL BUSINESS ACT

## Air Force's Disadvantaged Business Advocate Not Reporting to Proper Management Level



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United States  
General Accounting Office  
Washington, D.C. 20548

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General Government Division

B-222903.7

June 22, 1987  
The Honorable Edward C. Aldridge, Jr.  
The Secretary of the Air Force

Dear Mr. Secretary:

In letters dated January 14 and May 2, 1986, the Chairman, House Committee on Small Business, requested that we review 13 agencies to determine their compliance with Section 15(k) of the Small Business Act. In subsequent discussions, the Chairman's office defined the primary concern as the agencies' compliance with Section 15(k)(3), which describes the required reporting level for each agency's Director, Office of Small and Disadvantaged Business Utilization (OSDBU). The Department of the Air Force was one of the departments selected.

To determine if the Air Force was in compliance with the Small Business Act, Section 15(k)(3), we interviewed officials in the Department's General Counsel's Office and OSDBU and reviewed organizational charts, a description of the OSDBU Director's responsibilities, the Director's performance evaluation, and management instructions concerning the establishment of OSDBU, its mission, reporting level, and current operations. To determine the required reporting relationship for the Director we also reviewed the Small Business Act and its legislative history. We did not evaluate the effectiveness of Air Force's OSDBU programs. Our work was performed from April through August 1986 at Air Force's Washington, D.C., headquarters and was done in accordance with generally accepted government auditing standards.

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**The Director, OSDBU,  
Must Report to the Agency  
Head or Deputy**

The Small Business Act requires each federal agency with procurement powers to establish an OSDBU and requires that the agency head appoint a Director for this office. Section 15(k)(3) requires that the Director shall be responsible only to and report directly to the agency head or deputy. Other provisions of the act describe the Director's duties and responsibilities. The legislative history of Section 15(k) of the Small Business Act shows that Congress intended to mandate a direct reporting relationship between the Director of Small and Disadvantaged Business Utilization and the agency head or deputy. A 1978 report by the Senate Select Committee on Small Business noted that officials who were responsible for advocating small business participation in federal procurements often did not hold high enough positions in the agency to be effective.

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The purpose of Section 15(k)(3) is to provide the Director immediate access to the agency's top policymakers and thus maximize the Director's effectiveness as an advocate of small and disadvantaged businesses.

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**Air Force Is Not in Compliance With the Law**

Secretary of the Air Force (SAF) Order 650.2 established the Department's OSDBU on May 18, 1979, with its Director reporting to the Secretary of the Air Force. However, the order also required the Director to take policy and management guidance from the Assistant Secretary of the Air Force for Research, Development, and Logistics (RD&L). SAF Order 100.1, revised on December 11, 1978, provides that the Assistant Secretary, RD&L, is responsible for, among other things, direction, guidance, and supervision over all matters pertaining to the formulation, review, and execution of plans, policies, and programs related to Air Force procurement activities and small business matters. According to officials in the Air Force's OSDBU and General Counsel's Office, the Assistant Secretary's authority established by SAF Order 100.1 remains in force, and was not abridged by SAF Order 650.2 establishing OSDBU. SAF Orders 650.2 and 100.1 are not currently being revised, according to Air Force officials. Thus, OSDBU's operations are subject to direction from the Assistant Secretary, RD&L.

The Director, OSDBU, indicated that he is subordinate to the Assistant Secretary, RD&L, even though the Secretary signs his performance appraisal. In 1984 and 1985, the Director proposed that SAF Order 650.2 be revised to remove OSDBU from the Assistant Secretary's authority. However, no action was taken. The above stated provisions of both SAF Orders do, in fact, make the Director, OSDBU, in some respects a subordinate of the Assistant Secretary of the Air Force, RD&L, as well as of the Secretary. Therefore, we conclude that because the Director, OSDBU, is not responsible only to, and does not report directly to the Secretary or Under Secretary of the Air Force, the Department is not in compliance with the Small Business Act, Section 15(k)(3).

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**Recommendation**

To bring the Air Force into compliance with Section 15(k)(3) of the Small Business Act, we recommend that the Secretary of the Air Force require the Director, OSDBU, to be responsible only to and report directly to the Secretary or Under Secretary.

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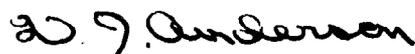
Agency Comments

On March 10, 1987, we requested that Air Force provide official comments on a draft of this report. Air Force was unable to provide us comments within the 30-day time limit set by 31 U.S.C. 718(b). Although a 30-day extension was approved, the Department still did not comment. Therefore, we are issuing this report without comments from Air Force.

As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations. This statement must be submitted to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of this report. A similar statement must also be submitted to the Senate and House Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this report.

As arranged with the Chairman's office, we are sending copies of this report to the Chairman, House Committee on Small Business; the Director, Office of Management and Budget; and other interested parties upon request.

Sincerely yours,



William J. Anderson  
Assistant Comptroller General



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